

**Fountain Hills Community Association
Board of Directors Meeting
January 5, 2015**

As Approved at the February 5, 2015 Board of Directors Meeting

Board Members Present: Thomas Walker, President
Christopher Allo, Vice President
Harry Matchett, Treasurer
Frank Walsh, Secretary
Katharine Stout, Member at Large

Board Members Absent: Lena Burleson, Member at Large
Hari Donthi, Member at Large

Others Present: Ruchita Patel, Management Agent
Archer Crebbs, Management Agent
Abbee Cronin, Recording Secretary

Homeowners Present: Lawrence Thompson
Robert Love

Call to Order

The meeting was called to order at 7:37 pm by Board President Tom Walker.

Introduction

Tom Walker summarized the meeting agenda.

Meeting Minutes

Tom Walker informed all in attendance that proposed changes to the December 4, 2014 meeting minutes had been distributed prior to the meeting.

MOTION: (Tom Walker, Katharine Stout) Approve the minutes of the December 4, 2014 regular Board meeting with the changes that were previously distributed.

Vote: Approved 5-0-0.

Treasurer's Report

Tom Walker suggested that a Treasurer's Report be presented quarterly, with the next report to be presented at the upcoming meeting in February 2015.

Harry Matchett mentioned he recently received an email from TMGA indicating they were unable to transfer the December reserve contribution from the operating account to the reserve account due to a lack of funds. Mr. Matchett mentioned he received a copy of the December disbursement report. He began discussion of the Association's financial situation as summarized below:

1. The Association has a large amount of expenses which were incurred in November, but were not reflected in the November 2014 financial statements. Harry Matchett specifically mentioned the November monthly landscape contract charge was paid in December and will be reflected in the December financials. Harry Matchett stated that he wants to see the expenses on the financial statements when the expense was incurred (full accrual basis), not when the expense is paid (cash basis). Ruchita Patel informed the Board that TMGA prepares the financial statements on a modified accrual basis which combines both accrual and cash basis accounting. Discussion then developed into the issue of having the Board be more responsible for all expenses.
2. Based on the communication from TMGA that the Association could not fund the December reserve contribution, Harry Matchett believes the Board needs to take drastic measures and put restraints on spending. Harry Matchett suggested that the Board approve all uncontracted and non-recurring expenses until the Association is able to fund its reserve account. These include smaller maintenance items which affect cash flow, i.e., community maintenance, potential postage fees, etc. Chris Allo was opposed to having the Board approve all expenditures for the Association and Tom Walker suggested developing a list of items that could be pre-approved for TMGA to abide by or possibly placing a maximum dollar value on spending by TMGA to maintain the community. Ruchita Patel stated that having the Board approve all expenditures is very difficult when trying to maintain the community at a level homeowners expect. Ms. Patel added that TMGA has used discretion when faced with maintenance issues within the community and held off on performing services where some community improvements were needed to discuss them with the Board.

MOTION: (Harry Matchett, Frank Walsh) Implement a temporary plan to have the Board approve all uncontracted and non-recurring expenses (not utility or recurring expenses) until the Association is able to fund its reserve account.

Vote: Disapproved 2-3-0 (Tom Walker, Chris Allo, Katharine Stout opposed)

The Board discussed meeting within the next few weeks to discuss the financial matters of the Association further and to more accurately identify the origination of the cash flow problems so a plan can be derived to maintain a positive cash flow and fully fund reserves.

Voting Items

Transfer of Reserve Funds

Laddering Schedule (Replacement Reserve Analysis spreadsheet attached)

Harry Matchett discussed what his thoughts were on the purpose of the reserve study, which can be broken down into three questions: 1) what funds do we have; 2) what are the future needs of the community; and 3) how do we get there. Harry Matchett provided a spreadsheet illustrating his recommendation for investing the funds which are currently in the reserve cash accounts, which is summarized below.

Two 2 year CDs	\$360,000
4 year CD	\$100,000
5 year CD	\$150,000

Ruchita Patel described the laddering schedule she prepared, which was provided in the December 2014 management report, which has funds coming due every quarter creating more liquidity and taking advantage of both rising and falling interest rates. Ms. Patel explained that this schedule would have the maturing funds automatically reinvested if the money was not needed for reserve expenses. Ms. Patel distributed the spreadsheet of this laddering schedule from the December management report.

Frank Walsh expressed his concern that the Board had voted to invest \$150,000 in a 1 year CD at the last meeting and it had not been done. Tom Walker clarified that this was not done pending information from Harry Matchett.

MOTION: (Harry Matchett, Chris Allo) Invest \$360,000 in two 2 year CD's, \$100,000 in a 4 year CD, and \$150,000 in a 5 year CD. All funds will be taken from the reserve cash accounts. Tom Walker suggested amending the 2 year CD's by reducing the amount by \$150,000. This amendment was not approved.

Vote: Approved 4-1-0 (Frank Walsh opposed).

Income Tax Returns

The Board reviewed the federal and state tax returns as prepared by Goldklang Group. Harry Matchett supported that the excess taxes paid be rolled toward future years' taxes. The tax returns request a refund of the excess taxes.

MOTION: (Tom Walker, Chris Allo) Accept the federal and state tax returns as presented.

Vote: Approved 4-1-0 (Harry Matchett opposed).

Expiring Contracts

Pool Management Contract from RSV Pools

Tom Walker stated that the pool management renewal proposal from RSV Pools is under the budgeted amount.

MOTION: (Frank Walsh, Tom Walker) Bid out this contract.

Vote: Approved unanimously.

Ruchita Patel informed the Board that a contract for these services needs to be approved at the February meeting as the pool company needs time to prepare the pool for opening.

Towing Contract

Harry Matchett advised that he was finalizing the updated contract with G & G Towing. He distributed a draft copy of the proposed contract to the Board members who requested a copy. This matter was tabled until the February meeting.

Fountain Maintenance

Ruchita Patel informed the Board that the specifications for the annual fountain maintenance contract, which covers all three fountains, now includes pressure washing the fountains as they have a significant amount of mold in the basins, increasing the cost from \$4,200 to \$4,800.

MOTION: (Tom Walker, Frank Walsh) Approve the renewal proposal from Community Pool Service for a cost of \$4,800.

Vote: Approved 4-1-0 (Harry Matchett opposed).

Audit Contract

This issue was deferred until a future Board meeting.

Attorney Work Session

Tom Walker suggested that the Board hold the attorney work session at 6:00 p.m., just prior to the March 4, 2015 Board meeting. Harry Matchett advised that he will not be able to make it early to a work session for the next few months. Ruchita Patel recommended that all Board members attend. Therefore, the Board decided to delay a work session with the Association's attorney until all Board members can attend as it is not an urgent matter.

Tree Trimming

Archer Crebbs informed the Board that the tree in the common area behind 18805 Lake Placid Lane needs to be addressed as it is overgrown and in close proximity to the home. Mr. Crebbs also stated that it would be the Association's responsibility if the tree caused any damage to the home.

Harry Matchett stated that if the tree is only pruned it would be a problem down the road and he recommends that the tree be removed. The cost to remove the tree would be approximately \$2,000. Ruchita Patel informed the Board that both Musser and D & A Dunlevy recommended pruning the tree. The Board requested that Ms. Patel try to get the cost to prune the tree down to \$500.

MOTION: (Katharine Stout, Chris Allo) Approve the proposal from Musser to prune the tree behind 18805 Lake Placid Lane.

Vote: Approved 4-1-0 (Harry Matchett opposed).

Fountain Repairs

Archer Crebbs informed the Board that the fountain at Mediterranean Drive needs to be replaced and it has a design flaw, causing the fountain to continually need repairs. He added that the other 2 fountains also need comprehensive repairs. Frank Walsh said that all 3 fountains need to be replaced or extensively repaired and that the Association has been delaying this project for years. Tom Walker added that he needs to inspect the Mediterranean Drive fountain.

Ruchita Patel explained that it would be cost effective to have the Mediterranean Drive fountain replaced instead of repaired. The new fountain would cost \$48,000 and would have a 30 year life. Approximately \$1,600 per year would need to be put into future reserves to cover the cost of replacement. Ruchita Patel reminded the Board that \$2,000 had already been spent in the last 6 months to make repairs to the fountains.

Tom Walker inquired as to how the Association will pay for this cash outlay to which Ruchita Patel advised that the purchase of a new fountain would be funded through reserves. At \$48,000 over the 30 year life of the fountain, this would increase assessments by \$0.15 per month for each homeowner (over a 20 year life, this would increase assessments by \$0.23 per month for each homeowner). Ruchita Patel

informed the Board that with a new fountain, the fountain maintenance costs would decrease. Archer Crebbs stated that the last reserve study for the Association was done in 2012. Archer Crebbs explained that new numbers can be obtained for the reserve study and TMGA could ask the engineer to do that. Ruchita Patel advised that several other changes were needed to the reserve study.

MOTION: (Frank Walsh, Katharine Stout) Bid out the replacement cost for the Mediterranean Drive fountain as well as the repairs to the other 2 fountains.

Vote: Approved 4-1-0 (Harry Matchett opposed).

Committee Reports

ARC – Robert Love, Chair of the ARC, summarized the committee’s activities since the last Board meeting.

Harry Matchett commented he received a follow up inquiry from a homeowner that sent a complaint to the enforcement committee regarding a home on Fountain Hills Drive where the foundation is painted a peach/burnt orange color and said he thought an ARC application was submitted to TMGA for this paint color. Harry Matchett said that he will get the specific address for this home. Bob Love said that he has not received an application for this home and Ruchita Patel advised that it did not sound familiar.

Bob Love suggested that architectural information should be referenced in the community newsletters.

A discussion ensued regarding how current violations should be tracked and how the appropriate follow up should be conducted. Ruchita Patel asked what the process is to enforce violations in the community to avoid current violations falling through the cracks. Chris Allo stated that the Association needs to step up enforcement for violations in the community. Discussion continued regarding a process to enforce the rules and regulations for the community and the role of the Enforcement Committee and TMGA.

Landscaping – Chair Manjit Kaur was not present. This section was not addressed at this meeting.

Social – Chair Siu Poon was not present. This section was not addressed at this meeting.

Pool – Not active and no current members. Ruchita Patel asked if she could take this off agenda to which the Board did not make a decision.

Newsletter – Not active and no current members.

Enforcement – Harry Matchett informed the Board that the committee met on December 10, 2014. He distributed the minutes from that meeting, which are attached. Harry Matchett informed that there is an inspection scheduled for January 2015 and that the committee is split into two groups, one group performs the inspection and one group performs follow up.

Ruchita Patel asked Harry Matchett if TMGA could receive the inspection results as quickly as possible after the inspection is performed so that TMGA can sufficiently answer homeowner questions which arise as a result of the inspection. Ruchita Patel stated that the Association should utilize TMGA to assist with the inspection process however they have no guidelines from the Association to answer questions from homeowners. Harry Matchett said to forward all homeowner calls to the Enforcement Committee. It was determined that TMGA will start a call log, after the inspection results go out to homeowners, to see how the process works in sending homeowner inquiries to the Enforcement Committee.

Homeowner Forum

Bob Love commended the new Board for volunteering their time to be on the Board of Directors for the community. His thoughts/suggestions for the Board included the following:

1. How to utilize TMGA better to help manage the community.
2. Having the Board approve smaller items, i.e., signs, etc. takes away from the Board addressing the larger issues in the community. The Board should focus on the “big picture” and he expressed his concern that the Board is not doing this.
3. The Reserve Study needs to be updated. Bob Love stated that he would like to take a look at study as he may be able to contribute his opinion.
4. Bob Love stated that he is favor of getting the fountains repaired and that the Association should not “nickel and dime” to get specialty work done but contract the right guys initially and get the work done.
5. The large trees in the common areas need be addressed and the Association needs to develop a better tree policy for the coming years. Ruchita Patel advised that a tree policy is being worked on as well as a turf renovation plan.

Executive Session

In accordance with Section 11B-111 of the Maryland Homeowners Association Act, the Board of Directors voted 4-1-0 (Harry Matchett opposed) to go into Executive Session at 10:17 pm for the purpose of discussing delinquent accounts and potential litigation.

Adjournment

MOTION: (Tom Walker, Katharine Stout) Adjourn the Board of Directors meeting at 10:21 pm.

Vote: Approved unanimously.

Submitted by: Abbee Cronin, The Management Group Associates, Inc.

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**FOUNTAIN HILLS COMMUNITY ASSOCIATION
REPLACEMENT RESERVE ANALYSIS**

1. What funds do we have?

Funds Available for Investment	619,944
Less: Money Market Reserves	<u>(9,944)</u>
TOTAL FUNDS AVAILABLE	<u><u>610,000</u></u>

2. What are our future needs?

2015 Replacement Costs	18,755
2016 Replacement Costs	17,964
2017 Replacement Costs (2 Years)	367,524
2018 Replacement Costs	12,474
2019 Replacement Costs (4 Years)	97,732
2020 Replacement Costs (5 Years)	<u>57,930</u>
TOTAL ASSET REPLACEMENT COSTS	<u><u>572,379</u></u>

3. How do we get there?

2 Year CD	360,000	2 CD's
4 Year CD	100,000	1 CD
5 Year CD	<u>150,000</u>	1 CD
TOTAL INVESTMENTS	<u><u>610,000</u></u>	

**Fountain Hills Community Association
Enforcement Committee Meeting
December 10, 2014**

The Enforcement Committee of Fountain Hills Community Association held a meeting at the Starbucks located in the Kingsview shopping center on Wednesday December 10, 2014.

Members Present:

Harry Matchett, Chair
Jackie Arnold
JoAnn Windsor
Barbara Peressini
Sue Adamkiewicz
Sherry Lee

Members Absent:

Sam Harris
Danial Magid
Steven Muse

Homeowners Present:

Tom Walker

The meeting was called to order by Harry Matchett at 7:08 PM.

There was a discussion of the enforcement committee documents, the inspection process and Ruchita Patel's email dated December 8, 2014.

In January 2015, the enforcement committee will complete an inspection of the entire community.

The meeting adjourned at 8:35 PM.