

Palomar Reserve Council of Co-Owners

Board Of Directors Meeting

1/20/2025

The monthly meeting of the Palomar Reserve Council of Co-Owners Board of Directors was held at 4:00 PM on 1/20/2025. The following personnel were in attendance:

- Carrie Hoeller (President)
- Dexter Sprandling (Vice President)
- Baxter Napier (At-Large Member)
- Susan Vantreese (At-Large Member)
- Barry Tilden (Secretary) (by FaceTime)
- Ann Wesley (Property Manager)
- Donna Frazier (Clubhouse subcommittee)
- Ima Lane (Clubhouse subcommittee)
- Becky Lesch (Clubhouse subcommittee)

1. Approval of Minutes of Previous Board Meeting

The meeting minutes from the monthly Board meeting held on 12/16/2024 were reviewed. Carrie moved for approval of the minutes, and Baxter seconded the motion. The motion was approved.

2. Financial Report

Ann presented the monthly HOA financial reports for December 2024.

a. Balance Sheet

- The total reserve account was approximately \$57.1 K at the end of December (\$25.5 in a higher interest CD and the rest in two lower interest accounts).
- The operating account was around \$18.4K at the end of December.
- The balance on the clubhouse loan was down to \$145.9K at the end of December. In addition to the normal mortgage payment that included \$565 of principal, the \$1020 from the quilt sweepstakes was used to reduce the clubhouse loan principal. Ann reported that the bank informed her that our loan interest rate would decrease from 8.375% to 7.25% at the end of the first quarter.

b. Profit & Loss –

- The HOA income exceeded expenses by \$911 for the month of December. In addition to “expenses,” we paid \$565 in December for principal for our clubhouse mortgage (not included in “expenses” on the P&L report).
- HOA income overall was \$2.0K above budget in December. General assessment HOA dues collected was about \$1K above and late fees/other income¹ was also about \$1K above budget. This was caused by several delinquent accounts being fully or partially paid up in December. The other income also included \$50 from a clubhouse rental in December.
- Administrative expenses were \$3.4 over budget for December because insurance costs were double for the month. Because of the change in insurance providers, the

¹ The Other Income here does not include the \$1020 from the quilt sweepstakes because that income was applied to the clubhouse loan within the same month that it was received.

November insurance payment was delayed until December. So, December's insurance payment actually included two months' bills. November monthly financials have been revised and reissued to show that no insurance payment was made in November.

- Utilities were \$0.7K under budget in December, mainly caused by a lower electric bill for the month.
- Repairs expenses were slightly over budget in December because of three factors. First, there was no monthly payment to the cleaning contractor (-\$450) because of late billing by the contractors. We will have to catch up on this in January. Second, the elevator repair costs were over budget by \$365 because of the new maintenance contract, as described in previous meeting minutes. Third, general repairs costs were higher than budgeted by \$317 because of the need to repair doors on building 4235 and 4248.
- Landscaping and grounds expenses were \$1.3K under budget in December because snow removal costs were under budget by that same amount for the month.

c. Profit & Loss Budget Vs Actual YTD

- At the end of 2024, several expense categories were over or under budget as shown in the table below -

Expense Category	Amount Over Budget	Comment
Income	\$5.8K over	Due to collection of past due HOA dues and late fees in June and December. The \$6.2K city grant was subtracted from the P&L YTD report value (\$12.0K) since this was reimbursement for asphalt sealing expenses.
Administrative	\$6.3K under	Mainly due to insurance cost being lower than budget earlier in the year as discussed in previous meeting minutes.
Utilities	\$2.5K over	Every utility line item is above budget by some amount, except electricity costs which were slightly under for the year because of the last several months' bills. Internet and sewer costs are the largest contributors to the overage for the year.
Repairs and Maintenance	\$7.6K over	\$2.7K of the overage is elevator repairs. \$1.3K is the repairs to the ceiling caused by water damage discussed in March meeting minutes. \$1.1K is the cleaning contract. \$2.4K is higher security services costs.
Supplies	\$1.4K under	Due to purchasing fewer supplies than budgeted during the year.
Landscaping and Grounds	\$1.7K under	Due to lower snow removal costs, partially offset by unbudgeted flower and shrub work in June.

- As of the end of December, the P&L YTD report shows that the HOA income exceeded the expenses for the year by about \$9.9K. However, \$12.1K of the "income" was transferred from the Reserve fund to cover asphalt sealing work and only \$4.4K was

returned to the Reserve fund after the city grant was received. Subtracting out this \$7.7K net transfer from reserve to the operating account, the HOA dues collected exceeded the expense for the year by about \$2.2K. In addition to “expenses,” we have paid \$7.2K on principal for our club house mortgage (not included in “expenses”), as of the end of the year. Therefore, total expenditures of the HOA exceeded HOA dues collected by about \$5.0K during 2024.

d. Open Invoices –

- The report shows that there are currently eight past due accounts for Palomar Reserve HOA at the end of December, totaling \$3.9K. This is down by \$1.5K from last month.
- \$2.5K of this total is against a single account that has been delinquent since May 2023 (). In December, the owners of this unit verbally agreed to a payment plan whereby they pay \$500/week until the balance has been paid off. In December, they reduced their delinquent payments to the \$2.5K mentioned above. As of the date of the Board meeting, they have continued their payment plan and had an outstanding balance of \$1263.50. This account is on track to be paid off (outstanding dues, late fees and attorney fees) by the end of February.
- Another account () (late since February 2024) made up almost \$300 of the total delinquent accounts at the end of December. Earlier this month, the unit owner made additional catch-up payments and, as of the date of the Board meeting, the account had been paid down to just a few dollars.
- Another account () made up over \$600 of the total delinquent accounts at the end of November. As of the end of December, this account had been nearly paid off with only \$19.94 remaining past due.
- One account that was newly delinquent last month () had increased to two months behind (~\$650) at the end of December. However, in early January, an additional payment was received. As of the date of the Board meeting, this account had a balance consisting of only one late fee (\$35).
- One account () (about \$315 of the total) is newly delinquent in December, owing one month dues plus a late fee. This homeowner has received a delinquent account notice by mail.
- The other three delinquent accounts owe a small amount each from past issues, but they are paying their current HOA dues each month.

3. Old Business

- a. Front door on building 4235. Ann had her maintenance staff adjust the hydraulic closing mechanism to shut the door properly and this improved the door closing issue. However, Dexter reported that the door still closes erratically, and it needs more work. Ann will have her maintenance staff try more adjustments.
- b. 4219 water over deck area. Ann had estimates for gutter cleaning (Window Genie) of \$634 per building for both 4219 and 4235. The Board agreed that this work should be completed when the weather allows. After this, we will reevaluate to see if this fixes the issue or more work is needed.

- c. Website update. Ann said that she would upload the November meeting minutes in the next few days along with the approved minutes from the December Board meeting. Carrie had also asked whether the clubhouse tab could also include a calendar that shows when the clubhouse is rented and when it is available. Ann is checking on this, but she thinks that this upgrade would be more expensive than adding the clubhouse tab.
- d. Newsletter. Ann distributed a draft winter newsletter before the meeting and asked Board members to provide any comments or corrections by email. She will send it out in the next few days.
- e. Sprinkler inspection follow up. Ann has still not received the bill for the sprinkler repair work. Once she receives the bill, she will pay it from the HOA operating account and then bill the affected units for their share of the cost.
- f. Buyers Reserve Fee. Ann distributed draft wording for the Home page of the Palomar Reserve website to let potential buyers and current owners know about the Buyers Reserve Fee that was discussed at the annual meeting in October and approved at the November Board meeting. The Board members agreed that the wording was good as is and Ann will add this to the web site. In addition to this communication, Ann is implementing this fee by including it on the Real Estate questionnaire that she fills out when owners are selling their units. With three or more units in the 60-unit complex currently up for sale, this should bring some significant revenue into our reserve fee this year.
- g. Wall behind building 4235. Ann has asked two contractors for estimates to take down this wall which is leaning behind building 4235. She has not received either estimate yet, but recent weather conditions would have prevented this work from proceeding anyway.
- h. Insurance for clubhouse rentals to non-owners. Ann checked with Erie, our insurance provider, to see if our policy would cover a loss in the clubhouse caused by a non-owner renting it. The insurance representative said that we need to have non-owners purchase "event insurance" if they want to rent the clubhouse. She provided a link to a company who specializes in this type of insurance. The event insurance site asks some pertinent questions about the event (e.g. number of people attending, will alcohol be allowed, etc.) and provides a quote. (For a party of less than 100 people, no alcohol allowed, the quote was about \$110.) The person using the event insurance site can purchase the event insurance on the site as well. Ann proposed that we require event insurance when non-owners wish to rent the clubhouse and provide them with a link to the event insurance company's website on the clubhouse rental portion of our website. We would not allow them access to the clubhouse until they purchased this insurance or provided proof of event insurance purchased from another insurance provider. The Board agreed with this approach.
- i. Beneficial Ownership Reporting. Ann reported that the US Treasury Department's requirement to report the beneficial owners of companies (such as HOAs) continued to be suspended. Her contact also told her that the requirement was not going to be reinstated so we do not need to worry about this issue going forward.
- j. Committee reports
 - i. Future grant work subcommittee. Donna, Becky and Carrie. No report at this meeting.

- ii. Clubhouse promotion subcommittee. Two related topics were discussed at the meeting –
 - The addition of a clubhouse rental tab and possibly a “vacancy” calendar, should make it easier for individuals to rent the clubhouse.
 - The members of this committee have been discussing the possibility of renting a portion of the clubhouse to a commercial entity or small business. The discussions were still in the early stages but more discussion on this topic is in the New Business portion of these meeting minutes.
 - The subcommittee scheduled their next meeting for Thursday 2/13 at 11 AM in the clubhouse.

4. New Business

- a. Sump pump replacement. Ann said that our elevator repair company discovered that the sump pump associated with the 4248 elevator shaft was not functioning and water was collecting in the sump. Ann’s maintenance staff is capable of replacing this pump, but they must coordinate with the elevator maintenance company to properly lockout the elevator to allow this work to proceed safely. Ann will handle this coordination, and she does not expect this work to be too expensive.
- b. Snow removal costs and procedures. Ann does not have the actual bills for January snow removal costs, but she anticipates that the cost for January’s snow removal will exceed the \$3000 budgeted for the month. The snow removal costs for December were \$668 for much less extensive snow removal work. The Board agreed that Caudill has been doing a good job keeping the roads and sidewalks clear as much as practical. Ann included a note in the winter newsletter to remind residents that ice melt is provided at the entrance to each building for them to use in between visits by the snow removal contractor.
- c. Audits. Dexter asked whether we should be performing an audit by a CPA annually to ensure our accounts are in good order. The HOA Bylaws do include a requirement for an annual audit, but Ann said that state laws governing HOAs only require such an audit for HOA with a much larger annual budget than Palomar Reserve has. She also stated that an audit would cost around \$5K and this was not in the budget for 2025. She said that her CPA does a review of the finances every year when he prepares our tax return, and she thought this may be sufficient. (We pay the CPA around \$850 to perform this review and prepare our taxes.) Due to the length of the meeting, Carrie asked that we table this item until next month’s meeting.
- d. Dexter also asked whether the HOA or the individual unit owners are responsible for unit exterior window replacement. Ann responded that homeowners are responsible for window replacement, and the Board must approve any deviation from the current window design (See Master Deed Article II.D(3)). Carrie suggested that if a block of owners went together to replace windows, they may be able to negotiate a better price, and this may also help to enforce uniformity of windows.
- e. Offer to rent office space in the clubhouse. Before the meeting, Carrie sent out an email describing a phone call she had from an individual who wanted to rent the office in the clubhouse for his small business (2 people). He needed space for two offices and six file cabinets. There would be no customers interfacing with the 2 individuals working in the

offices. He offered to install WIFI and a land line for their use. He was willing to pay \$800 to \$1000/month as rent for 6 months to two years. He said he needed the space right away (the next day if possible) since the building they were currently in had been sold and their lease terminated.

The Board had a lengthy discussion on this topic.

- **PROS.** We recognized the many benefits from such a rental. The revenue could be used to pay down the principal on the clubhouse loan and have that loan paid off sooner. The clubhouse is under-utilized and having this commercial entity make use of part of it would not cause much disruption of residents' usage. A small company with only 2 employees would be just the right size for the space in the clubhouse. With no customers interfacing with the 2 individuals working in these offices, there would be a minimal impact on parking and traffic. Also, we may not get another offer like this one.
- **CONS.** On the other hand, the Board was concerned with the speed with which this company needed the space. We would need to determine what activities we would allow this tenant to engage in and what services the HOA would provide (e.g. use of the kitchen, use of the meeting table in the clubhouse, etc.) We would need to decide how services such as electricity, water, sewer and yard maintenance are "cost shared." We would need time to develop this information and include this in a formal lease agreement and have that agreement approved by our lawyer. We would also need to fully research the HOA governing documents to ensure that they do not preclude such a rental agreement with a commercial entity. Several Board members also thought that this was different enough from anything we had discussed with homeowners, that some sort of communications with homeowners should be done before we made a decision.

For these reasons, the Board determined that we would respond to this request saying that we are not ready to enter into such an agreement because we have just begun to discuss this topic. However, we may be open to such an arrangement in the future. The Board also thought that this request was timely and should spur action by the Clubhouse Promotion Subcommittee so we would be ready if another interested party approaches us.

5. Adjourn. The next Board meeting will be held on February 17, 2025, at 4 PM in the clubhouse. The meeting was adjourned at 5:45 PM.

Topics Tabled at Previous Board Meetings

Tabled Item Description	Date Tabled	Reason Tabled	When to Revisit
Metronet damage.	November 2024	Need better weather to resolve	March 2025
Additional scope of work addendum for 2024 city grant.	November 2024	Need better weather to resolve	March 2025