

The Reserve on the Eagle River
Board Meeting Minutes
Monday, November 17, 2014, at 6:30 PM
The Reserve Clubhouse

BOARD MEMBERS PRESENT: Scott Ashburn, Janet El-Bitar, Jess Frieze, Marilee Horan and Matt Lydens

BOARD MEMBERS NOT PRESENT: Lauren Immel and Tim Sullivan

ALSO PRESENT: Dan McNeill, Managing Agent, Dave Zippie, CPA and Sara Thurston McNeill, Secretary to the Meeting

OTHER MEMBERS PRESENT: Cummings (O-103), Dudar-Farraro (E-102), Dowling (D-201), Forsline (G-201), Guerrette (I-203), Lord (F-102), Luling (E-202), Misner (N-203), Peterson (Q-204), Schneider (Q-201), Woodell (C-302) and Young (F-302)

- I. Roll Call. With five of seven Board members present, a quorum was established. Jess Frieze called the meeting to order shortly after 6:30PM.

- II. Minutes of the October 20, 2014, Board Meeting. These minutes were drafted and circulated to all Board members for review via email. There being no suggested changes, there was a MOTION: TO APPROVE THE MINUTES OF THE OCTOBER 20, 2014, BOARD OF DIRECTORS MEETING. The motion was seconded and carried unanimously.

- III. Financial Review. Kay Cheney, bookkeeper for the association, prepared the current financial reports (as of September 30, 2014) and Jess Frieze presented them to the Board.

According to the Balance Sheet, the association has \$53,904.46 in the regular checking account and \$111,405.12 in the liquid asset replacement account. The balance on the roof loan to Guerrero's Roofing is \$83,513.

The Profit and Loss Statement reveals that the association has total income of \$344,054 through October 2014; this compares to budgeted income of \$345,578 at this point in the year (the difference is primarily due to lower than anticipated finance charges). Operating Expenses total \$300,561. This compares with budgeted expenses of \$361,666 at this point in the year; therefore, the association is \$61,105 under budget on Operating Expenses. Cost savings have been

garnered in the line items of Common Repair, Accounting, Management Fee, Insurance, Water & Sewer, Paint Buildings and Siding Replacement & Repair. Overruns have been experienced in the line items of Legal, Pool (Gas) and Pool (Supplies and Maintenance).

The 2014 beginning balance in the Replacement Reserve Account was \$59,688.95. Current year funding totals \$80,612.25. 2014 Capital Expenditures total \$63,881.86, the majority of which is for the roofing contract loan payback to Guerrero's Roofing at the rate of \$5,000.00 per month until all the roof work loan is fully paid in 2016. Asphalt crack sealing and patching was completed for the cost of \$11,721.86. The ending balance in the Replacement Reserve Account as of October 31, 2014, is \$76,418.94.

The Board then reviewed the list of delinquent accounts with management. There are currently three accounts of concern: two are on payment plans to get caught up and a third has promised payment in full by the end of the month. Accounts receivable of over 90 days is now under \$4500.

Dan introduced Dave Zippie, CPA to those present. Dave was hired to do a limited review of the accounts for 2013. MPM garnered and presented three competitive proposals for a limited review to the Board earlier this year, and the Board chose Dave Zippie. Dan explained that it is common practice to conduct either a limited review or an audit when there is a management turnover.

Dave presented his findings in a Preliminary Draft distributed to the Board members at the meeting. His findings include the following comments:

- All ledger charges appear to be properly coded
- Procedures regarding checks in excess of \$250 were not followed on a consistent basis
- There were too many reimbursements for office supplies, pool supplies and miscellaneous repair and maintenance items
- There were some missing invoices and inconsistent filing practices
- No approvals or contracts were in place for pool or grounds work that are typically performed by an outside contractor
- An unsigned, cancelled check was found in the amount of \$4292.84
- Reclassification of capital expenses is suggested to more accurately reflect the actual balance in the Reserves

Dave provided a set of financial reports that he feels more correctly reflects the position of the association. Management recommended that Dave work with Intermountain Bookkeeping on the preparation of the Balance Sheet to reflect the best accounting practices.

There being no further questions for Dave, the Board thanked him for his presentation and he excused himself from the meeting.

Any owners who wish to receive a complete copy of the limited review should contact management at dan@mcneillinc.com or call 970-479-6047.

Dan then reviewed the proposed 2015 Operating Budget with the Board. No dues increase is planned for the coming year. Management redistributed the detailed Budget Explanation Sheet that details the components of each line item.

Several homeowners posed questions regarding the proposed Budget, including how does the Reserve Fund Balance at The Reserve compare to that of other homeowner associations? Dan responded that The Reserve is currently contributing about 19% of its total operating budget income to reserves, which is a significant amount. However, the reserves have been underfunded for many years, and currently \$60,000 per year of the reserve allocation goes toward paying the loan to Guerrero's Roofing.

Dan was asked about the "intention" of the 2015 Operating Budget. He responded that it is management's intention to keep operating expenses as low as possible while still painting (and replacing siding, as needed) on two to three buildings per year. In this manner, the association can contribute as much money as possible to reserves while not increasing dues in the coming year.

Is there a Governing Documents Revision Project planned and how much will this cost? Dan and Jess responded that there is such a Project in the works and a preliminary proposal from David Firmin of Hindman-Sanchez estimates that this will cost between \$10,000 and \$12,000. It is necessary to bring the association into compliance with the Colorado Common Interest Ownership Act and to more clearly define the association's and individual owners' responsibilities to maintain and insure each element. 67% of the membership will need to vote in affirmation of the revised governing documents, and it will be a huge educational process that will take at least a year to complete.

There was a question regarding how major landscaping projects will be expensed. Dan responded that improvements indicated in the Long Term Landscaping Plan completed earlier this year by Ceres will need to be worked into the Capital Spending Plan and covered by reserves (it will not be part of the operating budget). However, some landscaping costs, such as the professional fees for the Long Term Plan, the cyclical removal of large trees (and subsequent replacement), tree care / spraying and regular grounds keeping are part of the operating budget.

It was noted that dues were increased in 2014 to cover the expenses of the Long Term Landscaping Plan, the cost for a financial audit and increased rates for water, but **NO DUES INCREASE IS SCHEDULED IN 2015.**

There being no further changes to the proposed 2015 Operating Budget, there was a MOTION: TO APPROVE THE BUDGET AS PRESENTED. The motion was duly seconded and a vote was taken with three Directors voting FOR the motion and one AGAINST. Scott Ashburn abstained from voting. The 2015 Operating Budget is hereby attached to and incorporated into these minutes. The Board thanked management for its thorough and professional job in the preparation of the budget.

V. Manager's Report. Mike Skellion, Maintenance Manager reported on the following items in his written report to the Board:

- Remediation and repairs have been completed from the water damage in Building L
- Roof inspections and gutter clean outs are now complete. Some roof repairs at Building K are still pending and Guerrero's Roofing is aware of these. The dumpster roofs have not yet been completed.
- All heat tapes were turned on today and they will remain on for the rest of the winter
- MPM will keep an eye on snow removal efforts and be in contact with Pristine Landscaping with any issues

Dan prepared and distributed a Snow Removal Protocol Sheet for review by the Board. Management will send this information to all owners via email and post in the hallways for all residents' information.

Three comparable bids will be garnered for the interior painting of 17 hallway. The painting is slated to occur during the winter of 2015. Railing repairs will also need to be done, but this will be up and above bid prices, completed on a time and materials basis.

There was some concern about increasing unauthorized use of the trash receptacles. Several reports of furniture, mattresses and construction debris filling dumpsters have been received by management in the past month. Recommended solutions include more signage, installation of cameras and more oversight by residents. Taking photos of trash offenders' license plates can be very useful in the prosecution of "poachers." Photos should be sent to Dan McNeill at dan@mcneillinc.com or to the code enforcement officer, Jennie Lewis at jennie@mcneillinc.com.

Management distributed the Risk Management Checklist via email to all owners this week and posted it to the website. It will also be posted in every hallway. Owners are asked to follow the recommendations in the Checklist to avoid damages and costly insurance claims, to reduce utility costs and to practice conservation efforts.

Dan reported that a new owner was recently doing some interior remodeling and a leaking toilet fill valve caused damage that affected several units in L Building. He is meeting with insurance representatives later in the week.

VII. Committee Reports. The Capital Spending Plan Committee will plan to schedule a meeting for a date after the Annual Meeting. The first draft of the Plan has been sent to Marilee, the Committee Chair by management.

VIII. New Business. There was no new business to discuss.

IX. Adjournment. There being no further business to come before the Board, the meeting adjourned at approximately 7:35PM.

Respectfully submitted,

Secretary to the Meeting