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**Porto Cima Townhouse Property Owners Association
Board Meeting
May 9, 2015**

Bill Manion called the board meeting to order at 9:00 a.m. Present were Bill Manion, Jim Barnett, Jim Butler, Lynn Diggs, Marti Eagan, Lee Eise and Fred Miller. Also in attendance was Todd Nelson from Nelson Management Company.

Bill Manion started by turning the meeting over to Todd Nelson who introduced the first item on the agenda, the March 31st, 2015 Financials.

1. **March 31, 2015 Financials:** - Todd Nelson started the discussion by introducing the balance sheet, which, as of 3/31/2015, shows cash on hand being \$679,504, receivables being \$56,674, bad debt right off of \$2,858, and no payables due leaving owner's equity at \$707,594. Jim Barnett asked about the status of the receivables and if there were any issues out of the ordinary. Todd Nelson indicated that, with the exception of two situations, all delinquencies were following the association's normal procedures. Of the two exceptions, one is in the process of foreclosure and the second has moved from the Association filing a lien to filing a lawsuit seeking judgement. A brief discussion then followed regarding the Association's procedures for collecting delinquent dues and assessments. Jim Butler then asked what happens in the event of a foreclosure, Jim Barnett answered by describing the process and the discharge of liens and debts against the property when the lender forecloses and then sells the property.

Todd Nelson then introduced the revenues and expenses sheets from the financial report. He explained that 1st quarter revenues and expenses are low due to the time of year and the relatively low amount of maintenance activity. Bill Manion asked how professional fees were running against budget. Todd Nelson responded by saying they were a bit higher than normal due to legal fees associated with collections in addition to the fee for the recently completed professional reserve study.

2. **Reserve Study:** Bill Manion introduced this item by thanking Jim Barnett, Fred Miller and Todd Nelson for their hard work reviewing the professionally prepared reserve study which was authorized by the Board at the fall board meeting. The study, prepared by Reserve Advisors, was submitted to the board members for their review in February.

Jim Barnett started by saying the study confirmed the method being used by the Association to provide funds needed to maintain the Association, while maybe not complete, is the method Reserve Advisors recommends in the study. Jim Barnett then provided an overview of the reserve study, which all board members agreed was thorough and comprehensive. He indicated the study separates the property elements, as set forth in the association's declarations, into five segments;

1. Reserve Components
2. Long Lived Property Elements
3. Operating Budget Funded Repairs and Maintenance
4. Property Maintenance by Homeowners
5. Property Maintained by Four Seasons Lakesites Property Owners Association

He then outlined the study's narrative of who is responsible for each of the segments. Jim Barnett then described the study's Reserve Expenditures and Funding Plan recommendations. Considerable discussion followed regarding the study's analysis of current reserve amounts for the various neighborhoods, the study's projection of expenditures over the next few years and what should be anticipated in the longer term, as well as the need and available methods for collecting additional funds to provide what will be required over the next 30 years. Jim Barnett then described the Condition Assessment section of the study which addresses the current condition and needs of each of the neighborhoods. The board members then discussed the benefit earlier and more ongoing maintenance might have in preserving reserves and helping minimize reserves expenses over the long term. Jim Barnett stated that the study describes four methods of funding replacement/reserve needs;

1. increase operating expenses dramatically
2. borrow money
3. level method of collecting a defined amount every year
4. special assessments

Jim Barnett pointed out the study recommends against special assessments, unless needed for unforeseen events. He also stated the study recommends the level method with relatively minor annual increases. This method insures every property owner pays their fair share of the weathering and aging of the commonly owned property each year.

Fred Miller then commented on two ways the study can be used; first, causing the Association to review its current policies and second, as a resource guide for how to deal with unanticipated situations like the Association has encountered over the past few years.. Fred Miller then described the analysis he and Todd Nelson conducted in which they reviewed the impact the reserve study recommendations would have on quarterly assessments if implemented today. They looked at two neighborhoods, Via Bacino and Villa La Cresta, and found not enough money being collected to meet the study's recommended level of reserve funding by year 2026. A lengthy discussion was had regarding the assessments and the limitations placed by the Association's by laws, declarations and covenants of a maximum 5% increase in annual assessments. A number of the board members agreed that many Association members are already unhappy with the level of assessment and annual increases. Considerable discussion followed regarding the lack of knowledge and understanding Association members have about maintenance and repair of the properties by the Association, specifically, to what level and what is/is not included. Further discussed was the need for property owners to be aware that property at the lake requires the same level of maintenance and repair as their primary home. It was pointed out that the lack of knowledge and misunderstanding has been worsened by the lack of or misinformation the owners received at the time they purchased. The Board then discussed ways in which to help property owners become more aware. Marti Eagan suggested the Association prepare something in writing. The Board then discussed ways to make sure real estate agents were also knowledgeable about the Association's responsibilities, annual fees and assessments, and the way the Association has resolved issues when they have occurred.

Bill Manion then brought the discussion back to the reserve study and how best to manage funding for maintenance and reserves. Jim Barnett pointed out that the reserve study's recommended list of long term reserve items in each of the neighborhoods is much larger than what the Association has listed. Marti Eagan pointed out that in Via Bacino, the study has listed 17 items, compared to the Association's list of 4 or 5. Fred Miller then asked what amount for reserves in Via Bacino was currently budgeted versus the amount needed for the 17 items listed in the reserve study. Todd Nelson responded by saying \$427,000 versus \$1,200,000. Bill Manion then asked, "What is the question we are trying to answer?" Jim Barnett pointed out that the core problem the Association is facing is that the current neighborhood dues with limitation of the maximum 5% annual increase are not enough to properly fund the long term needs of the Association as recommended in the study. He further suggested that "about all we can do" is be efficient as possible, budget the best we can, move any unused amounts from the operating budgets into reserves, do the best job possible maintaining long term items, increase neighborhood dues 5% annually and use special assessments when needed. Jim Barnett also suggested that software provided in conjunction with the study could be used to project into the future, the timing and costs associated with long term reserve items so the Association can anticipate special assessments, when they will occur and how much they will be. A discussion followed regarding the potential of getting approval through a vote of the members of the Association to increase the maximum percentage of annual increase. The board members agreed the likelihood of this happening was no.

Fred Miller then suggested a step to be taken right now to off-set the limitation in annual fees and unfunded reserve amounts. He suggested that when reserve item expenditures occur, they be paid for 50% by the Association and 50% by special assessing the property owners in the involved neighborhood. After lengthy discussion, the Board unanimously approved a motion, made by Fred Miller, seconded by Jim Barnett, to accept Reserve Advisors recommendation for reserve items for the neighborhoods as outlined in the Reserve Study. Jim Barnett then made a motion, seconded by Fred Miller, that any reserve expenditure more than \$2,000 will be assessed to the property owners at 50% of the cost. The motion was unanimously approved by the members of the Board.

The Board then had an extended discussion about whether or not to ask the property owners to approve an increase in the annual dues and what the requirements are for making a change to the Association's by-laws to increase annual assessments. Bill Manion read from the by-laws "... may be changed perspectivaly in any year, without limitation on the amount of such change, by a majority vote of each class of townhouse members, voting in person or by proxy, at a meeting duly called for this purpose." After additional discussion, the Board concluded that asking the Association Members for an increase in the maximum percentage was unrealistic at this time.

The Board members then discussed the need to communicate to the members the changes approved by the Board in paying for reserve expenditure items. After considerably more discussion, Jim Barnett made a motion, seconded by

Fred Miller, that any reserve expenditure in a neighborhood will be assessed to the members of that neighborhood at a rate of 50%. The motion was unanimously approved by the members of the Board.

3. General Maintenance:

- a. **Via Bacino Windows:** Todd Nelson introduced the bids and selected contractors for the needed window repairs and painting. Bill Manion asked what the bid amounts were. Todd Nelson responded by saying \$6,260 for the window work which includes \$3,650 for painting. The Board then discussed whether the work was maintenance or reserve expenditure. At this point Marti Eagan withdrew from the discussion because of being a resident of Via Bacino. After discussing the matter, the Board determined that the painting required as part of the repairs should be considered long term reserve, is greater than 2,000 and therefore should be paid for out of the reserves account. The brick molding repair and window replacement are considered reserve expenditure items subject to assessment to the property owners. Jim Barnett made a motion, seconded by Fred Miller, in compliance with the newly adopted policy, the Via Bacino property owners should be assessed for 50% of the cost of repair and replacement of the window related items. The motion was approved by all Board members with the exception of Marti Eagan, who abstained. Jim Butler then clarified the amount that would be assessed by stating the replacement and repair work was \$3,600 of which 50% would be paid for as reserve expenditure and 50% would be assessed to each of the 10 property owners in the amount of approximately \$180. The Board members agreed that the \$3,650 for painting would be paid for from the reserves budget. The Board members further agreed that the special assessment would be billed and become due with the 3rd quarter dues.
- b. **Via Bacino Painting:** As determined in the Board's discussion of the Via Bacino window repairs, the painting in Via Bacino will be paid for from the Association's budgets. The work is scheduled to begin June 1st.and will include windows, shutters, mail boxes and front doors. Todd Nelson pointed out the difficulty of not being able to open the front doors on many of the homes to allow painting the entire door.
- c. **Inspections:** Todd Nelson stated that all EIFS inspections at Bello Point have been completed. He further stated that three townhomes and one patio home have significant damage. Jim Butler asked how much damage to which Todd Nelson responded that it is much like Villa LaCresta, "we won't know until we start the repairs and can see behind the EIFS". An extended discussion followed in which the Board reviewed how the similar situation at Villa LaCresta was handled. The Board concluded that, as recommended in the Reserve Study and following the provisions of the new policy approved earlier in the board meeting, the exterior repairs at Bello Point should be considered reserve expenditures meaning the Association will pay 50% and the property owners will pay 50% through assessment. As with Villa LaCresta, any interior damage repairs will be paid for by the individual owner of the damaged home.

Todd Nelson then asked the Board if it made sense to revisit the repairs recently completed at Villa LaCresta. He believed the Association might be open to legal action if the Bello Point and Villa LaCresta situations were treated differently. Todd Nelson then indicated nine or ten Villa LaCresta property owners who, in addition to the window slope issue all 34 homes had, needed major repairs to the exterior and interior of their homes, may have been incorrectly assessed for the repairs. After considerable discussion the Board members determined that, in fairness to the Villa LaCresta property owners, adjustments should be made to the amounts and manner of assessments in order to comply with the new policy. The Board determined:

1. The window slope repairs were a reserve expenditure and should have been paid 50% by the Association and 50% assessment, shared equally, by all Villa LaCresta Property Owners.
2. In the case of the nine or ten homes that had major damage, the exterior repairs were a reserve expenditure and should have been paid 50% by the Association and 50% assessment, shared equally, by all Villa LaCresta Property Owners. Assessment for the interior damage was correctly applied under the provisions of the newly adopted policy.

The Board then discussed how adjustments in the paid amounts assessed would be made. The Board determined it would have to be by refunding or crediting the individual property owners from the Villa LaCresta reserves. The Board then asked what amount of money was involved. Todd Nelson responded by stating he did not have the numbers in front of him and would have to verify them with Cross Hairs, After additional discussion, the Board thought the amounts involved were an approximate total of \$97,000 for the window sloping and an approximate total of \$45,000 for the exterior portion of the major repairs to the nine or ten homes. Jim Barnett and Marti Eagan calculated the total amount to be reimbursed would be in the neighborhood of \$70,000 to \$75,000. Jim Barnett made a motion, seconded by Fred Miller, that based upon the new reserve policy, the Association will give a credit to all Villa LaCresta property owners for 50% of the cost of window slope repairs. The nine or ten property owners who paid for additional exterior and interior repairs will be credited for 50% of the exterior work. All credits will be applied to quarterly statements during 2015. The motion passed with Board Members Lyn Diggs and Lee Eise abstaining.

Bill Manion then reminded the board members that the Bello Point matter had not been finalized. Marti Eagan asked how the Board's action just taken for Villa LaCresta would apply to Bello Point. Todd Nelson responded by saying his understanding would be the Association would secure bids for each of the components of work, breaking it into exterior and interior repairs. He further stated that the cost of the work would be paid 50% of the exterior repairs from the Associations reserves and 50% assessment spread across the property owners with all interior repairs being paid by the individual property owner of the home needing interior repair. Todd Nelson then asked if the 50% assessment would be spread evenly across all Bello Point property owners or should it take into account the difference in dues between patio homes and townhomes. After discussing the matter, Fred Miller made a motion, seconded by Jim Butler, that the special assessments in Bello Point occur between patio homes and townhomes in the same ratio as their quarterly assessments. The motion was unanimously approved.

4. Old Business:

- a. **Villa LaCresta Windows:** There was a brief discussion regarding a letter from one of the owners challenging the special assessments and the suggestion of legal action. Jim Barnett suggested a meeting be had with the owner to which Bill Manion replied that the owner has been offered that opportunity in writing and has turned it down. Bill Manion further stated that the owner was welcome to a meeting at any time.

5. **New Business:** Bill Manion asked if the Board has ever finished the discussion that keeps coming up about making a distinction in Villa LaCresta between quarterly dues for patio homes and townhomes. The members then discussed the matter at some length and decided it was a matter that should be more fully discussed as a separate agenda item at the next meeting.

Jim Barnett then asked for confirmation of the next meeting being August 8th. Bill Manion responded by saying yes and that it would be for budget development.

Bill Manion then asked if there were any other business to discuss. Being none, Jim Barnett made a motion to adjourn. After being seconded by Marti Eagan and a unanimous vote, Bill Manion called the meeting to a close at 12:28 PM.

Respectfully submitted,
Dana Johannesen