

April 28, 2008

Dear Member of the Villas at Prospect Point Condominium Association:

The Annual Meeting for the Association has been set for 10:00 AM on Saturday, May 24, 2008. The meeting will be held at the Best Western Lake Dillon Lodge located at 1202 North Summit Boulevard in Frisco (next to Safeway.)

The Prospect Point Master Association Annual Meeting will take place at 8:30 AM, preceding our meeting. Please plan to attend this meeting as well.

A buffet continental breakfast will be served. Please arrive a few minutes early to sign in, collect your packets, and have a bite to eat.

## **NOTICE AND AGENDA**

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Enclosed please find the formal notice of the meeting and an agenda, as required by the Colorado Common Interest Ownership Act and our Bylaws.

## **MEETING ATTENDANCE AND PROXY ASSIGNMENTS**

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Please return the Notification and proxy so we will know how many to expect, so that sufficient food and materials can be ordered. (You are welcome to attend even if you do not return the Notification, or if you originally replied that you would not attend and later become able to. Any proxy you assign is revoked by your attendance.)

I encourage every owner who is capable to please attend the annual meeting. **We must have a quorum in order to conduct business at the meeting.**

If you cannot attend, I encourage you to assign your proxy to a neighbor whom you trust to accurately represent your views.

I would ask that members refrain from assigning their proxy to me. As president, I will preside at the annual meeting, and as such, except in the case of voting by ballot, I will not cast a vote unless it is to create or break a tie. You would be better served to assign your proxy to someone who will reliably cast a vote in every instance.

## **BUDGETS**

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As a reminder, the Colorado Common Interest Ownership Act and our Bylaws require that the membership ratify any proposed budget adopted by the Board of Directors. The Association currently maintains three funds: the Operating Fund, the Reserve Fund, and the Drainage Remediation Fund. Each fund has its own budget and related

assessment. (In the case of the Reserve Fund and the Drainage Remediation Fund, the budgets are referred to as “Plans.”)

## **Operating Budget**

The Operating Fund contains those regular expenses incurred in the normal operation and management of the Association and the premises. A rough guide is that if the expense occurs regularly, at least once a year, it's likely to be in the scope of the Operating Fund.

The total proposed budget for the Operating Fund for 2008 – 2009 is \$261,000, a 4% increase over the 2007-2008 Operating Fund Budget. Please note that a significant portion (45%) of this increase is represented by the Master Association assessment. This assessment is set by the Master Association, so I encourage everyone to attend the Master Association Annual meeting for an update on the budgeting work the Master Association board of directors has been doing.

The proposed Operating Fund budget for 2007 – 2008 can be found on page 3.

## **Reserve Plan and budget**

The Reserve Fund (sometimes referred to as the *Replacement Reserves*) is used for the addition to or replacement of significant capital assets of the Association. As a rough guide, if an asset has an estimated life of more than one year, the expense to replace that asset is likely to be covered by the Reserve Fund. Examples of Reserve Fund expenditures are the asphalt roads and drives (for seal coating or overlaying), the paint on the buildings, the roofs on the buildings, the hot tub complex and its various components, the dumpster enclosures, etc.

I am not including the rather lengthy discussion on the Board's approach to funding the Reserve which we introduced in 2006. If you are a new owner since last year's Annual Meeting and would like a copy of the Reserve Philosophy, please contact me.

The Board continues to revisit the Reserve Plan every 1-3 years, to update the estimates of both the life of and cost to replace our common elements, and to continue to add sophistication to the Plan. This year the cost estimate to replace our roofs was updated due to research performed as we address out systemic problem with roof leaks.

Page 4 contains the Reserve Plan for 2008 – 2009. While reviewing the plan it is important to keep in mind that it is designed as a tool to calculate an appropriate level of contributions to the reserve, and is not intended as a precise plan. Individual estimates, both for useful lives and replacement costs, are certainly subject to debate. It is impractical to attempt to precisely budget expenditures that are several years in the future. As each component nears the end of its useful life and is scheduled for replacement, considerably more precise estimates will be obtained.

## **Drainage Remediation Fund**

This year the Board has voted to close the Drainage Remediation Fund, as it has served its purpose. Any monies remaining in the fund will be transferred to the Reserve Fund.

2008 – 2009 Proposed Operating Budget

		2008-09	2007-08	Increase / (Decrease)	% change
<b>OPERATING FUND</b>					
<b>REVENUE</b>					
400	Operating Dues	\$ 260,872	\$ 251,176	\$ 9,696	3.9%
409	Interest	\$ -	\$ -	\$ -	#N/A
	Budget Revenue	\$ 260,872	\$ 251,176	\$ 9,696	3.9%
<b>EXPENSES</b>					
501	Legal/Professional Fees	\$ 1,500	\$ 1,500	\$ -	0.0%
502	Bank Charges	\$ -	\$ -	\$ -	#N/A
503	Copies	\$ 695	\$ 695	\$ -	0.0%
504	Insurance	\$ 13,201	\$ 14,764	\$ (1,563)	-10.6%
5042	Insurance contingency	\$ 2,000	\$ 2,000	\$ -	0.0%
5043	Insurance claims deductible	\$ 5,000	\$ 5,000	\$ -	0.0%
505	Management Fee	\$ 76,280	\$ 73,348	\$ 2,932	4.0%
506	Miscellaneous	\$ -	\$ -	\$ -	#N/A
507	Office Expense/Supplies	\$ 150	\$ 150	\$ -	0.0%
508	Repairs & Maintenance	\$ 7,375	\$ 6,825	\$ 550	8.1%
510	Water & Sewer	\$ 42,888	\$ 40,420	\$ 2,468	6.1%
5111	Snow Removal-Supplies	\$ 550	\$ 550	\$ -	0.0%
5112	Snow Removal-Plow	\$ 7,600	\$ 7,600	\$ -	0.0%
5113	Snow Removal-Skidster	\$ 2,000	\$ 2,000	\$ -	0.0%
5114	Snow Removal-Ice Roof	\$ 2,000	\$ 2,000	\$ -	0.0%
5115	Snow Removal-Ice Labor	\$ 2,400	\$ 1,600	\$ 800	50.0%
513	Cable TV	\$ 35,828	\$ 35,208	\$ 620	1.8%
514	Trash Removal	\$ 4,690	\$ 4,690	\$ -	0.0%
515	Common Electricity	\$ 16,079	\$ 15,815	\$ 264	1.7%
516	Postage	\$ 937	\$ 715	\$ 222	31.0%
517	Faxes	\$ 36	\$ 36	\$ -	0.0%
519	Accounting/Audit	\$ 2,150	\$ 2,150	\$ -	0.0%
520	Income Taxes	\$ -	\$ -	\$ -	#N/A
521	Asphalt crack seal	\$ 1,700	\$ 1,400	\$ 300	21.4%
522	Rodent and pest control	\$ 2,541	\$ 2,310	\$ 231	10.0%
525	Landscaping	\$ 7,400	\$ 8,400	\$ (1,000)	-11.9%
526	Annual Meeting	\$ 900	\$ 900	\$ -	0.0%
527	Board Expenses	\$ 1,798	\$ 1,640	\$ 158	9.6%
528	Hot Tub Supplies	\$ 1,800	\$ 1,800	\$ -	0.0%
529	Hot Tub Repair & Maint.	\$ 1,650	\$ 1,500	\$ 150	10.0%
530	Hot Tub Gas/Electric	\$ 3,036	\$ 3,024	\$ 12	0.4%
560	Master Association Cont	\$ 16,752	\$ 12,204	\$ 4,548	37.3%
	Budget Expenses	\$ 260,936	\$ 250,768	\$ 10,168	4.1%
<b>Budget Surplus(Deficit)</b>		<b>\$ (64)</b>	<b>\$ 408</b>		

## 2008 – 2009 Reserve Plan

Current Fiscal Year		2008		Annual percentage increase 6.00%						Annual investment yield 4.99%						Rate of Inflation 2.80%																													
Replacement of existing common elements	Year installed			Expected life			Est. remaining life			Proposed project	Estimating Notes	Unadjusted		Inflation Adjusted		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Beyond 2018																		
	Oldest	Newest	Avg.	Age	Min	Max	Avg.	Min	Max			Avg.	Cost Est.	Basis	Est. Year	Cost Est.	Basis																												
Siding	1995	1995	1995	13	25	25	25	12	12	12	Replace	\$30k lrg \$25 k sml	\$295,000	\$11,800	2006	\$ 434,000	\$17,380											\$434,000																	
Roofs	1995	1995	1995	13	20	20	20	7	7	7	Replacement	See BOD meeting packet 4/08	\$500,000	\$25,000	2008	\$ 607,000	\$30,350							\$606,600																					
Gutters	1995	1995	1995	13	20	20	20	7	7	7		(\$800 per section avg.)	\$37,600	\$1,880	2006	\$ 48,000	\$2,400							\$48,200																					
Heat tape & Bylin systems	1995	1995	1995	13	20	20	20	7	7	7		(\$400 per section avg.)	\$18,800	\$940	2006	\$ 24,000	\$1,200							\$24,100																					
Asphalt sealcoat	2003	2003	2003	5	7	7	7	2	2	2	Sealcoat		\$9,000	\$1,286	2006	\$ 10,000	\$1,429		\$10,100							\$12,200																			
Asphalt Overlay	1995	1995	1995	13	25	25	25	12	12	12	Overlay		\$40,000	\$1,600	2006	\$ 58,000	\$2,360										\$59,000																		
Asphalt Stripping	2003	2003	2003	5	4	4	4	0	0	0	Stripping		\$2,000	\$500	2006	\$ 2,000	\$500	\$2,100				\$2,400			\$2,600																				
Painting																																													
Railings	2006	2006	2006	2	1	2	1	0	7	3	All bldgs. in total		\$5,000	\$5,000	2006	\$ 5,000	\$5,000	\$5,300	\$5,400	\$5,600	\$5,700	\$5,900	\$6,100	\$6,200	\$6,400	\$6,600	\$6,800	\$6,964																	
Trim	2005	2006	2005	2.5	4	5	4	1.5	7	4	All bldgs. in total		\$35,000	\$8,750	2006	\$ 38,000	\$9,500	\$38,000					\$42,500			\$47,400																			
Siding	2005	2006	2005	2.5	8	9	8	5.5	7	6	All bldgs. in total		\$50,000	\$6,250	2006	\$ 61,000	\$7,625						\$60,700																						
Concrete											(3 major sections)				2006	\$ -																													
Good	1995	2005	2000	11	25	25	25	16	16	16	Replace (26 sections)		\$130,000	\$5,200	2006	\$ 220,000	\$8,800											\$220,000																	
Fair	1995	1995	1995	11	25	25	25	5	10	7	Replace (8 sections)		\$28,000	\$1,120	2006	\$ 41,000	\$1,640																												
Poor	1995	1995	1995	11	25	25	25	2	2	2	Replace (4 sections)		\$12,000	\$480	2006	\$ 18,000	\$720																												
Railings	1995	1995	1995	13	20	20	20	7	7	7	replace	98 total = 6/sml 14/lrg	\$98,000	\$4,900	2006	\$ 126,000	\$6,300							\$125,700																					
Exterior Light Fixtures	1995	1995	1995	13	20	20	20	7	7	7	replace	306 total @ \$13 ea.+ install	\$8,000	\$400	2006	\$ 10,000	\$500							\$10,300																					
Dumpster enclosures	1995	1995	1995	13	20	20	20	7	7	7	replace	\$2k ea. Split 1 w/ twin/mes	\$3,000	\$150	2006	\$ 4,000	\$200							\$3,800																					
Shed	1995	1995	1995	13	20	20	20	7	7	7	replace		\$1,000	\$50	2006	\$ 1,000	\$50							\$1,300																					
Stairways	1995	1995	1995	13	20	20	20	7	7	7	replace	26 total 2/sml 3/lrg \$2k ea	\$56,000	\$2,800	2006	\$ 72,000	\$3,600							\$71,800																					
Signs	1995	1995	1995	13	15	15	15	2	2	2	replace		\$2,000	\$133	2006	\$ 2,000	\$133		\$2,200																										
Hot Tub																																													
Shell (2)	1996	1996	1996	12	12	15	13	0	3	1	2 at \$9000 each		\$18,000	\$1,385	2006	\$ 20,000	\$1,538		\$19,600																										
SandFilter	1999	1999	1999	9	10	10	10	1	1	1	replace 1		\$1,000	\$100	2006	\$ 1,000	\$100		\$1,100																										
Pumps	2000	2000	2000	8	5	5	5	0	0	0	2 jet, 1 circ at \$800 each		\$2,400	\$480	2006	\$ 2,000	\$400	\$2,500				\$2,900						\$3,343																	
Heater	1999	1999	1999	9	15	15	15	6	6	6	replace 1		\$4,000	\$267	2006	\$ 5,000	\$333						\$5,000																						
Plumbing	1996	1999	1997	10.5	20	20	20	9.5	9.5	9		tdb				\$ -	\$0										\$0																		
Covers(2)	2004	2004	2004	4	1	2	1	0	0	0	replace both		\$1,200	\$1,200	2006	\$ 1,000	\$1,000	\$1,300	\$1,300	\$1,300	\$1,400	\$1,400	\$1,500	\$1,500	\$1,500	\$1,600	\$1,600	\$1,671																	
Ozenator	1999	1999	1999	9	16	16	16	7	7	7	replace		\$800	\$50	2006	\$ 1,000	\$63								\$1,000																				
Peroxide feeder	1999	1999	1999	9	16	16	16	7	7	7	replace		\$300	\$19	2006	\$ -	\$0								\$400																				
Hot Tub Structure															2006	\$ -																													
Railings	1995	1995	1995	13	20	20	20	7	7	7	replace		\$6,000	\$300	2006	\$ 8,000	\$400								\$7,700																				
Stairs	1995	1995	1995	13	20	20	20	7	7	7	replace		\$1,000	\$50	2006	\$ 1,000	\$50								\$1,300																				
Gates	1995	1995	1995	13	20	20	20	7	7	7	replace		\$2,500	\$125	2006	\$ 3,000	\$150								\$3,200																				
Decking	1995	1995	1995	13	20	20	20	7	7	7	replace		\$5,000	\$250	2006	\$ 6,000	\$300								\$6,400																				
Supports	1995	1995	1995	13	30	30	30	17	17	17	replace		\$8,000	\$267	2006	\$ 14,000	\$467											\$14,000																	
Siding	1995	1995	1995	13	20	20	20	7	7	7	replace		\$1,500	\$75	2006	\$ 2,000	\$100								\$1,900																				
Capital Investments (improvements or additions to existing common elements)																																													
Other payments																																													
Elements without practically estimatable lives																																													
Electrical	1995	1995		13	35	35																																							
Sewer	1995	1995		13	35	35																																							
Water mains	1995	1995		13	35	35																																							
Irrigation	1995	1995		13	15	15																																							
Underground Drainage	1995	1995		13																																									
Plumbing (in bldg.)	1995	1995		13																																									
Electrical (in bldg.)	1995	1995		13																																									
<b>TOTALS</b>																<b>\$1,842,100</b>	<b>\$82,806</b>		<b>\$1,846,000</b>	<b>\$104,568</b>	\$11,200	\$65,400	\$19,200	\$7,100	\$9,700	\$113,700	\$12,700	\$921,600	\$10,800	\$68,000	\$11,979	\$727,000													
Reserve Balance year begin																																													
Reserve fund contributions																																													
Reserve fund interest																																													
Special assessments																																													
Expenditures Per Year																																													
Reserve Balance year end																																													

## Dues Schedule

Based on the assessments for the two remaining Associations funds, the proposed dues schedule for the fiscal year 2008-2009 follows. Some key points to remember:

- Each fiscal year, the first month (May) is assessed at the same rate as the prior year, as the new dues schedule cannot be implemented until the budget is ratified. This results in each fund's monthly assessment being calculated by taking its total assessment, subtracting May's assessment, dividing the remainder by 11, and applying the various sharing ratios.
- For the Reserve Fund *last* year, there was be a contribution from an Operating Fund surplus in the amount of \$10,000, reducing the total required to be collected to \$43,000. This year the Operating Fund did not enjoy a surplus, so the entire Reserve Fund contribution must be assessed.

Fund	Total Assessment	May 2008 assessment	June '08 - April '09 assessment	Monthly dues
Operating	\$261,000	\$ 20,940	\$240,060	\$ 21,812
Reserve	\$ 56,000	\$ 3,536	\$ 51,208	\$ 4,642
Drainage Remediation	\$ 0	\$ 1,256 <i>(will be contributed to Reserve)</i>		

UNIT type	SQ FT.	NO of units in complex	Total sq ft.	% interest in general common elements /unit	2007-2008				2008-2009		
					Operating Dues	Reserve Dues	Drainage Remediation Assessment	Total dues	Operating Dues	Reserve Dues	Total dues
A	1040	22	22880	1.12238%	\$ 235	\$ 40	\$ 14	\$ 289	\$ 245	\$ 52	\$ 297
B	1123	8	8984	1.21196%	\$ 254	\$ 43	\$ 15	\$ 312	\$ 264	\$ 56	\$ 320
C	864	22	19008	0.93244%	\$ 195	\$ 33	\$ 12	\$ 240	\$ 203	\$ 43	\$ 246
D	982	8	7856	1.05979%	\$ 222	\$ 37	\$ 13	\$ 272	\$ 231	\$ 49	\$ 280
E	1420	8	11360	1.53248%	\$ 321	\$ 54	\$ 19	\$ 394	\$ 334	\$ 71	\$ 405
F	1026	22	22572	1.10727%	\$ 232	\$ 39	\$ 14	\$ 285	\$ 242	\$ 52	\$ 294
		90	92660								

UNIT type	Building	Units	Current dues	Operating Dues	Reserve Dues	Total proposed dues	Change
A	1501, 1503, 1507, 1513, 1515, 1517, 1521	101, 102	\$ 289	\$ 245	\$ 52	\$ 297	\$ 8
	1505, 1509, 1511, 1519	101, 104					
B	1505, 1509, 1511, 1519	102, 103	\$ 312	\$ 264	\$ 56	\$ 320	\$ 8
C	1501, 1503, 1507, 1513, 1515, 1517, 1521	203, 204	\$ 240	\$ 203	\$ 43	\$ 246	\$ 6
	1505, 1509, 1511, 1519	205, 208					
D	1505, 1509, 1511, 1519	206, 207	\$ 272	\$ 231	\$ 49	\$ 280	\$ 8
E	1505, 1509, 1511, 1519	202, 203	\$ 394	\$ 334	\$ 71	\$ 405	\$ 11
F	1501, 1503, 1507, 1513, 1515, 1517, 1521	201, 202	\$ 285	\$ 242	\$ 52	\$ 294	\$ 9
	1505, 1509, 1511, 1519	201, 204					

## ELECTION OF BOARD MEMBERS

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Three of the five Board seats' terms will expire at the end of the annual meeting. These seats are currently held by:

- Kevin McClain (1511-206)
- Scott McLean (1517-204)
- Tony Petersen (1515-203)

Messrs. McLean and Petersen intend to stand for their seats again. Mr. McClain is undecided.

If you are interested in serving on the Board (or on a committee), please indicate so when you return your meeting notification, or contact myself or Kevin Lovett of Summit Resort Group. If you're uncertain, please feel free to contact myself or any current board member with questions.

Board terms run for two years. The Board currently meets 6 times a year, plus additional special meetings and/or tours of the premises as required. Each Board meeting lasts from 2-3 hours.

## ASSOCIATION NEWS AND ISSUES

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### Roof Leaks

As anyone who spent anytime in Summit County this past winter can attest, it was a doozy, with snowfall levels as high as I can remember since the complex was built in 1995-1996. Big winters have a way of exposing weak parts of the premises, and this winter was no exception, as our suspect roofs showed their colors and graced us with 25 roof leaks.

In years past the ill-conceived "flat roofs" (the end of each building is plagued with a roof design which has a large, flat expanse, with minimal pitch, in which snow accumulates and from which water has difficulty draining) had been responsible for the majority of our leaks. Our multi-year flat roof replacement program has served us well, as this year the roof valleys were exposed as the greatest source of roof leaks.

The Board has decided to upgrade a number if not all of these valleys to a superior roofing configuration. I'll share more details with the membership in coming weeks as this project becomes more defined.

### Master Key System

Please remember that your unit *must* remain on the Association's master key system. This is for the protection of all owners in the event of an emergency – we hate to break down doors to turn off the water.

If you need to re-key your unit, please contact Kevin Lovett of Summit Resort Group.

## **Pets Restricted to Owners**

Owners are reminded that only *owner-occupied units* are permitted to have pets. If you lease your unit long-term, please ensure that your lease clearly prohibits pets. If you rent your unit short-term, please ensure that your management service is aware of this restriction, and that guests are informed of the restriction well before arriving.

## **Adopt a Flower Bed Program**

We are continuing our “Adopt a Flower Bed” program. As an owner at the Villas at Prospect Point, you may “adopt” a flower bed and use it to exercise your inner green thumb. The weeding, planting and maintaining of flower beds by owners are a great way to beautify the complex and are supported by the Association.

What’s better is that the Association will reimburse you for material costs up to \$100!

If you are interested in adopting a flower bed, please contact Kevin Lovett of Summit Resort Group to identify the bed, discuss your plans, and discuss material cost reimbursement. If you’ve already adopted a bed, either formally as a participant of the program last season, or informally, we ask that you still let Kevin Lovett know. This will prevent your bed being accidentally assigned to someone else. By formalizing your participation you can also apply for the material cost reimbursement.

Kind regards,

VILLAS AT PROSPECT POINT CONDOMINIUM ASSOCIATION



Robert C. Bullard  
President