



SPANISH PEAKS OWNERS ASSOCIATION

Spanish Peaks Owners Association Board of Directors met November 20, 2013 at the Spanish Peaks Clubhouse in Big Sky, Montana. Directors in attendance included: Matthew Kidd, Bayard Dominick, and Karen Roberts. Mindy Nowakowski represented staff.

1. **Establishment of Quorum:** Matt Kidd determined that a quorum had been established.
2. **Call to Order:** Matt Kidd called the meeting to order at 9:50 AM.
3. **Minutes of August 19, 2013:** Motion made by Bayard Dominick and seconded by Karen Roberts to approve the August 19, 2013 minutes with the following corrections on page 2:
 - a. Penultimate item under the Manager's Report should read, "The snow removal contract was renewed for 1 year with K7 Snow Works, Inc."
 - b. The last item under the Manager's Report should read, "Fence repair by K7 Snow Works, Inc. will start next week."

Motion unanimously carried.

4. **Minutes of September 27, 2013:** Motion made by Bayard Dominick and seconded by Karen Roberts to approve the September 27, 2013 minutes. Motion unanimously carried.
5. **Minutes of November 8, 2013:** Motion made by Bayard Dominick and seconded by Karen Roberts to approve the November 8, 2013 minutes. Motion unanimously carried.
6. **Treasurer's Report:**

a. Review and approve FY2013 Financials—Karen Roberts reported that the SPOA ended the FY2013 financial year in a strong financial position. The Reserve Account balance of \$799,633 reflects the appropriate year-end level of funds as determined by Reserve Advisors in their study update of August 2012. The Transfer Fee Account reflects the repayment of \$123,000 from the operating account that was borrowed at the end of FY2011 to finance that year's cash shortfall in the operating account. Since the SPOA bills assessments one month in advance of each new quarter, the accounts receivable balance of \$89,264 includes unpaid assessment relating to first quarter fiscal 2014 plus delinquent fiscal 2013 accounts. Ms. Roberts pointed out that the first quarter fiscal 2014 income, however, was not included in the profit and loss statement as it had been deferred and booked as a liability on the balance sheet.

The fiscal year ended with an income deficit of \$18,814. Although the SPOA collected \$132,600 more in income than expected (mostly due to transfer fees and bad debt collections), the association had a few unanticipated expenses in addition to writing-off \$150,000 relating to the chip seal work completed in September 2012 and capitalized at the end of fiscal 2012.

Ms. Roberts informed the board that the SPOA has the option of writing off the fixed asset amount of \$360,500 for trails since replacement of this item is already included in the reserve fund—in effect, trails are being accounted for twice. Writing off this asset would eliminate the depreciation expense that is recorded each year but is excluded from the annual budget and assessment calculations. Since the method by which the SPOA



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handles the fixed assets is impacted by other decisions surrounding the setup of the new development company, this issue was tabled until other development-wide decisions are finalized.

Motion made by Bayard Dominick and seconded by Karen Roberts to approve the FY2013 financial statements as presented. Motion unanimously carried.

b. **Review and Finalize Investment Policy**—Ms. Roberts briefly explained the current investment situation: All SPOA funds are kept in four accounts at Wells Fargo. As such, the FDIC insures only \$250,000 of the \$1,529,000 cash balances. All SPOA cash was moved to Wells Fargo in early 2012 from accounts held by PNC and American Bank. Wells Fargo was chosen because it is one of the largest and financially stable banks in the US and because it is the only local bank that can provide the association with lockbox services. Back in 2012, the Board wanted to move the funds from American Bank due to its potential financial instability.

Currently, the SPOA receives a monthly .35% credit on all of the average account balances. This monthly credit is applied against the monthly bank fees and resulted in the SPOA receiving a total credit of \$5,068—a 65% savings—in the FY2013 overall bank charges. This .35% credit is equal to the current interest rate on a three-month certificate of deposit. In order for the SPOA to make more after-tax investment income than it currently earns in the non-taxable bank credit, it would need to receive an interest rate of 1.75% or higher on its cash balances. At today's interest rates on certificates of deposits and treasury bills, this rate is not available unless funds are invested for 5 to 7 year—a currently unacceptable length of time.

Due to the complexities involved in managing the SPOA cash balances, the Board decided to defer making a decision on the current proposed investment resolution and policy until the Board could further review the proposed policy and investment implications. Mr. Kidd and Mr. Dominick agreed with the Ms. Roberts to keep all of the SPOA funds with Wells Fargo in the current banking arrangement until a formal investment policy was adopted and the investment options could be fully evaluated by all Board members. All Board members agreed that the risk of the SPOA losing the money held in Wells Fargo accounts is minimal.

c. **Use of Transfer Fee Fund to Build Trash Collection Center**—Ms. Roberts proposed that the Board authorize the building of a Spanish Peaks trash collection center to be paid for out of the transfer fee fund. The center would house one or two large trash compactors in addition to the normal recycle contains. There is a countywide initiative for communities to install these types of trash facilities in order to minimize bear and other wild animal problems that trash and trashcans cause. She reported that other homeowner associations such as the Yellowstone Club (YC) and Hidden Village have already constructed these types of facilities and that Firelight Meadows is going to build a similar type of trash collection facility next year.

This agenda item was tabled until the Board can obtain further information about these types of trash compactor facilities. Mr. Kidd will investigate how YC handles their trash collection facility and Ms. Roberts will discuss the issue with Markus Kirchmayr of

Alpine Property Management to get his input and determine costs by contacting Republic Services. Mr. Dominick will discuss location options with Jon Olsen, the civil engineer employed by YC and who is familiar with the Spanish Peaks development.

d. **Review of Insurance Policies**—Ms. Roberts gave Ms. Nowakowski hard copies of the insurance policies held by the SPOA and asked that she review the policies to ensure that the SPOA is adequately covered and in compliance with any and all statutory requirements. Ms. Nowakowski explained to the Board that the SPOA currently carries insurance for crime, general liability, \$1 million in D&O and \$4 million in umbrella coverage. She asked Mr. Kidd if he considered the D&O and umbrella coverages to be adequate and he responded that he did.

e. **Methods of Collection of Delinquent Accounts**—Ms. Roberts explained the reasoning being the Boards contracting with the CBO Collections, Inc. (CBO), a local collection agency, in January 2012. In light of additional collection options proposed by Ms. Nowakowski, the Board decided to terminate its agreement with CBO. Ms. Roberts is to provide details of the invoices assigned to CBO to Ms. Nowakowski, and Ms. Nowakowski will draft a letter for Ms. Roberts to sign and send to CBO terminating their services. In order for the SPOA to have access to needed documents to aid in collecting delinquent accounts, the Board authorized Ms. Roberts to subscribe to the Eagleweb document service provided through the Gallatin County Office of the Clerk and Recorder. Motion made by Bayard Dominick and seconded by Karen Roberts to terminate the contract between the SPOA and CBO. Motion unanimously carried.

f. **Resolution on the Use of Transfer Fees**—Ms. Roberts reported that the SPOA Board has never determined an appropriate use of the transfer fee fund. A resolution on the use of the transfer fee fund was deferred until the Board has adequate time to debate the options that are available for the proper and legal use of the transfer fees.

7. **Use of Written Reports for Management and ARC Reporting**—Motion made by Bayard Dominick and seconded by Karen Roberts to have Alpine Property Management and the ARC prepare and submit to the Board monthly written reports in lieu of in-person, oral reports. Motion unanimously carried.

8. **Current Legal Counsel Issues**—Ms. Roberts suggested to the Board that Mindy Nowakowski replace Jennifer Farve of Moore, O’Connell and Refling, the current legal counsel for the SPOA. Ms. Roberts has been working extensively with Ms. Nowakowski over the past few weeks on a number of SPOA related issues, and based on this experience, believes that Ms. Nowakowski has a better knowledge and understanding of homeowner association laws and possesses more relevant experience in legal issues concerning homeowners associations in general than does Ms. Farve. Motion made by Bayard Dominick and seconded by Karen Roberts for the Board to retain Ms. Nowakowski as legal counsel for the SPOA. Motion unanimously carried.

9. **Annual Members Meeting**

a. **Package Contents**—Ms. Roberts will prepare a draft annual package for the Board’s review and approval at its next meeting.

b. **Agenda**—Ms. Roberts will prepare a draft agenda for the Board’s review and approval at its next meeting.

10. **Other Business**

a. **Alpine Property Management Agreement**— Ms. Roberts informed the Board that the contract with Alpine Property Management (APM) is due to expire on November 30,

2013. The Board authorized Ms. Roberts to renew and sign the management agreement with APM for one more year. Motion made by Bayard Dominick and seconded by Karen Roberts for the Board to retain Alpine Property Management as the management company for the SPOA for the period December 1, 2013 through November 30, 2014. Motion unanimously carried.

b. The Board determined that future regular board meetings would be held the second Friday of each month at 9:30 MST at the Spanish Peaks Clubhouse. Ms. Roberts was asked to post this information on the SPOA Website.

c. There was no other business.

11. Adjourn— Motion made by Bayard Dominick and seconded by Karen Roberts for the Board to adjourn the meeting. Motion unanimously carried.

The next meeting of the SPOA will be held on Tuesday, December 3, 2013 at 9:30 AM MST.

Meeting adjourned at 10:45 AM MST.



Bayard Dominick, Secretary for the Board



Date