

DRAFT

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS ANTLERS AT VAIL ASSOCIATION Saturday, June 22, 2019

Catherine Michela, President of the Board, called the meeting to order at 1:05 pm. Other board members present were Scott Chapman, Susan Hagy Humphrey, Lori Radcliffe, Jim Taylor, Jeff Brundage, and Joe Forish. Also, in attendance were General Manager Magda King, staff members Chase Simmons, Ryan Kelsey, Dave Collins, Peter Knowles, Kim Rediker and Consultant Rob LeVine. Owner Rich Buckley dialed in to the meeting.

Minutes

The minutes of the December 8, 2018 meeting were reviewed and approved unanimously as presented.

Reservations Update

Ryan Kelsey reviewed Winter Season Results. We reached 97.2% of budgeted revenue and had the 4th best winter in Antlers history. Early December and late March/early April were softer than expected. Across the industry in Vail properties saw a lag in bookings for those same periods. The Town of Vail lost the contract for the state FBLA conference, which historically occurred in April and boosted bookings in that month. Anecdotally, many Denver Epic Pass holders used their 10 days at Vail in January and February because of outstanding snow conditions, so that also affected rental activity in March and April. Two competitors, Doubletree and Hotel Talisa, were also fully back in the market by this past winter, and we did see a slight loss in market share due to their return. According to Destimetrics data, the overall gain for mountain west ski resort hospitality properties was 6%, while Vail only realized 1%.

For summer, while we did conservatively budget revenue due to anticipated construction impacts, we have 102% of that budget on the books. Ryan anticipates adding another \$50,000 - \$75,000 in revenue through the end of August. Our message regarding construction is clear and concise, and thus we've had very few complaints from guests.

Looking ahead to the upcoming winter season, 2017-2018 was best winter ever for Antlers revenue, and advanced bookings are pacing with that season. Winter rack rates have been raised by 5-10%, depending on room type and winter season tier. The booking pattern for the 2019-2020 winter seems to indicate longer stays, and more reservations are booked directly via phone and our website versus through third-party channels. We are actively working to book group business for winter weeks that have traditionally been less busy, such as the first 10 days of January. We expect to also raise summer rack rates by approximately 10%. Ryan and Matthew are keeping a close eye on summer growth, as it has pulled back for the entire Vail Valley from prior years.

Antlers is no longer offering a "Returning Guest Discount" of an additional 5% off any published rates. Instead, we are using that margin and providing value-adds choices to guests. This allows Antlers to personalize the guests' experiences. Free dinner delivery from Chef Barry, complimentary ski tuning, or Saturday full breakfast buffet are some of the options. It was noted that due to new snowmaking abilities on Vail Mountain, the season will be extended by a full week both in November and April, with the expectation that a good portion of the mountain will always be open starting November 15 and ending no earlier than April 15. ,

Sales Team is now comprised of Ryan Kelsey, Matthew Parrish, Gabe Kossman, and Cherie Paller. This will result in a much better reservations experience for owners and guests, as it was a challenge for the front desk team to take reservations and focus on the in-house guests.

Financial Report

Chase Simmons reviewed 2018-2019 YTD and Projected Year-end financials. A few specific items not included: Antlers is paying more expenses, such as utilities, with credit cards, which will result in cash back rewards of about \$10,000 versus \$3,000 in past years. Remodel income will be down because fewer units needed significant updates. Conference room revenue was down from the prior year, simply because in 2018-2019 we converted additional, temporary business due to the closure of conference space at two of our competitor properties for remodel. Salaries were slightly below budget, primarily in Maintenance because the team is operating more efficiently during the construction with one position unfilled. The biggest uncontrollable variable is, as always, employee health insurance and there were more claims this year than last. A few areas that we were extra conservative in this year included education, elevator maintenance, and landscaping, taking into consideration that we had a leaner budget during the construction project.

Budget 2019-2020

No increases in General or Capital assessments have been budgeted for 2019-2020. General assessment rates have been held steady since 2016, and Capital Assessment rates have not been increased since 2011. When unit 500 is added to the total square feet that is used to calculate each unit's percentage, keeping assessments at the current level, each unit will see a slight decrease in their assessments as their percent of overall interest will be lower.

Rental commission has been budgeted at \$2.395 million, which is 36.6% of total rental revenue. The rental split varies based on LQA rating of units, however, the split to the Association continues to go down as units are upgraded and LQA scores rise.

Regarding budgeted expenses, salaries were not increased in 18-19, so the 19-20 budget plans for a 5% increase in salaries. While we offer a very competitive package, it is our goal to stay competitive in the market to retain employees and remain fully staffed. Contract labor is budgeted down in the next fiscal year, as we won't have a need for contract labor while construction continues in the fall. Rob LeVine will continue as a consultant, as he's be invaluable during the construction project and it continues through the start of the fiscal year. The budget for bonuses is different from years past, as employees that were previously compensated significantly through bonuses are not on a different salary structure – now there is more of a "guarantee" for smaller bonuses, and no employee is reliant on a significant bonus for their annual income.

The sale of Unit 500 has not been accounted for in the operational budget, as it is part of the project budget. It also was not included in the rental commission budget, as we do not know if the owner of the unit will choose to be a part of the rental program.

Rental Management expenses will include increased spending on re-creating our website and upgrading technology, such as digitizing our accounts payable system. We also plan to undertake some upgrades in the pool area. There are not any significant changes to expenses in this area, however, as budget is very close to years past.

Upon a motion and second, the 2019-2020 Budget was approved unanimously as recommended.

Antlers 2020 Capital Project Update

Magda King outlined 3 things that are working well, 3 things that have been challenges. Positive aspects of the project include: (1) transition of staff to new offices went really well, despite being more spread out on the property we are working well together. (2) Communication to guests of construction impacts turned out to be a very helpful strategy, with few guest complaints. (3) Communication with Hyder has been better than expected. Hyder has been respectful of the property and is responsive to any issues that arise issues without sacrificing time in the overall schedule.

Challenges include: (1) with higher than expected impacts to garage use, so comped parking vouchers for guests were secured from the Town of Vail for as many as we need. (2) We have received some communications from owners questioning the overall scope of the project. We've learned that we need to continue to send information to the owners to keep everyone up to speed.

Milestone Schedule Update: Unable to obtain the Building Permit when we wanted, Hyder still moved along with as much demolition as they could without the permit. The project end date is now slated for December 12 (from December 1). If the schedule falls behind, Hyder will work on Saturdays. Hyder provides a 4 week look-ahead schedule at the weekly OAC (Owner/Architect/Contractor) meeting that details exactly what will happen within the upcoming weeks. Currently everything on critical path is on target for delivery and installation. The Gross Maximum Price (GMP) came in at \$5.9 million.

Fire alarm project: Based upon information from the Fire Marshal, we only need to upgrade the system in units on the 1972 side of the building, and many have already been done when units were remodeled. Dave Collins is spearheading this project and can likely complete all units within 18 months. This project is required simply because the existing fire and CO alarms are not communicating exact location with our new fire panel. While it is not a safety issue, and the fire and CO alarms do sound and the building is fully sprinklered, it is still a concern for first responders because the alarms do not currently indicate specific location/trouble definitions on the panel. Each owner who needs to update the detectors/alarms in their units will be contact directly by Magda and Dave.

Interior Design Update: Kim Rediker showed renderings and color boards from Casey St. John Design. The overall design aesthetic is Mountain Transitional, and we are very happy with the schemes that have been created to date.

Financial Update: Special Assessments of \$4 million were levied to the owners. The remainder will be covered via a \$2 million loan. The loan will likely go into effect toward the end of the project, to cover final expenses in October – December. Chase Simmons will get rate information from several banks. A Motion to reopen the process for finding a bank and finalizing the loan was properly seconded and was passed unanimously.

Antlers Unit 500 Update

While a couple of Antlers owners initially expressed interest in purchasing the unit, they have since decided not to proceed. Rob LeVine is the Realtor for Antlers and will post it on the MLS at a price of \$1.875. If an Antlers owner chooses to purchase the unit, a 7% discount will be extended.

Owners weekend 2019

Schedule:

Friday, August 30 – Board of Directors Meeting – 4 pm

Saturday, August 31 – Owners’ Social Event – Noon

Sunday, September 1 – Owners’ Meeting and Dinner – 3 pm

Monday, September 2 – Board of Directors Meeting – 9 am

New Business

Rich Buckley (owner) inquired if the Board would consider updating the Capital Reserve Study, providing for it in the budget. He stated that he thinks it should be updated every 2 – 3 years by a Reserve Study firm, and especially when a big project occurs.

Catherine Michela indicated that the Board would like an internal update process first, updating outstanding projects with any work accomplished within the Lobby/Elevator Project. The accounting firm that performs the annual audit addresses and reports on the audit each year, and the most recent Study was done within the past 2 years.

The next Board of Directors Meeting is set for Saturday, December 7, 2019 at 3:30 pm.

The Board adjourned to executive session at 3:43 pm to discuss employee compensation and benefits. The Board then reconvened into the Meeting session and was adjourned at 3:44pm.