

MINUTES OF THE ANNUAL MEMBERS' BUDGET MEETING

TELLURIDE MOUNTAIN VILLAGE OWNERS ASSOCIATION

NOVEMBER 18, 2009

BOARD MEMBERS PRESENT: Nelson Sharp (via telephone), Jonathan Sweet (via telephone), Daniel Zemke, Dave Riley (via telephone), Jeff Proteau, John Volponi, and Jonathan Greenspan

STAFF PRESENT: Erin Neer, Jim Riley, Brianne Hovey, Leanne Hart, and Stephanie Fanos

OTHERS PRESENT: Catherine Jett (TMV), Scott McQuade (MTI), Seth Cagin (The Watch), Kate Rideout (MTI), Robert Rogers, Ron Brumley (Telluride WebTV), Kim Hewson, Bob Delves (TMV), Stash Wislocki (TAB), Charity Banker and Patrick Rothe (TSG sales), Adam Singer (Poacher's), Terry Hummer, Krissy Webster, Brandt Barber, Paolo Canclini, Corey Carlstead, Christine Reich, Meehan Fee, Penelope Gleason

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- 1) **Call to Order** – President Sharp called the meeting to order at 4:36 pm. He thanked audience for attending.
 - 2) **Presentation of the Proposed 2010 Budget** – Erin Neer said that providing the members with an opportunity to ask questions about the budget was the primary reason for the meeting. She noted that there were copies of the budget in the back of the room. Ms. Neer said after today's meeting there will be two more Budget meetings on December 3rd and December 8th or December 9th. She gave a summary of the overall budget. The 2009 performance is expected to have a deficit of \$3.9 million; estimated working capital at the end of 2009 is \$9.4 million and unreserved levels will be at \$5.5 million. The proposed 2010 budget shows a deficit of \$1.4 million, which will reduce the gross working capital to \$8 million and unreserved levels down to \$3.1 million. Ms. Neer noted that the reserve level will be revised once the board has adopted a final budget. She moved on to list TMVOA's sources of revenue. RETA provides 57%, 29% comes from owners' assessments, 9% from rental activity and 5% from investment earnings. Ms. Neer then reviewed the 2009 RETA performance. The baseline activity for 2009 will be approximately \$2.2 million, which is 35% of the second year historical average and 52% of total RETA received in 2008. Mountain Village is seeing a depression in the average home sale prices partially due to bank owned sales. Currently, there is no indication of improvement and the 2010 budget will remain flat at \$2.2 million. Ms. Neer addressed the operating expenditures. The primary obligation is to fund the Gondola at \$3.2 million for 2010. Other expenditures include: Administration at \$687,000, Events at \$234,000, and Member Communication at \$136,000. Administration costs breakdown to 43% employee costs, 26% professional fees, 15% property ownership costs, 16% general operations. Ms. Neer said historically the Discretionary Programs have included Guest Services, Group Sales, Grants, and Planning costs. She said this is where the board has focused most heavily in looking to reduce costs. There has been a significant drop in funding and the elimination of some programs. She addressed the proposed changes. The Events line item has been reduced by \$422,000. The Guest Services line item has been reduced by \$163,000. A Group Sales function has been added to the budget in the amount of \$250,000 to work with MTI to solicit conference business to the region. Grant funding will be reduced by \$400,000 and

Charitable Donations have been eliminated. Regional Marketing and Planning will not be continued in 2010. The Gondola Non-Recurring includes major repairs and improvements. Ms. Neer moved onto the Balance Sheet. It shows the gross working capital has decreased by \$4.6 million. Liabilities have decreased due to RAL obligations that were booked at the end of 2008. Current assets have decreased due to the current year deficit. She said current receivables are \$185,000. Ms. Neer addressed the investment strategy. TMVOA is focused on capital preservation.

- 3) **Member Input** – Erin Neer asked for questions and requested that members approach the microphone and introduce themselves. President Sharp asked if anyone had any questions or comments. Director Proteau asked if anyone would like to review any of the slides. Erin Neer offered to answer any questions from the budget document. Director Greenspan offered sandwiches. Adam Singer asked about the Group Sales line item. President Sharp said that occupancy rates in the Village are fine in January, February and March, but the remaining nine months of the year the Village struggles. He said that the details still need to be worked out, but that the objective is to make a concerted effort to attract group business to Mountain Village in the months where there are fewer visitors. Adam Singer asked how the money would be spent. Director Volponi said Mountain Village hotels have been seeing more group inquiries. He said the board has been talking about having a stronger presence in the marketplace and meeting planner conventions. He added that Mountain Village is fortunate to have good hotels and a convention center, making it a natural fit for groups, but in the past the resources have not been available to get the word out about the opportunity that exists. The money will be used to employ a sales person and provide that person with the materials they need to be successful. Director Greenspan said the board is trying to plug the holes in the year where there are fewer visitors in town. They are looking at every option to plug the light times and make it more desirable to be here. He asked President Sharp, Director Riley, and Director Sweet if they had anything to add. No one did. Paolo Canclini asked for a breakdown of the Events. Erin Neer provided the breakdown: \$20,000 for the Red, White and Blues concert, \$60,000 for Gay Ski Week, \$10,000 for New Year's Eve fireworks, \$75,000 for the Sunset Concert Series, \$65,000 for the Telluride Festival of the Arts, and \$3,500 for the Snow Festival. Kim Hewson addressed the Group Sales money saying it gets to the heart and philosophy of TMVOA, but as a resident and a tax payer \$250,000 is a lot of money. He said he is in favor of it in one sense, but as a resident he is opposed. He asked how it benefits the homeowners. He understands how it benefits the hotels, and the restaurants and the retailers, but the homeowners share greatly in this expense. He said he questions the allocation of the money to the residential group as opposed to the commercial, lodging and mountain members. President Sharp said the priority of TMVOA after the legal obligations, is economic development. He said a healthy retail and lodging environment benefits the residents and helps maintain property values. He believes the connection exists there. Kim Hewson said he understood, he just wants to be a voice from the residents so that the board knows the residents are contributing. Director Greenspan repeated Kim Hewson's comment for the board members on the phone. Adam Singer asked for verification that the Group Sales is a marketing only expense, and that the board is refocusing marketing attention. Director Volponi confirmed. Director Greenspan asked if there were other questions. Patrick Rothe asked about the specifics of the grant awards. Erin Neer said there were copies of the complete grant schedule in the back. Director Zemke asked Jim Riley if he would summarize. Jim Riley said there were 21 grant requests and the Prioritization Committee determined they would fund nine of those requests. Mr. Riley said the Ski Council receives \$40,000 plus \$18,000 that was not used this year, Mountainfilm received \$20,000, Telluride Aids Benefit received \$15,000, Telluride Film Festival \$30,000, the Economic Summit received \$20,000, the Telluride Society for Jazz received \$5,000, Telluride Science Research Center received \$5,000, Telluride Ski and Snowboard Club received \$10,000, and the Telluride Yoga Festival received \$15,000. He said the primary focus was economic development to support Mountain Village businesses and homeowners. Director Greenspan asked Mr. Riley to explain the Prioritization Committee's philosophy behind picking who would receive grants. Jim Riley said the

Committee worked to provide funding to organizations that would provide economic development to the community. They looked for organizations that would contribute to an overall creation of vitality in the Core. Director Greenspan said Director Zemke was chairman of the Prioritization Committee, while he and Mayor Delves worked on the Town side, and Director Volponi worked on behalf of TMVOA. He said it was a grueling process and they received tremendous help from Jim Riley. The grant proposals were heavily debated; it was not an easy task. Director Proteau said Jim Riley has done a very detailed economic benefits report for each of the events. Penelope Gleason congratulated the board and said they are going through same thing with budgets. She asked if the board plans on having a continuation of Jim Riley's work on the ROI impact with the changes being made in terms of economic development. She said she knows it is difficult to measure ROI and that the board is looking for improvements. She said it would be interesting to see how grants that were dropped or change effected the economic development. Director Zemke said the board rounded out a previous meeting with a lengthy discussion of the importance of ROI and the gathering of data; not for what the board thinks will work but also to keep in mind the things that have been let go of. He said it has been a continual challenge for TMVOA to get a solid understanding of investment. It's too valuable to let go. Director Greenspan said the board is also looking for ways to look for alternatives to raise money to sponsor these events to maintain the quality of events. TMVOA is looking for alternative revenues such as sponsorships. He said the board is looking at preserving quality of life in Mountain Village. Director Volponi added that the Prioritization Committee was also looking for the grantees to have a plan to be self-sustaining in the future. Director Proteau said Jim has shown the detail of lodging in Mountain Village as opposed to Telluride. He said it is important to know the ROI for Mountain Village as opposed to an event on the whole. The idea is to push Mountain Village and the reports help understand that. Director Greenspan said there were applications for grants from the Town of Telluride and TMVOA is not turning its back on the region, but is focusing on Mountain Village. Director Zemke said the board had a lengthy discussion of how the applicant can think creatively and collaborate with other entities. The board wanted to encourage grantees to think creatively. Patrick Rothe thanked the board. He said his team is on the road as they bid councils and ski clubs. He said half of their grant is to offset costs of large groups, the grants help them to bring large groups to Mountain Village. This helps Mountain Village by bringing people to town and when they are having events at the Conference Center they want to stay in the Village. Director Greenspan asked if there were further comments or questions. President Sharp said he'd entertain a motion to adjourn.

- 4) **Adjournment** – Director Greenspan made a **MOTION** to adjourn the meeting, Director Proteau seconded the motion. The meeting was adjourned at 5:16 pm.