

JOINT WORK SESSION
Cobble Creek Homeowners Association, Inc.
The Club at Cobble Creek
Spruce Point HOA
Meeting Minutes

November 16, 2022, at 11:00 a.m. @ The Clubhouse and via Zoom

ATTENDEES

Members of the three entities were invited to attend the joint work session to discuss Projected Capital Expenses and Revenue Options for the Cobble Creek Community. 27 members attended via Zoom and approx. 60 members attended in person. Kayla Bright, Office Manager at The Club, and Janet Samples from Source hosted the Zoom meeting and took meeting minutes.

PRESENTATION: Pat Pitz, representing the Long-Range Planning Committee, opened the session by explaining that the focus of the meeting is to establish a 10-year path for the community through discussion about the needs and resources to preserve the community's financial future. Pat provided historic clarification on the acquisition of the Club from WestStar in 2020 with assets including machinery, equipment and buildings that were aged 23 years or older. There wasn't a cash buy out but the Club did inherit \$190,000 in equipment lease payments and estimates the Club is now half-way through paying off that inherited liability. Pat emphasized that "we are all investors in this community by the investments we've made in our homes". Pat also stated that the community raised \$71,000 for cart paths and thanked members.

The Power Point presented by Pat, titled "Projected Capital Expenses and Revenue Options" was sent to members prior to the meeting. Pat reviewed the impact on home values if the golf course were to close, a 10-year revenue needs forecast, 10-year projected irrigation expense, options for revenue sourcing, and critical funding needs.

Q&A

Q: Pat Byrnes: How would we go about legalizing the community improvement fund? This would make it mandatory, at the time of a home sale, for the buyer to become a club member.

A: A majority vote of the HOA members, change in the HOA governing documents; HOA funds would be set aside and distributed as funding requests are submitted and approved by the HOA Board. Will need legal advice for covenant changes.

Q: Suzanne Hansen: Would requiring all homeowners to be club members be part of the same vote as mandatory club membership?

A: No, separate votes, can be done coincidentally

Q: No Name: Has the HOA discussed funding for jockey pumps.

A: Suzanne: During the October board meeting, we discussed 15% increase to dues for 2023, some of that money would be allocated for Club Capital Improvements. The Board would vote on each club request and, if approved, funds would be issued through the easement agreement. The easement agreement will need to be amended.

A: Chris Cox: From the HOA's perspective, raising dues isn't a big deal. The Board can raise to the maximum allowable 15%. The issue is showing a common benefit to all HOA members before funding Club projects. The current easement payment is intended to cover maintenance. The HOA is already paying \$130k per year. The Club should consider reducing maintenance and/or other costs as well.

Q: Randy White (Zoom): How many club members have renewed their membership?

A: Mike Weber: Only 2 members have indicated they are not renewing. Memberships automatically renew if members do not opt out.

Q: Betsy Willy: What happens if we merge the Club and HOA – will that be a discussion for next year?

A: Consider all legal issues first.

R: Bill Crittendon: Thanks to everyone for their volunteer work. Referencing “that’s a discussion for next year” is discouraging as this has been a discussion for the past two years. Can’t put the question off any longer, applause.

Q: Tim Summers: why don’t we get legal guidance on joining the HOA and Club.

A: Mike Weber: Have already done that. The HOA has not decided about joining together after 5 options were provided by the attorney.

A: Chris Cox: Membership renewals could have a significant impact on the Clubs cash flow. We need to do our due diligence, including auditing current and historic Club financials. The HOA is still looking at pros and cons and needs to understand the risks. The HOA perspective is to support the community improvement fund.

Q: Tim Summers: how do we ensure that existing club members don’t opt out. Might the HOA be interested in financially supporting additional common areas as part of a revised easement agreement? Are there ways to preserve the Club’s financial position while we decide how to move forward with funding.

A: Mike Weber: will need to change the HOA gov docs to make club membership mandatory.

Q: Barbara Popp: How many club members are there

A: Mike Weber: There are 401 Cobble Creek HOA members, 24 Spruce Point HOA members, and 308 Club members.

A: Spruce Point no name: SP is a separate HOA and members must pay \$3000 to opt out of Club membership. Conversations continue between the Club and the developer regarding easement agreements and funding.

Q: Pam Miller: For the irrigation replacement project, will the cart paths need to be ripped out?

A: Pat Pitz: the paths will not be ripped out – they will install new pipes by tunneling under current paths. 9 holes can be replaced at a time and it will take a couple of months. The project should be done at the end of the season.

Q: Barbara Popp: Why not do a special assessment when the funding is needed.

A: Pat Pitz: The special assessment option is still out there but it doesn’t build annual stability.

Q: Ned Frasier: The sub HOAs are paying \$270/year for water. That seems pretty low and would probably be willing to pay more.

A: Mike Weber: Good suggestion, will discuss with Paul.

Q: Randy White: How will the Club “collateralize” the two \$2.5m loans?

A: Pat Pitz: we need to figure that out. The HOA could consider loaning the Club money as an interest-bearing line of credit. The club would need to come up with collateral for the line of credit from the HOA.

Q: Stan Grigg: How much is Spruce Point paying (as part of their easement agreement) for the common area.

A: Spruce Point no name: Spruce Point pays \$2500/year for maintenance of Spruce Point common areas only.

A: Stan Grigg: That seems low since those members have full access to use of the Club and course, common areas, ponds, etc.

Q: Stan Grigg: Is the Club board considering putting the driving range up for collateral for a line of credit? If so, the HOA should consider that a liability because if the bank reevaluates the property later on and the club doesn’t pay off the loan, that could jeopardize the course and the bank could end up owning the driving range.

A: Mike Weber: We would have to use a line of credit for emergency issues anyway. We would pay it back.

A: Betsy Willy: Don’t lose sight of the fact that the HOA cannot transfer funds to the Club unless there is a common application to the entire community.

Q: Christine Collin: Thanked the LRPC for their work. My concern is that the club has started using reserve funds to pay operating expenses. \$25k has already been used, leaving the reserve fund balance at \$40k. The current checking balance is \$10k. The cash account has not increased for the last three years. The members contributed \$63k to reserves. The cash account was up to \$100k but is now \$40k. the Club has not generated cash for the past 3 years. How are we going to get operating funds.

A: Pat Pitz: assumed liability of \$190k, \$100 has been paid off.

Q: Christine: Full current liability is still \$200k, because of RE taxes, operating costs, property taxes and other things. The Club needs \$150k in operating cash.

A: Pat: Keep in mind that Club dues go up 11% in 2023 which will generate cash. The lease pay down will decrease the interest by approx. \$27k from last year. 2023 cash flow should be better because of loans being paid down.

Q: Carolyn: Montrose is not Telluride. Are there other examples of community improvement funds more similar to our community?

A: Pat Pitz: Real estate is a commonality; the logic is the same. There are other examples in other states. We could come up with more examples if needed.

Q: Rick Chapman: why not ask the HOA to provide a line of credit from reserves.

A: Mike Weber: we have not specifically asked that question and haven't done legal research to see if it can be done.

A: Chris Cox: any funding must demonstrate benefit to all homeowners.

A: Stan Grigg: The HOA line of credit would produce a fee - it's lending money to get the fee.

A: Art McIlravy: be careful of CCIOA, HOAs are not financial institutions, probably couldn't do it.

A: Betsy Willy: CCIOA prevents HOAs from running a for profit business. Transferring assets to HOA would involve creating a new structure within the HOA.

Q: Nick Parrot: if combine HOA with Club, wouldn't we need to worry about how the funds were transferred. Let's get it to a vote. Get it done.

A: Suzanne Hansen: we still need to abide by CCIOA rules.

A: Chris Cox: consider doing business while governed by CCIOA considering uncertainty of new and evolving restrictions now and in future. Need to vet the possibilities.

A: Betsy Willy: Which comes first...find out if the HOA will vote to join with the Club or seek legal advice to see if its even possible.

Q: Pam Miller: don't understand how every single homeowner doesn't benefit from the golf course being green?

A: Chris: we agree.

A: Randy Griffin: how do you justify what benefits homeowners that are non-club members. Strongly agree that not a single homeowner doesn't benefit from common areas, reputation of community, etc. We are all in this together

A: Chris Cox: the legal opinions are valid, even if we don't want to hear them. The HOA established Board member liaisons to encourage collaboration.

Q: Sandy Whitley: we've talked a lot about the HOA and the Club. Because the Club is in financial dire straits, what happens if the Club can't make it, then what does the HOA say. Aren't there benefits to figuring it out to make it work if the Club won't be here.

A: Betsy Willy: we are trying to come up with solutions.

A: Mike Weber: financial projections that the Club will see financial improvement in 2023. We definitely need to find other ways to fund projects. We are not in dire straits. We are on track with financials, expenses and revenues.

Mike Weber thanked everyone for their sincere interests and thoughts. The Club Board will hold a workshop for potential Club board members on November 17th at 5:30p. There are 7 candidates. The meeting purpose is to discuss roles, responsibilities, current challenges, etc.

Respectfully submitted by Janet Samples, Community Association Manager, Source HOA.