

Palomar Reserve Council of Co-Owners

Board Of Directors Meeting

9/16/2024

The monthly meeting of the Palomar Reserve Council of Co-Owners Board of Directors was held at 4:00 PM on 9/16/2024. The following personnel were in attendance:

- Carrie Hoeller (Board President)
- Ima Lane (Board Vice President)
- Susan Vantreese (Board At-Large Member)
- Barry Tilden (Board Secretary)
- Ann Wesley (Property Manager)
- Donna Frazier (Homeowner visitor)

1. Approval of Minutes of Previous Board Meeting

The meeting minutes from the monthly Board meeting held on 8/19/2024 were reviewed. Sue moved that the minutes be approved, and Ima seconded the motion. The motion was approved.

2. Financial Report

Ann presented the monthly HOA financial reports for August.

a. Balance Sheet

- The total reserve account was approximately \$46.0 K at the end of August (\$25.1 in the higher interest CD and the rest in two lower interest accounts).
- Last month, the Board approved the transfer of \$12K from the reserve account to the operating account to cover the cost of the asphalt sealing work. A portion of the \$6K that is received from the city grant will be returned to the Reserve fund.
- The operating account was around \$15.4K at the end of August.

b. Profit & Loss –

- The HOA net income exceeded total expenses by \$300 for the month of August. In addition to “expenses,” we pay about \$500 each month on principal for our club house mortgage (not included in “expenses”).
- Repairs and maintenance costs were high in August. The HOA paid \$1.0K for the annual preventive exterminator service. In addition, security services cost were about \$600 over budget because of extensive work on building doors.

c. Profit & Loss Budget Vs Actual YTD

- At the end of August, several expense categories were over or under budget as shown in the table below -

Expense Category	Amount Over Budget	Comment
Income	\$3.6K over	Due to collection of past due HOA dues and late fees in June

Expense Category	Amount Over Budget	Comment
Administrative	\$5.4K under	Mainly due to insurance cost being lower than budget as discussed in previous meeting minutes.
Utilities	\$4.9K over	Every utility line item is above budget by some amount, but electrical cost is the largest contributor.
Repairs and Maintenance	\$5.8K over	\$1.7K of the overage is elevator repairs. \$1.5K is the repairs to the ceiling caused by water damage discussed in March meeting minutes. \$1.1K is the cleaning contract. \$1.0K is higher security services costs.
Supplies	\$900 under	Due to timing of purchasing supplies.
Landscaping and Grounds	\$600 under	Due to lower snow removal costs, partially offset by unbudgeted flower and shrub work in June.

- As of the end of August, the HOA income exceeded the total expenses for the year by about \$3.0K. In addition to “expenses,” we have paid \$4.1K on principal for our club house mortgage (not included in “expenses”), as of the end of August. Therefore, total expenditures of the HOA exceed income by about \$1.1K.

d. Open Invoices –

- The report shows that there are currently seven past due accounts for Palomar Reserve HOA at the end of July, totaling \$2.7K. This is up by \$1.0K from last month.
- \$1.7K of this total is against a single account that has been delinquent since May 2023 (). The total delinquent amount was decreased in June with a one-time payment of \$5K, but this did not completely settle the past due amounts, and no HOA dues have been paid since June. The Board asked Ann for two actions in order to resolve this issue – (1) we want our lawyer to send another foreclosure letter to both co-owners of this unit, stating that we intend to continue the foreclosure process until this delinquent account is paid in full, (2) we asked Ann to start sending the monthly delinquency notice to both co-owners’ addresses, not just the single address on record.
- Another account () makes up over \$300 of the total delinquent accounts. This account has been delinquent since February. It consists of one month of missed HOA dues and several unpaid late fees. Ann stated that she had not had time to email this homeowner, as requested at the August Board meeting. The Board reiterated that we would like her to contact the homeowner by phone or email to discuss a plan for resolving this delinquent account.
- Two other accounts are newly delinquent with a late fee and these make up about \$500 of the total. Both homeowners received delinquent account notices by mail.

3. Old Business

- Newsletter. Prior to the meeting, Ann sent a draft of a Fall newsletter to Board members. She received comments and suggestions from the Board including adding a list of 2023 and 2024 accomplishments of the HOA and a paragraph about the consequences of holding the elevator for an excessive time period. She will make these changes and give the Board

one more review before disseminating the newsletter by email and posting it on the web site.

- b. Website. At the meeting Ann predicted that, by the end of the day of the meeting, all items listed in the previous meeting minutes for the website would be resolved except for the tab advertising the clubhouse rental potential. Ann had to ask the Web Designer to upload the items since her upload rights do not seem to be working. The HOA will have to pay for this service. Barry asked again whether he could get administrative rights to upload documents to the web site so that we would not have to pay extra for this service. Ann will investigate this question and get back to the Board. As of the day after the Board meeting, many items previously listed as open had been completed. The following items remain outstanding.
 - i. Add meeting minutes for the May and June Board meetings
 - ii. Adding a tab advertising the clubhouse and information about renting it for events.
 - iii. Replacing the September 2023 Rules and Regulation with the latest version (May 2024).
- c. Elevator repairs. Ann reported that she had signed the contract for the higher priced and more comprehensive maintenance service for the elevators. The price of all trouble calls on elevators is included in the monthly fee. Ann said that her contact at DC elevators had told her that, now that the new contract is in place, they would credit us with the disputed amounts from trouble calls early in the year as discussed in previous meeting minutes.
- d. Sprinkler inspection follow up. Ann is still waiting for a response from the Sprinkler company. She needs to know how the \$2795 estimate for sprinkler repairs (issues found during the March inspection) is broken down by unit. She needs this information to let the affected unit owners know how much they will be billed after the work is complete. Since all sprinkler head issues were found inside units, it is the responsibility of unit owners to pay the HOA back for the cost of these repairs. The Board stated that this issue has been dragging on for too long. We need to get the repairs done for safety reasons as well as to close this issue. Ann will press the company for the needed information.
- e. Metronet damage. The Metronet representative told Ann that he would stop by the property next week to review the issues discussed in last month's minutes. Ann asked him to let us know when he is coming so that we can point out the issues to him.
- f. Seal coating. Funds were transferred from the reserve account to the operating account and the \$12K bill was paid for the asphalt sealing and striping work completed in July. Forms for reimbursement by the city grant (1/2 the total cost) have been submitted and payment is expected in about a week.
- g. Additional scope of work addendum for 2024 city grant. The addendum for the 2024 grant which allows us to use the residual 2024 grant funding was approved. The city approved a grant of \$7.5K for 2024 and we used about \$6K on the asphalt sealing work. This funding needs to be used for landscaping improvements by next summer. The HOA can spend up to \$3K and the city will reimburse half of what is spent.
- h. Grant application for 2025. Carrie was informed by the city grant spokesperson that our application for a 2025 grant was, unfortunately, not approved. The scope of work that was submitted includes replacing the sidewalks for building 4218 and the wall behind building 4235. The reason the application was not approved was a combination of two factors – (1) the city had less funding for this program for 2025 and more applicants (30 for 2025

grants versus 19 for 2024), (2) Palomar Reserve received a \$7.5K grant in 2024 and the city wanted to provide grants to HOAs that did not get grants this year. The Board will resubmit the application for these jobs for 2026 unless we can somehow find funding in the operating budget.

Barry will try to determine an interim fix for the wall to prevent further leaning until we receive the needed funding for a permanent fix. Ann will obtain an estimate for taking down the leaning wall in the near term, with the intent to replace it when we get funding from the 2026 city grant. One of these interim fixes will be needed soon.

The sidewalk repairs will likely need to wait for the 2026 grant.

- i. Insurance increase. Based on the discussion at the last Board meeting, Ann has initiated action to switch the HOA insurance from Auto Owners to Erie. Auto Owners were going to increase rates from \$41K annually to \$51K. Erie will provide the same insurance coverage for about \$41K.
- j. Annual meeting. The annual meeting of the Council of Co-Owners (i.e. all unit owners) will be held **October 21st at 6:30 PM** in the club house. All current Board members agreed to serve for another year. Barry is recruiting a new Board member because the Board is supposed to consist of five members. Ann presented a draft agenda for the meeting and a draft letter to communicate the meeting to homeowners. The letter asks for all unit owners to attend or vote by proxy. It also encourages unit owners to vote in advance so that the quorum can be calculated and votes processed before the meeting. (Votes and quorum are based on percent ownership in the total condominium, not one vote per unit.) Barry agreed to prepare a draft set of Power Point slides for use at the meeting to summarize the HOA accomplishments in 2024 and present the 2025 budget, especially the reasons for the increase. He will send these out in draft well prior to the meeting for comments and additional information.
- k. Quilters use of the clubhouse. At the last meeting, the Board approved a lower rental rate for Donna's quilters club based on their expectation to use the clubhouse at least twice a month for the foreseeable future. They did hold two meetings during August and the HOA received a \$50 fee. The quilters also donated a full-size quilt to the HOA to be raffled off this fall. Details of the raffle are still to be determined.

4. New Business

- a. Siding and soffit issues (Bone Dry). Ann received an estimate from Bone Dry Roofing for repairs to the gutters at the back of building 4219 causing water issues in one of the units in this building. The estimate was for over \$4K to replace gutters and install gutter guards to fully resolve this issue. The HOA has insufficient funding in the operating account to complete this work in 2024. Ann will try to find an interim fix until we can budget for this work.
Ann felt like it would cost less than \$500 to repair the three other identified issues (siding above the garage on building 4248, trim on building 4219 and siding on building 4235). The Board approved spending up to \$500 to complete these three repairs.
- b. Front door on building 4235. The door for this building will not lock. Ann has had Economy Glass take a look at it and they are preparing an estimate for repairs.
- c. Budget for 2025. Ann reported that cost increases in essential services will necessitate an increase in HOA dues for 2025. She noted that we did not have an increase for 2024 and things are very tight this year, with several line items significantly over budget.

Ann prepared a 2025 draft budget based on the following information (1) 2024 actuals projected through the end of the year for costs such as electricity, water, sewer, etc., (2) new contract costs for insurance, elevator maintenance, etc., (3) higher interest rate on the club house loan, (4) same percentage of HOA dues going to property management and reserve fund contributions. This exercise showed that the current dues would be \$19K short of paying the required bills for 2025. In order to just cover this shortfall, a 10% increase would be needed to HOA dues. To provide funding for \$8K of capital repairs and a small increase in snow removal cost, a 15% increase in HOA dues would be needed. There was a great deal of discussion on whether the additional budget for capital repairs was needed. In both 2023 and 2024, 10% of the HOA dues were deposited into the reserve account (about \$19.7K each year). In 2023, \$14K was spent from the reserve fund to cover replacement of three common area HVAC units and termite treatment. In 2024, \$8K of the reserve fund will be spent for our half of the asphalt sealing work as well as replacement of the clubhouse treadmill. Effectively, the HOA has only cleared a contribution of \$17.4k into the reserve fund for the combined 2023/2024 time period. If we continue on this path, the reserve fund will not grow as needed to cover anticipated work such as elevator overhauls in a few years. On the other hand, Board members expressed fear that a 15% increase would force some homeowners to consider selling their units or would drive away potential new buyers. After weighing all factors, Sue moved that the Board approve the 2025 budget with a 15% increase over 2024. Barry seconded the motion, and the motion carried with three in favor and one opposed (Ima).

- d. Treadmill Replacement. The treadmill belt broke several months ago and the Board discovered it would cost almost \$1K to replace the belt. We decided to instead purchase a new commercial grade treadmill as soon as finances allowed. Donna did some research and found a commercial Nordic brand treadmill for about \$1.7K (including shipping). The Board authorized Carrie to purchase this unit using her Sam's Club membership. We decided to use a portion of the funding received back from the city grant to make this purchase. This is equivalent to using the reserve fund since this money was designated to be returned to the reserve fund after it was received.
 - e. Buyers Reserve Fee. Ann noted that many HOAs in Lexington have implemented a Buyers Reserve Fee which requires new buyers to buy into the reserve fund at a rate typically of three months of their HOA dues. Ann said that this fee discourages buyers who intend to buy a unit and flip it in the short term. It also helps HOAs build their reserve fund without increasing the percentage of contributions for operating funds. The Board also discussed the down side of this concept, i.e. it might discourage new buyers or at least be seen as a significant disadvantage. The Board decided to discuss this concept at the annual meeting and get some homeowner feedback before making any decisions.
5. Adjourn. The next Board meeting will be held after the annual meeting for the purpose of electing officers for 2025. Informal meetings to prepare for the annual meeting may also be needed. The meeting was adjourned at 6:05 PM.