



Porto Cima Townhouse Property Owners Association
Board Meeting
September 21, 2013

Fred Miller called the board meeting to order at 9:00 a.m. Board members present included Fred Miller, Jim Barnett, Marti Eagan, Lynn Diggs and Jim Butler. Also in attendance was Todd Nelson, Nelson Management Company.

Minutes Fred Miller asked if anyone had further comment regarding the July board meeting minutes. Board members stated there were not any additional comments. Lynn Diggs moved to accept the July board meeting minutes as distributed. Jim Butler seconded and the motion passed.

Financial Reports Fred Miller stated Todd Nelson has been working with Evers and Company, CPA, on our annual audit. Todd commented the accountants are recommending a write off of one receivable account as uncollectable. The POA attorney Bob Pohl has continued to work toward collection of this account and is in the process of having a promissory note signed by the property owner. A lien has already been filed but as the property owner has permanent residency out of state it is cost prohibitive to serve and file for judgment. If a promissory note is signed and the property owner does not follow the terms of the note, Mr. Pohl can then file for judgment to preserve the outstanding debt without requiring out of state service, etc.

Todd Nelson presented the preliminary audit draft and the statement of revenues and expenses through December 31, 2012. He reviewed neighborhood revenues, neighborhood expenses, common expenses and reserve/owner equity. Todd noted that the reserve funds are now divided into two categories: 1) designated funds for future repairs and 2) undesignated funds. The latter represents budgeted and collected operational monies that were not used during the year and are not otherwise designated for a particular purpose. Todd stated in prior years this distinction was not shown on the financial reports. At the suggestion of the CPA firm, the board can vote to move none, some or all of the undesignated funds to be designated for a particular purpose. As discussed in prior meetings, the auditors have recommended increasing the reserve/owner equity of the Porto Cima Townhouse POA. After discussion it was decided to vote on this issue after a discussion of the 2014 Budgets.

Todd reviewed the Statement of Revenues and Expenses ending August 31, 2013. He stated overall we are operating at \$27,000 below budgeted expenses but he cautioned we have four more months in this calendar year. Jim Barnett moved to approve the financial report. Jim Butler seconded and the motion passed.

Accounts Receivable Todd Nelson reported on accounts receivable. Currently the total outstanding balance is \$37,286.60 and consists of approximately 12% of the POA property owners. Todd reviewed and explained the status of each delinquent account. After additional discussion, Lynn Diggs moved to approve the accounts receivable report. Marti Eagan seconded and the motion passed.

Response of Bob Pohl Fred Miller stated Bill Manion, POA President had written a letter to the POA attorney Bob Pohl as a follow-up to questions arising from the July 13, 2013 board meeting. The letter requested his legal advice regarding four specific areas.

(http://www.pctpoa.com/minutes/2013-09-07_Ltr_Manion_to_Pohl.pdf)

The board discussed Mr. Pohl's letter of response and concluded we now have advice to make decisions relative to the business of the POA.

(http://www.pctpoa.com/minutes/2013-09-13_Ltr_Pohl_to_Manion.pdf)

The board had been waiting for his guidance before proceeding with neighborhood issues and further reserve/owner equity discussions.

Villa La Cresta Todd Nelson restated the issue facing Villa La Cresta as discussed in prior meetings. He reminded board members that the Villa La Cresta issues had been tabled awaiting Mr. Pohl's letter of guidance defining the specific maintenance responsibilities of the POA and the property owner. The board had also been awaiting guidance regarding the funding authority and responsibility of the neighborhood collectively and the individual property owner. With the guidance from Mr. Pohl (Click link below) the board began to further discuss the window slope correction, dryvit repair and possible moisture issues at the Villa La Cresta neighborhood.

(http://www.pctpoa.com/minutes/2013-09-13_Ltr_Pohl_to_Manion.pdf)

(http://www.pctpoa.com/minutes/2013-10-01_Ltr_To_VillaLaCrestaOwners.pdf)

Todd stated he has two estimates for the scope of work that includes correction of the window slopes and the addition of diverters. Crosshairs Stucco's bid is \$97,120 and Barber's bid is \$132,000. Both bids do not include correction of any additional damage found after the dryvit has been removed during the window slope correction. Based upon the moisture inspections performed by Pete High, Lake Stucco Inspections it is possible/probable that some townhomes will require additional work that is the financial responsibility of the property owner. The board began to discuss all issues. Lynn Diggs asked if it is recommended that a townhome have all repairs completed at one time. Todd stated it is much more cost effective to repair any damage at one time due to dryvit removal, vendor labors costs, etc. The board continued to discuss the issue in detail. Jim Butler stated how important the communication to townhome owners will be to explain the scope of work, vendor selection and financial responsibility of work performed. Todd Nelson will be responsible for communication to property owners. After additional discussion, Jim Butler moved to approve the project and the bid by Crosshairs Stucco. A \$97,120 neighborhood special assessment will be divided equally among property owners. Each property owner will be individually responsible for payment of repairs for any additional damage outside the scope of work. Lynn Diggs seconded the motion and it passed.

2014 Budget Todd Nelson reviewed the 2014 budget he had emailed to each board member prior to the board meeting. The budget reflects an increase of 5% for each neighborhood and no additional line items have been budgeted in 2014 compared to 2013. Todd stated the only changes from the 2013 annual budget are to landscape repairs, irrigation and general maintenance. The remaining increase in revenue has been added to reserve/owner equity. After board review, Jim Barnett suggested we wait until discussion concerning the reserve contribution is complete before voting on the 2014 budget. All board members agreed.

OLD BUSINESS

Reserves Fred Miller stated he and Todd Nelson had met prior to the board meeting to discuss and prepare handouts as a beginning point for discussion of designated reserve contributions for each neighborhood. Jim Barnett reminded everyone of the reserve study he and Todd Nelson had prepared. In prior meetings the board had discussed in detail the items reserved and the projected replacement cost. Based upon the financial analysis of the updated reserve study it was recommended by Jim Barnett that designated reserve revenues increase. Jim's conclusion was also supported in the annual audit recommendations of Evers and Company. Fred Miller reminded the board it has been the goal of the board to fund the designated reserve account at 50% of the projected replacement cost of reserved items. Fred Miller and Jim Barnett explained that we are not able to fund designated reserves at the 50% level because our annual assessment dues have been kept at a 5% increase. Fred Miller posed the question "do we want to fund the designed reserve account at 50%? If not, then what is the percentage?" He asked for board discussion of this goal. He also stated he felt there should be a board policy rather than just a goal regarding the funded percentage of designated reserves. Jim Butler asked that we look again at the designated and undesignated reserve funds. Todd stated at December 31, 2012 the designated reserve for all neighborhoods was \$345,239.52 and the undesignated funds were \$98,713.40 for a total of \$443,952.92. The designated and undesignated reserve/owner equity as of August 31, 2013 is \$556,600.66. Todd reminded the board that this is a total and that all neighborhoods are not funded at the same percentage level.

Fred Miller stated if the board agrees and establishes a designed reserve policy there are two options to consider. First, the board can consider approval of 100% funding of an agreed percentage going forward. Secondly, the board could decide to fund at 100% and approve a special assessment to "catch up" funding immediately to the determined policy level.

Todd Nelson referred board members to the Assessment Budget handout. Marti Eagan asked for an example of a neighborhood having an increase of 5% vs. funding at 100% if a board policy was approved to reserve at a 50% level of designated reserves. Jim Butler suggested funding designated reserves by possibly just increasing neighborhood assessments greater than 5%. Fred Miller asked for discussion. Jim Barnett reminded the board that each neighborhood has a different funding level of designated reserves. Lynn Diggs stated she had some concern about the increase in assessments especially in neighborhoods that are going to have additional special assessments.

After much additional discussion Jim Barnett moved to set a policy to fund an additional contribution to designated reserves at 50% of the amount accruing per year per unit as determined by the annual reserve analysis. Jim Butler seconded and the motion passed. Jim Butler stated it will be very important to communicate the time and effort the board has given to this important issue and the reasons for deciding to increase our neighborhood designated reserve funds. Marti Eagan concurred and requested that all board members review and approve the letter of explanation to property owners. Fred Miller agreed the letter will be distributed for review, comments and approval.

Fred Miller also asked Todd Nelson to revise the 2014 budget to reflect the policy change. Todd stated he will make needed changes and email copies to board members for review.

Designated and Undesignated Reserve Funds Fred Miller asked for comment and recommendation of the undesignated reserve funds as of December 31, 2012. Todd stated the undesignated funds are \$98,713.40. Marti Eagan wanted to be clear if the board approves moving monies to the designated reserve account, that those funds will be reflected and adjust the annual assessment for each neighborhood based upon the reserve policy previously voted on by the board. Fred stated it would be reflected. After additional discussion, Lynn Diggs moved to transfer \$40,000 from the undesignated reserve fund to the designated reserve fund. Jim Barnett seconded and the motion passed.

NEW BUSINESS

Villa La Cresta Townhome vs. Patio Home Budgets Lynn Diggs asked if budget and assessment consideration should be given based upon exterior square footage of townhome and patio homes at Villa La Cresta. She noted there was a difference at the Bello Point neighborhood. After discussion, it was decided to table the issue until Todd Nelson had an opportunity to research the issue.

Tree and Seawall Step Approval Todd Nelson stated he has received a request from a Bello Point property owner, Mr. Whitworth. He has requested to plant a tree on his property at his own expense. After discussion Lynn Diggs moved to approve the tree request at the owner's expense. Marti Eagan seconded and the motion passed. Mr. Whitworth also requested approval to add steps on the seawall at the back of his home. He does not plan to add a dock but would like to have lake access via the steps. Lynn Diggs asked if the POA insurance covers any liability that might occur on common ground if the board approves the step request. After additional discussion it was decided to table the issue until Todd checks with our insurance agent regarding liability, etc.

The annual property owners meeting will be held on November 9, 2013 at the Porto Cima clubhouse beginning at 9:00 a.m. and followed by a POA Board meeting. All property owners are welcome and encouraged to attend all board meetings. The meeting adjourned at 11:30 p.m.

Respectfully submitted,

Marti Eagan