

MEADOW HOUSES NORTH AUO
ANNUAL MEETING
AUGUST 16, 2014

SUNRIVER LIBRARY MEETING ROOM

The following minutes are subject to change at the next annual meeting.

Call to order: Chairman, Marie Rundberg, called the meeting to order at 11:30 am.

Roll Call and Certification of proxies: In attendance: Units 50, 54, 57, 59, 66, 77, 78, 82, 83, 84, 85, 86 and 88. By proxy: Units 47, 48, 49, 51, 52, 53, 55, 56, 60, 61, 62, 64, 68, 69, 71, 74, 75, 76, 79, 80, 87, 89 and 90. With 36 units represented in person or by proxy, we have a quorum. A quorum of at least 50% or 22 is required according to the governing documents of the association.

Board members present: Marie Rundberg, John Ross, Ed Manos and Dennis Martin. Mary Long was unable to attend. High Desert Community Management was represented by Jim and Marsha Anderson.

Approval of 2013 Annual Meeting Minutes:

Upon motion duly made and seconded and unanimously approved it was: Resolved to approve the August 17, 2013 Annual minutes as presented.

Marie Rundberg provided the following report and information:

My family has lived in Meadow House North for over 40 years and I have served on this Board for the past 15 years. I've watched Board members come and go, and with it changes in SROA.

Because Sunriver consists of so many non-resident owners who spend little time here, and others who put their unit on a rental program, it's easy to see why owners turn everything over to local property managers. Sunriver local property managers know that most property owners are non-resident and know that owners come to Sunriver to relax. Vendors, such as property managers, with an established history in Sunriver sometimes exhibit a sense of entitlement and will openly disregard Board control. Sometimes they set inflated prices and impose policies that they have no actual right to impose. But while property managers are supposed to be looking out for our property – who is looking at what the property managers are doing?

A few years ago I caught one of our property managers awarding themselves a "no-competition" bid for \$100,000 of unnecessary siding work. I had a building inspector check the need for the job and he was able to prove the new siding was not necessary. Board members and I watched as a fight broke out between the property manager and the inspector. The property manager insisted that the Board had no right to question their decisions. We decided to change property managers after discovering what they tried to do.

Last year I called our insurance agent to obtain needed information and he refused to provide insurance policy information or rates, insisting that his information and insurance advice could only be released through our property manager or with the property manager's permission. Here again, I made the decision to switch insurance agents in order to distance Meadow House North from Sunriver's property manager control. We now have an insurance agent that works only for us.

Then there is the money. Until recently, the Board majority agreed to pay our property manager a \$1,200 per month base fee, plus extra for additional services. I decided find a property management firm that was not aligned with SROA and would do only the work we needed done, and do for a fair price. We now pay a \$300 per month base fee, plus extra for additional services. This is a 75% reduction - a \$900 per month windfall to the association. I recruited Jim & Marsha Anderson of High Desert Community Management and they are doing a great job for us. They provide more efficient services than those we received before, in my opinion, and they are not associated with SROA. There are some things that I have been managing myself that are relatively easy to handle and it has been going smoothly for the past eight months. The Board should have no difficulty continuing these cost savings using High Desert.

There is a trend in the industry for property managers and other outsiders to demand increasing amounts of control over associations and their boards. This is hardly news in the case of timeshare condominiums where owners rarely visit and have very little investment in their property. However the trend is increasingly taking hold in resort, retirement, and even full time resident associations. I've distributed some articles about other associations that have been the victims of Board takeovers by outsiders (see URLs below). Boards and owners need to be alert and engaged with their property managers and monitor their activity regularly. In many associations, apathetic Board members, don't attend meetings or work on board business. They take the Board positions because they enjoy the title, but turn everything over and to property managers and pay them whatever they ask, without competitive bidding. They then just approve whatever the property managers tell them to approve. In Las Vegas and Portland, where owners have been victims of embezzlement and fraud, the problem has become so bad that law enforcement finally stepped in and handed out criminal indictments. Millions in equity was stolen from unsuspecting owners.

<http://www.reviewjournal.com/news/crime-courts/4-defendants-las-vegas-hoa-case-strike-deals-plead-guilty>

http://www.oregonlive.com/business/index.ssf/2014/05/david_kobbeman_hoa_embezzler_s.html

Our current property manager, Jim and Marsha Anderson, have been scrupulously honest and very respectful of our desire to monitor and run our own affairs, but SROA's property managers are a problem.

SROA is run largely by outside professional property managers and their law firm. We have, what our lawyers suspect may have become, a figurehead ceremonial SROA Board and a figurehead Design Committee, with the outside SROA property manager being the real power in Sunriver. But the laws and governing documents are far too time-consuming for most to read, and too complex for most to understand. SROA property managers provide legal interpretations to owners, sometimes without much regard for the actual wording of Oregon Laws or Sunriver's governing documents.

SROA claims that most of our private property is classified (or has been re-classified by them) as "common area". Common Area classification (in the definitions of the Sunriver governing documents) means SROA controls what we can do with our property, not us. According to the fine print of Sunriver's governing documents, SROA is required to pay the taxes, insurance and maintenance costs on Common Area. Of course, SROA has never paid for any of that on our property. You do. It appears that SROA only wants Common Area Authority, not the financial obligations that come with it. According to our lawyers, that is just one of the unsupportable positions that SROA has adopted.

Our lawyer's letter of March 20, 2014 stated

" . . . SROA may not need to have Oregon state law or the governing documents on its side in order to prevail, if SROA can rely on the history of sub-associations' inability to decipher Sunriver's complex governing documents and their inability to mount an organized opposition. SROA can effectively do whatever it wants to."

Our lawyer has done a great job of analyzing SROA's unsubstantiated and ambiguous claims of authority. This is a Portland law firm that I've watched solve difficult problems for others – problems that other firms were unable to solve. Our attorney's legal team has given us two very good plans for resolving the SROA matter ourselves without initiating litigation against SROA. Neither plan would involve significant legal fees, but might involve a significant amount of volunteer work by Board members. Over a period of time, Board members have been split on whether volunteer Board members have the time or obligation to perform that work, so the plans our lawyer offered us have never been implemented.

In 2013 we spent \$6,779 total on SROA related legal consultations with four different law firms in order to check our facts before reporting our findings to you. The Board spent another \$5,722 on matters not directly related to the analysis or correction of SROA's legal position. In other words, about half of our money was spent determining that SROA was unlawfully interfering with our property rights, and half was spent debating whether the Board was obligated to work on the problem. Much of what the Board spent has been related only to the Board's split over whether volunteer Board members are obligated to take action to resolve the matter. Our lawyers seem to think we are obligated. Our bylaws also indicate that we are obligated.

In his May 2, 2013 letter our lawyer wrote to the board saying

"..... it is not unreasonable for Meadow House property owners to move independently to remove the 8 trees obstructing their views through their own AUO Boards. Moreover, under the circumstances, the AUO Board members of Meadow House North and West are not unreasonable in believing that they have an obligation to approve the private area "view right" tree removal application of their AUO members."

After two years of studying SROA and the property manager problems, our lawyer wrote to the Board saying

" like Meadow House West before you, the divided goals on this board are subjecting the AUO to unnecessary legal expenses and accomplishing nothing of further value for the unit owners. . . ."

I agree with the association's attorney. I would prefer to see the \$900 per month savings we've obtained on property management go back to the Owners.

I'm informing the Association that the Board does not need the amount of money you are currently paying to operate the Association. There are more expense cuts that I have been working on and I plan to offer if the owners want money returned to them, but I'm going to start with this one first to measure the level of interest. I have a number of operational expense cuts that I'd like to offer over the next 12-18 months beginning with the one I'm about to propose. Dues are like taxes. Once you raise them, it's hard to get them back again even if the money is no longer needed. Right now, we don't need it. If that changes, we'll let you know. After today, we will have new Board members who are just beginning to learn the association's business. But I'm sure they can operate on a \$300 per month base just as we have for the past eight months.

To resist our temptation to spend the excess money elsewhere, I'm going to begin by asking the owners if they want this money returned to them. If so, the owners can instruct the Board to reduce each unit's quarterly dues by an amount equal to the current \$900 per month reduction windfall in property management savings (that equals \$60 per unit per quarter). In my experience, if you don't get your money now, there will be a temptation to find something else to spend it on. If we find in the future that we need extra money, we will ask you for the money with an explanation of why we need it. Right now, we don't need the extra \$900 per month. Next year, with Board cooperation and training, we will be saving far more than \$900 per month and the operating expenses will be considerably lower.

I have another announcement to make in a few minutes, but before I do . . .

I move that "the Owners direct the Board to resolve at today's Board meeting to reduce assessments by an amount equal to the reduced monthly Property Management Base Fee of \$900 per month effective January 1, 2015. That amounts to \$240 per year for each unit or \$60 per unit per quarter."

The motion was seconded, but was defeated by the majority.

I thank you all for the trust and support you have given me during the 15 years that I have spent as President of this Board. However, 15 years is long enough for any one person to hold this position. Effective at the close of this meeting, I'll be stepping down as Board President.

John Ross delivered the following Treasurer's Report 2013 Results.

Revenue and Expenses

Overall income for calendar year 2013 totaled \$14,228.

Some of the items over or under budget:

Sprinkler maintenance – over budget by \$2,126 – to excavation by Bend Broadband that disrupted our sprinklers. Some recovery from Bend Broadband was effected.

Legal expense was over budget by \$11,113 due to deferred expenses from 2012, ongoing fees paid in relation to the property rights issue, plus charges from an attorney who resigned when challenged.

Management fee expense was over budget by \$1,780, and expense for copies, postage, and supplies was over budget by \$876, in both cases due to higher charges from Aperion Management, which has been replaced.

Tax expense was under budget by \$336 due to refunds from the state for non-profit corporations.

Snow removal was under budget by \$8,551 due to fair weather.

Financial Position

As of year-end 2013 we had cash totaling \$85,443. This compares with cash totaling \$68,003 as of year-end 2012, for an increase of \$17,440.

2014 Budget/Reserve Adequacy

The 2014 budget was approved by the board with no increase in assessments. The Reserve Plan was comprehensively reviewed and updated in 2013. Based on its projections, and our rebuilding cash position, no assessment increase is anticipated for 2015.

Year to Date 2014 Revenue and Expense

Our fiscal year-end is December 31, 2014. As of July 31, our year-to-date results are favorable by \$2,263. Keep in mind, however, that forecasting our budget elements by month is inexact, and subject to timing differences. Nevertheless, as of July 31 operating expenses are under budget, but reserve expenses are over budget, primarily due to painting that has proven necessary earlier than forecast.

Accounting Process

High Desert Community Management collects and deposits all fee and assessment payments, receives and reviews all invoices, and it prepares checks to pay the invoices. All invoices are also reviewed by Marie Rundberg, and by the Treasurer, John Ross. If the invoices are approved for payment, Marie and John are the authorized signatories for checks. Bank statements are sent monthly to High Desert Community Management. It prepares monthly financial statements, which include monthly bank reconciliation statements. The monthly financial statements are reviewed by Marie and by John.

Accountant's Review

The firm of Schwindt & Co. performed a review of our balance sheet and related statements of revenues and expenses as of 12/31/13. No material changes to those statements were recommended following the review. The review found that \$7,478 should have been, but was not, transferred from the operating account during 2013 into our reserve account, but through transfers this year the reserve account balance is being corrected. The review resulted in three recommendations: (1) The board will adopt a written policy detailing the steps and procedures to collect past due assessments; (2) The board will adopt a plan for repayments, if any are ever necessary, of any borrowings from the reserve fund's cash account; and (3) The board will implement competitive bidding for significant contracts.

Waiver of Annual Review

Oregon law authorizes the Association's owners to waive, by affirmative vote of the majority, an annual independent review of the Association's financial statements. Since a review of the 2013 statements was just completed, and since our accounting procedures remain unchanged since that time, the board recommends that the owners vote to avoid the expense of an annual review of the 2014 financial statements.

Annual Review Waiver:

Upon motion duly made, seconded and unanimously approved it was resolved to waive an Annual Review by an independent CPA for the calendar year of 2014. This waiver was approved by 70% of the owners.

Accept Treasurers Report:

Upon motion duly made, seconded and unanimously approved it was: Resolved to accept the Treasurer's Report as submitted.

Marie Rundberg presented the following additional information:

Owner projects consisted of #47 replacing their deck surface, #51,52, 54, 55, 56 & 57 painted their garages, #82 replaced an upper window, #84 replaced their deck. The association has replaced enclosed deck fences and garbage enclosures at #72 & 74, replaced storage doors at #61, fully painted units 52, 53, 54, 80 & 81, with additional painting on #61 & 63 that was required by SROA, exterior chimney masonry work on #61, 62 & 77 along with other minor repairs. We completed chimney inspections on the majority of our units. There are still a few owners who have until September 1st to have their chimney inspected and provide documentation that the inspection has been done.

Each year the SROA Environmental Department identifies areas in our Association that require ladder fuel reduction. We are current with our ladder fuel reduction. This year we were able to remove trees that were dead, damaged or potential hazards. We took down eight trees and did some limbing.

Vic Russell had their contractor come back and apply seal coat to areas that failed in 2012. In the future, when we seal coat, it should be done in July or August and not in October when the temperatures drop too low and the seal coat fails.

Jim Anderson submitted the following Manager's Report.

Jim reported on our insurance coverage and reported that our Bylaws and CC&Rs dictate what insurance is required. His report included recommendations and suggestions for Owners to review with their own personal insurance agent. He reminded owners that any exterior improvement or changes must be approved by the Board before submitting to SROA. Also, he reminded the owners that any insurance claims must be approved by the Board prior to submitting to the insurance company. Jim's full report is attached to these minutes.

Nominations were requested from the floor for Board Director positions. This year there are three Board positions to be filled and we have four owners who are willing to serve in those positions. They are John Ross, Dennis Martin, Mary Long and Patrick Carroll. There were no additional nominations from the floor. Because we have more candidates than positions, we will vote by written ballot. Each of the three candidates present, John Ross, Dennis Martin and Patrick Carroll, provided information to the association about their background and their desires for serving on our Board.

The results of the written ballot, including those present and the proxies submitted, were John Ross 36, Dennis Martin 36, Patrick Carroll 29 and Mary Long 7.

Upon motion duly made and unanimously approved it was: Resolved that John Ross, Dennis Martin and Patrick Carroll have been elected.

Name	Position	Term
Dennis Martin	Director	2014-2016
John Ross	Treasurer	2014-2016
Patrick Carroll	Director	2014-2016
Marie Rundberg	Chairman	2013-2015
Ed Manos	Director	2013-2015

The Board and the members would like to take this opportunity to thank Mary Long for her many years of service to the association. Also, we would like to take a moment to think about former Board member Mark Hanschka who passed away recently. Owners took the time to thank Marie Rundberg for her 15 years as Board President and commented that she deserves the finest from the people she represents.

Many thanks to our Board members and our Management team for their continued support and dedication to our association.

Approval of the actions of the Board for the previous year:

Upon motion duly made, seconded and the majority approved it was: Resolved to approve the actions of the Board for the previous year.

There was a lengthy discussion regarding the process, policy and procedures for replacing windows in regard to a problem with one unit owner who replaced windows without approval from the association. The Board agreed to take the problem under consideration.

There was additional conversation regarding meeting notice, an association website and a possible teleconference connection to future meetings.

There being no further business, the meeting was adjourned at 1:10 pm.

The next scheduled annual meeting will be held on August 15, 2015.