

KEYSTONE RANCH ASSOCIATION, INC.
ANNUAL MEETING OF THE MEMBERSHIP
July 1, 2022

I. Call Meeting to Order

The Keystone Ranch Association, Inc. Annual Meeting of the Membership was called to order by Mr. Pringle at 10:10 a.m. in the Ranch Living Room and via videoconference*.

II. Introduction of Those in Attendance & Determination of Quorum

Board Members Present Were:

John Pringle, President
Kris Ciccolo, Secretary

Jayn Karl, Vice President
Vince Donahue, Director

Homeowners Present Were:

Roger Kenworth*	David Oetting*, #6404
Jim Minnick*, #6417	Raj Kahari, #6414
Paul Stashick, #6101	Elisabeth Rogowski, #6106
Ed & Michelle Balcerzak, #6108	Mike Polarek, #6109
Cara Casabona, #6112	Laura Chorbajian, #6201
Donna & Ephraim Starr, #6203	Diane & Bob Scott, #6206
Greg Gardner, #6208	Bill & Ann Swagman, #6214
Marianne Hallinan & Michelle Olree, #6213	Carol Kresge, #6301
Jeremy Straight #6302	Brigette Petrowsky, #6303
Blake & Kimberly Voyles, #6304	David Ciccolo, #6305
Sandy & Jeremy Bennett #6307	Richard & Kelly Schlosberg, #6308
Jim Brown, #6310	Stacy & Diane Crumley, #6311
Rickey & Ellen Brantley, #6313	Paul Hilton, #6315
Mark & Karen Carson, #6317	Glenn & Mimi Vaughn, #6401
Lois Rae Beall, #6402	Lisa McReynolds, #6403
Mary Oetting, #6404	Gerardo & Silvia Perez, #6407
Neil Sherman, #6408	Larry & Sue Wood, #6409
Sherry & Wilson Strong, #6413	Jerry Karl, #6422
Tom & Dominique Loucks, #6424	Bette Morris, #6426
Kelly Lloyd, #6427 (representing Piasecki)	

Ken Riley of the Keystone Citizen's League, Randy Culver of the West Ranch, Leon Levy of the East Ranch and attorney Seth Murphy were guests at the meeting.

Representing Keystone Resort Property Management Were:

Kamila Choma, General Manager, East Keystone
Laura Hendrickson, Senior Community Association Manager
Emir Odom, Community Association Manager
Liana Reynoso, Assistant Community Association Manager

Erika Krainz of Summit Management Resources was recording secretary.

With membership represented in person or by proxy, a quorum was confirmed.

III. Proof of Notice of Meeting or Waiver of Notice

Notice of the meeting was sent on June 1, 2022.

IV. Approval of Previous Meeting Minutes

Motion: Ms. Wood moved to approve the minutes of the July 1, 2021 Homeowner Meeting as presented. Mr. Loucks seconded and the motion carried.

V. Guest Speaker: Ken Riley – Keystone Incorporation

Mr. Riley presented a Power Point summary on the proposed incorporation of Keystone. Vail Resorts can exclude large land tracts over 40 acres including the Ranch Golf Course, about 80% of the River Course and the undeveloped land in Wintergreen and Mountain House. Keystone has about 1,100 full time residents, 920 active registered voters, 2,100 seasonal employee beds and 20,000 – 25,000 peak weekend population. Keystone generates over \$8.5 million in tax fee revenue for Summit County. Services provided by the County include 24/7 on call law enforcement, road maintenance and plowing, planning, building permits and zoning. The first attempt at incorporation occurred in 1996/1997.

A Feasibility Study was conducted and it was determined that Keystone could become a town without raising taxes because of the Summit County tax structure and sales tax generated in Keystone. After incorporation, \$4.1 million per year of existing revenue would be reallocated to Keystone and local services would increase. After paying for all services, plowing/maintenance and town infrastructure, there should be an annual general fund surplus greater than \$1.2 million/year. Funds will have to be set aside for a Rainy Day Fund, a Capital Fund and the most critical unmet needs related to US 6, roads, trails and childcare. There would be \$640,000 of dedicated funds for workforce housing and \$13,000 for trails and open space. The Feasibility Study was reviewed by Summit County staff, the Sheriff and the NWCCOG Executive Director.

Opportunities provided by being a town would include identification of needs and prioritization of infrastructure and services, development of a Master Plan to address long term issues with traffic, parking and transportation and financial flexibility

The Keystone Incorporation Committee has been established as a 501c4 organization. A Board is in place, there are 40 community volunteers from all neighborhoods and more volunteers are needed. They have raised \$52,000 from individuals. Incorporation drive as a Home Rule Town has started. The signature collection begins in mid-July. Bill Bergman, a Keystone founder, will be the first signer. They will need 150 signatures of property owners who are registered voters and own their properties as individuals rather than in a trust.

Information is available on the website www.incorporatekeystone.com. Tax-deductible donations can be made through www.keystonecitizens.org.

Owner comments addressed the following topics:

1. Voting – Property owners must be registered to vote in Summit County to be eligible to vote.
2. Concerns – Some of the concerns include too much emphasis on short-term rentals, loss of control and the potential for more restrictions to zoning than currently exist.
3. Keystone Citizen’s League – Incorporation would not have any effect on the KCL or KNC organizations.
4. Ownership of Roads in Keystone Ranch – Associations that own their roads will continue to do so since they are private. If Vail Resorts agrees to allow Keystone Ranch to be included in the incorporated area, the “orphan road” from the stables to the Ranch Restaurant would be maintained by the town.
5. Taxes – There is no guarantee taxes would not be raised; this would be up to the future Town Council. The financial model in the Feasibility Study is posted online at www.incorporatekeystone.com. There is a lot of room for revenue on the lodging tax side since Keystone has the lowest lodging tax compared to surrounding towns. The town would get \$4.1 million back from the town for infrastructure and would run a surplus.
6. Governance Structure – The structure is laid out in the charter. Home Rule would be governed by a Home Rule Charter.
7. Size of Town - About 35% of the Keystone PUD remains to be built out. Police services would be contracted to the Summit County Sheriff or a local town. Fire would continue with the Summit Fire and EMS special district. Water and sewer would remain as they are today. The infrastructure is mainly roads and trails. Citizens would elect the Town Council. The infrastructure is mainly roads and trails. Citizens would elect the Town Council.
8. Trails – The existing trails are mostly maintained by individual Associations. There is no connectivity between the east and west sides of the Resort.
9. Opposition – There is no known organized opposition at this point.

VI. Guest Speaker: Troy Wineland – Division of Water Resources (DWR)

Mr. Wineland explained that the DWR responsibilities are water administration, public safety, well and dam construction oversight, water well permitting, interstate compacts, hydrographic program and public information. There is a concern about the water supply for the Ranch community. He noted that Vail Resorts owns the water rights.

The Keystone Ranch water rights include a well field for up to four wells (there are currently only two productive wells), which have flows of up to 75 gallons per minute and 25 gallons per minute. Reynolds Reservoir serves as augmentation storage. The wells service East Ranch, Keystone Ranch, the Ranch Clubhouse and pool. West Ranch is on the East Dillon Water District system. Per the water court decrees (W3548 and 88CW0244), Keystone Ranch is limited to about 49 acre feet of water per year, about 4.5 acre feet total consumption per year and cannot divert more than about 30 gallons per minute (from both wells combined) at any given time. The actual consumption is not known. The assumption in the court decree was an average of 3.5 people per household, 100 gallons per person per day and 109 homes. It is not known how much water is being delivered to each house or how many owners are running irrigation. There is a meter on the cistern, but Mr. Wineland only receives a monthly report and he does not know what sort of capabilities the meter has. Vail Resorts has yet to share the specifics of the well diversion rates.

The main limiting factor is the 30 gallons per minute instantaneous rate of diversion, which is likely being exceeded. The current total usage is about 30 acre feet per year across well numbers 1 and 3. One of the other concerns is that the cistern is not refilling overnight during the summer. Irrigation is likely a contributor to this problem but high occupancy in short-term rental units could also be a factor. This is especially concerning given the high fire danger and the fact that the fire hydrants are connected to this system.

Mr. Wineland suggested hiring an engineer to better design the system and to add a regulator on each pump to restrict the flow to keep it within the allowable limit. This would be preferable to pursuing an increase to the instantaneous limit in water court. He strongly recommended installation of water meters, which are helpful in reducing consumption and would help to identify leaks.

VII. Recycling

Ms. Karl said two recycle bins are being provided for glass and combined for each home along with a laminated guide of acceptable items. Information is available on the Summit County landfill website. Items such as televisions and furniture may not be disposed of in the dumpster. The County may fine communities in the future for not conforming with recycling guidelines.

VIII. Real Estate Update

Mr. Pringle reported that 11 homes have sold in the three Ranches in the past year and 31 single family homes in all of Keystone in the past year. There are two pending single-family home sales in all of Keystone Resort. The current inventory is 1.98 months for condominiums and 36 months for home sites. There are no single-family homes for sale. There are currently 40 properties listed for sale in Keystone. Year-to-date residential sales are down 26% compared to last year and down 35% for all of Summit County. The median sales price was \$630,000 last year and is \$830,000 this year, a 31% increase.

There are two new development projects in Keystone. Kindred will include residential units, a Rock Resorts branded hotel and commercial space, and Alcove Townhomes will be a 24-unit development in the Gold Bug lot with three and four bedroom units priced from \$2.4 - \$4.4 million.

IX. Keystone Resort Update

Ms. Choma reported that all summer operations, activities and restaurants are open. This includes snow tubing, scenic gondola rides, biking, mountain yoga, Summit House, gemstone panning, bungee trampoline, mini golf, both golf courses, stables, dinner rides, tennis center, Keystone Lake and the Adventure Center. The free on-call shuttle service is available daily between 6:00 a.m. - 11:30 p.m. and operates from the bus stops. The Bergman Bowl expansion is underway and will include a new 6-passenger high speed lift. It will open up 500 acres of intermediate and expert skiing and should be open in December. The new Kindred development in River Run will include commercial and conference space as well as condominiums and hotel rooms. The Keystone Ski and Ride school will move to this space. The Kindred will have a private ski club, valet ski and

bike services, a spa and restaurants. The new EPIC pass includes summer benefits such as food and rental discounts if purchased early. Vail Resorts will be raising employee salaries to a minimum of \$20/hour and has committed to significant employee investment as well as capital improvements for its portfolio of resorts.

X. Manager's Report

A. *Financials*

1. Review 2021 Year-End Statement of Operations
The Association ended the year with an Operating deficit of \$7,021, mainly due to overages in Association Labor and Professional Services Legal. The Maintenance Reserve balance was \$1,175,470 and total Reserve expenses were \$74,960 for asphalt chip sealing.
2. Review 2022 Year-to-Date Statement of Operations
As of May 31, 2022, the Association was operating \$28,800 favorable to budget. The Maintenance Reserve balance was \$1,224,564 and total Reserve expenses were \$5,140 for the security camera installation.
3. IRS Tax Revenue Ruling 70-604 Election Discussion and Vote
Motion: Ms. Walker moved to carry forward any 2022 year-end surplus to the 2023 Operating Budget. Ms. Najork seconded and the motion carried.

B. *Projects*

1. Completed Projects – Security camera system installation, re-tiling of the pool and re-painting of the pool building.
2. Projects in Progress & Planned for this Fall and Next Spring – Improve the landscaping and re-seed the grass inside the pool area. The pool opening date was slightly delayed due to contractor availability to perform spring maintenance. Owners who need a pool key should contact Mr. Odom.

XI. Board of Managers Election

The terms of Mr. Pringle and Ms. Ciccolo expired. Nominations were received from Mr. Pringle, Ms. Ciccolo and Ms. Scott. The candidates introduced themselves and provided biographical information. Since the election is contested, the voting will be done by mail-in secret ballot with ballots due by July 15, 2022.

XII. President's Report

A. *HOA Management Company*

Keystone Resort Property Management has given notice of non-renewal of the management contract for all three Ranch associations, effective September 30, 2022. The three Boards will work together to interview new management company prospects.

B. *Water Metering*

Mr. Pringle said it is hoped Mr. Wineland will be able to help to encourage Vail Resorts to install the water meters. Mr. Stashick presented an opposing opinion. He said it is expected

that there will be continuing droughts in Colorado during the summer. The State wants more storage in-state, which could be achieved by collecting water during the winter when it does not affect the farmers and storing it in a surface pond or tank. Storage is a main issue in addition to the 30-gallon per minute limit. There would be a cost for installing meters and potentially a requirement for an owner vote for approval. He did not think installing meters would prevent owners from irrigating. He believes the answer is storage. Mr. Donahue noted that having meters would allow for a more equitable distribution of the actual cost. There was a suggestion to provide a comprehensive explanation of how the meters would be used. It was noted that Vail Resorts should put a meter on the Ranch Restaurant, but since they own the water system, it is unlikely they can be forced to do so. It has been very difficult to obtain data from Vail Resorts. Asking the PUC to regulate the Keystone Ranch Water Company might be a way to encourage some action by Vail Resorts.

XIII. General Discussion

A. *Short-Term Survey*

Mr. Pringle reviewed the short-term rental (STR) situation. STRs are defined as rentals of less than 30 days. They have become a nation-wide concern. They are replacing long-term rentals in resort communities, leading to a lack of affordable workforce housing. They can have a negative effect on the quality of life for residents due to transient traffic in neighborhoods. The topic of STRs was brought up by owners at last year's meeting. A survey was conducted and 73 of 74 owners responded. Most owners indicated they wanted something done about STRs. The Board is charged with acting in the best interest of the membership and being proactive. The Board has received letters from attorneys representing owners who rent and three complaints were filed against Mr. Pringle pertaining to statements he allegedly made, all of which have been dismissed. Some owners believe it is their right to rent their property, but all owner rights are defined in the Declarations, which can be changed by a vote of the membership. The County restrictions take a macro approach and the County has limited powers of enforcement. The County encourages Associations to take a micro approach.

Mr. Pringle reviewed the survey findings:

1. There are 10 Keystone Ranch owners who rent short term and 62 who do not rent.
2. The owner preferences fall into three categories: owners who short term rent (10), owners who do not want STRs in the community (45) and the rest (19) who do not rent but do not want to give up that right for the future.
3. Concerns include crime, water usage, pool usage, noise and negative impacts to personal use and enjoyment.
4. The primary reason for supporting STRs is the rental income
5. Rental properties are often filled to capacity, which could affect the water situation.

Some options that have been discussed include setting limits on the number of nights per stay with a 30 night minimum stay requirement, limiting the number of rental nights per year, limiting rentals to one family plus two, implementing user impact fees or instituting "rental police".

Owner comments addressed the following:

1. The nature of the neighborhood changes when there are short-term rentals.
2. There are Covenant violation fines in place. There could be a separate fine structure with higher fines for rental violations.
3. All solicitations from rental management companies are promoting short-term rentals. The news across the country is negative. The Ranch is not a late-night party place. Owners are responsible for the behavior of their rental guests.
4. There will need to be compromise. A 30-day minimum might not be feasible.
5. A tri-partisan committee of six or seven owners representing all three sides could be formed to develop a recommendation for the Board within the next 30 days.
6. The owners who currently rent could be grandfathered until the property sells.
7. Separate Keystone Ranch Association rental permits could be issued to a limited number of owners annually. Violations of the rules could result in non-renewal.
8. A moratorium on additional rental properties could be enacted until the governing documents can be revised.
9. Renter access to the pool could be limited if overcrowding is an issue.
10. Cars parked on the road and trash are common problems with rental properties.
11. Some owners bought at Keystone Ranch because of the peace and quiet.
12. There was a request for the Board to provide a summary of the impact of KRPM no longer managing the Association.
13. The traffic, trash and pool will still be impacted by short-term rentals if East and West Ranch do not implement restrictions.

XIV. Set Next Meeting Date

The next Annual Meeting date was not set.

XV. Adjournment

The meeting was adjourned at 2:40 p.m.

Approved By: _____
Board Member Signature

Date: _____