



SPANISH PEAKS OWNERS ASSOCIATION

Minutes of Board of Directors Meeting June 15, 2015

The meeting of the Spanish Peaks Owners Association Board of Directors was held on June 15, 2015 at the Lone Mountain Land Company Office at 2:30 pm MST. Those in attendance included: President, Bayard Dominick; Secretary, Mark Thorne; and Treasurer, Karen Roberts. Association management staff representing Alpine Property Management (APM) included: Manager, Sam Luedtke. Also in attendance representing Loan Mountain Land Company were Legal Counsel, Mindy Cummings; Controller, Steve Hurst; and Executive Director Community Associations, Ben Holst. Douglas Shanley, the SPOA's accountant, provided financial review via teleconference.

Establishment of Quorum

With all of the Board Members in attendance, quorum was established.

Call to Order

Mr. Dominick called the meeting to order at 2:32 pm.

May 14, 2015 Minutes

Ms. Roberts motioned to approve the May 14, 2015 minutes as written; Mr. Thorne seconded the motion. With all in favor, the minutes were approved unanimously.

Q2 FY2015 Financial Review

Mr. Shanley presented the Q2 FY2015 report as of April 30, 2015. The combined balances of all checking and savings accounts as of April 30th 2015 were \$2,541,013. The Balance of the Operating account as of April 30, 2015 was \$326,177. The Transfer Fee account balance April 30th 2015 was \$753,987.

The ARC Compliance Deposit Summary totaled \$125,000. Ms. Roberts noted that several TerraFlow Systems invoices from 2014 were erroneously paid from the operating account instead of from the Transfer Fee account. These expenses were transferred to the Transfer Fee account in January.

Ms. Roberts also updated the board on significant May transactions. These included a transfer of \$185,000 from the reserve account to the Edward Jones CD ladder and the collection of five more transfer fees totaling \$55,150 resulting from May property sales. She also raised the issue of properties selling below market value and asked how transfer fees could be protected when this type of sale occurs. Per the CC&Rs, transfer fees are to be based on fair market value and not on the sales price of the property.

Ms. Cummings recommended that the title companies email a settlement statement 5 days before

the sale settlement date giving the SPOA time to assess the fee before closing of the sale.

The Accounts Receivable Reserve has a balance of \$57,583. Ms. Roberts informed the board that the Ewing property has been sold and will be closing in the next few days along with Bill Sandwick's property. These two accounts had been turned over to CBO for collection and as such, the SPOA will receive part of the balances that had been previously written off.

Ms. Roberts provided the account year to date summary from the Variance Analysis:

The Variance Analysis is looking good. Mr. Thorne estimates this is because there are fewer write-offs' than budgeted. There are two to three houses about to be added to this pipeline. There has been an increase in security costs, Greg will follow up on that. Ms. Robert's reminds board they need a security bill.

Ms. Roberts provided updated May information on contributions to the Edward Jones account. There was \$185,000 transferred in May. A total of \$55,450 was deposited into the Transfer Fee account as a result of five property sales in May.

Mark Thorne stated that Steve Hurst would be taking over all of Ms. Robert's accounting and financial responsibilities. As such, it might make sense to have him be the treasurer of the SPOA and the new board member would be the secretary.

Ms. Cummings discussed the need to update the write-off and collection policy that was adopted by the board in May 2014. Although the use of liens seems to be the best way to collect delinquent assessments, the SPOA may want to have the use of a collection agency in its collection toolbox for cases when this approach might prove beneficial. In order to use a collection agency, however, the SPOA needs to cleanup its accounting so that all outstanding accounts receivable balances can be proven.

In the past, amounts sent to collection have been written off the SPOA books. Ms. Cummings stated that contrary to what Lisa Stafford-Gillstrom from CBO and Doug Shanley have stated, these amounts should not be written off of the SPOA books. It is necessary for the SPOA to always be able to support the outstanding amounts owed whether or not the amounts have been sent to collection.

Ms. Cummings also stated that in situations where outstanding assessments are large, such in the case of Wortman, the SPOA might want to pursue its option to foreclose on the property. Doing so would not only help collect some of the very large amounts owed to the SPOA, but would also let other owners realize that they could be at risk of a foreclosure as well.

Ms. Cummings will have her recommendations regarding collections ready for the next board meeting that will be scheduled in August.

The Board accepted the financial report.

Ms. Roberts discussed the importance of the turnover date that is being written into the new CC&Rs. Since Spanish Peaks is not a new community, adding an additional 25 years and the sale of 90% of the properties seems extreme. It would also help members to feel more included if the Developer agreed to continue to

have one SPOA member on the board. This type of board composition would still give the Developer the control that he needs why giving the members input.

Ms. Roberts also suggested that over time, the number of board members could be expanded to five and include two members. Increasing the number of SPOA members on the board would give the members experience so that they would be in a better position to take over the board at turnover date.

Mr. Thorne thought that the turnover date would most likely be reduced to 15 years OR 90% of the properties sold. He also agreed that keeping one SPOA member on the board was a good idea and that he was not opposed to moving to a five-member board with two SPOA members.

Ms. Cummings also stated that the current CC&Rs to provide a way for the members to contest the budget, but it would take 75% of the Class A votes to do so. As such, members do have some recourse.

Mr. Hurst also commented that providing member surveys was a way to get input from SPOA members. Using a survey would give members a chance to help prioritize the goals of the board and give them a chance to give input and feedback. Ms. Cummings also suggested that the use of welcome packets would help new members feel more included in the SPOA in general. Mr. Thorne expressed the benefit of conducting town-hall style meetings to solicit member input and enhance communication between the developer and the general SPOA membership.

Mark Thorne asked if anyone had names of people that might be willing to serve on the board. Three names were offered: Mark Lea, Kathy Schauer, and Dan Taft.

Water Administration

Ms. Roberts expressed two concerns about the HOA administering the water system:

- If for some reason the Developer stopped paying the subsidy, the current 79 water users would be liable for a large amount of money each year. Is there a way to alleviate the members' exposure?
- Since the Developer has control over the SPOA Board of Directors, the SPOA members are not administering the water system. Are there any potential negative consequences should this situation become public?

Ms. Cummings stated that the new CC&Rs would include a detailed section on the water system. She envisions specific agreements between the Developer and the SPOA that detail how everything will work from raising funds for the reserve to the fee for hooking into the system. Many details will need to be flushed out for the protection of the Developer as well as the SPOA members.

Mr. Thorne suggested that a bond might be necessary until the water system reserves are setup properly. The Developer currently owns the water system and is operating the water system. All of the issues that Ms. Roberts raised will need to be addressed before the system is turned over to the administration of the SPOA. Mr. Thorne went on to comment that the model is really the Yellowstone Club, and they would need to understand how their system is setup and duplicate it.

Ms. Roberts asked how the details of the water system operations would be communicated to the SPOA members. Mr. Thorne said that they were in the process of drafting a detailed response to the issues raised by the Advisory Committee (AC) and would get that email out shortly. They also plan on having a town-hall style meeting with the members to let them know what's going on.

Ms. Roberts concluded the water system discussion by stating that her biggest concern was that the HOA really did not have any control over the destiny of the water system even though it was supposed to be an owner operated system.

Bank Signatories

This topic was tabled until a new board member is appointed and the new treasurer is elected.

Accounting Procedures

Ms. Roberts explained that the SPOA uses the class feature in QuickBooks in place of fund accounting. This process allows revenue and expenses to be tracked by reserve, transfer fee, and operations. The SPOA also shows the reserve contributions as a liability and expense that then gets closed out into retained earnings at year-end. Doing so prevents the quarterly and annual net income from being overstated.

Mr. Hurst asked whether the CC&Rs specified that the transfer fees needed to be segregated or if they included any specific information about how the transfer fees were to be spent. From his experience, transfer fees were always included in the operating funds. Ms. Cummings replied that the CC&Rs did not specify how the funds were to be accounted or used. Ms. Roberts explained that the former Developer kept the funds separate with the intention of using them for such things as hiking trails. Ms. Cummings added that there are different philosophies about how transfer fees are to be spent and that the new CC&Rs would be more specific on this topic.

Manager's Report

Mr. Luedtke has been working with Melissa on the noxious weed spraying done by PPYC.

Mr. Luedtke has been trying to contact Jim Cancroft of Northwest Management regarding forestry management around the Crow Point area. Gallatin County has a program that will reimburse about 50% of the cost of this type of work, so part of the costs will be offset.

Alpine has organized cleanup of the ditches from the horseshoe bend on South Fork up to the Yellowstone Club. There was a large amount of trash in the ditches.

John Olsen hired Montana Paving to repair the asphalt on Mountain Valley Trail.

Alpine will handle the trail maintenance on the hiking trails. Ms. Roberts questioned what should be fixed on the trails? Walking trails need to be sprayed for noxious weeds and fallen trees removed. Two spots on the trails are not draining properly and Mr. Dominick said that the company who put in the trails will be back to fix them. Gravel is sparse on the Elkridge hiking trail. Suggested to use a different type of gravel dependent on cost. Water bars might help in those areas. Need to post signage on new bike and walking trails warning no motorized vehicle authorized on trails.

Problem with the trail by the contractors' entrance—Many people are parking there to ride the bike trail. Mr. Dominick suggested that the boulders be placed in such a way as to block parking. Mr. Thorne stated that signage be installed stating that it is private property for use of members only.

Mr. Luedtke wanted input from the board regarding long-term forestry management. Ms. Roberts asked what percentage of trees is dead in the area since dead trees are highly flammable. Mr. Luedtke stated

that some dead trees are removed as part of the forestry management, but roads are also used as firebreaks. Dead underbrush also needs to be removed and dead trees can be removed although it is expensive. Mr. Luedtke wants the board's approval before he takes action.

Garbage can removal—Some cans on Eagleview Road have been left outside of the garage. Some cans have been sitting outside for a couple of months. Management companies are responsible while owners are away. Current Resolution provides for a warning letter then fines—the second offence triggers a \$100 fine and the third offense triggers a \$500 fine. Mr. Thorne suggested that the Resolution be modified to include what should be done when trashcans are removed from the curb but left outside of the garage.

Mr. Luedtke spoke with the contractor who is working on the old construction entrance and he said that they would probably be done by July 4th.

Mr. Dominick informed the board that there are two or three more properties to be added to the ten that are currently under construction. Most new applicants are looking for more contemporary designs then have traditionally been approved, but the ARC is ensuring that the materials used are traditional and natural.

Enforcement of Rules and Regulations

Mr. Thorne recommended that an email be sent out reminding people that fireworks are not allowed anywhere on Spanish Peaks property. He also said that security would be enforcing the fireworks ban. Mr. Holst is to compose the email.

Ms. Cummings addressed the issue of recourse if someone breaks the rules. She informed the board that there is not enough time this year to write a penalty for breaking the no fireworks rule. Rules must be issued at least 30 days before they can be placed in effect. The SPOA can write a penalty so it may be implemented next year. Mr. Thorne suggested a \$5,000 fine for setting off fireworks and that this penalty needs to be written into a Resolution for enforcing the rules and regulations.

Annual Meeting

The annual meeting was set for Tuesday December 29, 2015 at 9:00 am.

Set Date for Next Board Meeting

Next board meeting is set for Tuesday August 11, 2015 at 9:00 am.

Adjourn

Mr. Dominick adjourned the meeting at 3:43 pm.



Mark Thorne, Secretary



Date