

Owners Association of Elk Meadows Estates

Minutes of Annual Meeting: July 6, 2019

I. OPENING

- A. Roll call and introductions: Belinda Chisholm (lot 10), president, called the meeting to order at 9:07am.
 - a. Thanks to all those who helped this year: Stephanie Kissner, Bill Chipley, Jim Hayford, Karen Schum, Walt Atwood, Bill Palace, Ken Koppenaal, Baird Brown, Peter Rowland, Kristi Martin, Bill Hamann, Joe Lange, Jerry Johnson, Pam DePena, Tim Beene, Jim Wing, Tim Chisholm, Jim Pettengill, David Mullings, Jim Stephenson, Diane Thompson, Jim Sidwell
 - b. Attendance: Per sign-in and proxy sheets (hardcopies on file)
- B. Open Forum call to add items to the agenda: None
- C. Number of shares represented: 59 total (30 in person, 29 by proxy); the required number for a quorum being 38, a quorum is reached.
- D. Call for ballot counters: Rebecca Kindred (lots 202/204, 205); Marsha Waugh (lots 402, 403), Scott Layton (lot 502).
- E. Motion to approve Minutes of the 2018 Annual Meeting: Maggie Guscott (lot 305); seconded: Kristi Martin (lot 27); all approved. Motion passed.

II. PRESENTATIONS/COMMITTEE REPORTS

- A. President's message: Belinda Chisholm. Message included in meeting notification packet, and posted on the association website.
- B. Treasurer's report: Maggie Guscott
 - a. Finance and Budget: Report posted on the association website. Emphasis of this report was on discretionary funds:
 - i. All data has been extracted from financial statements, and budgets for the specific years. Reports are unadjusted for loan debt costs and depreciation (these are not discretionary). The format of the financial statements and budgets follow the direction of our auditor to meet USDA and Federal reporting requirements.
 - ii. 2018 financials versus budget: Notice operating income (effect of tap fees for new builds, excess water, late fees), loan payment amount, and significant discretionary expenditures: deliberate decrease for roads, increase for management (meaning the Governing Documents project), insurance and legal; expenses related to infrastructure (water and sewer).
 - iii. 2018 versus 2017: Notice main differences: income due to 2017 special assessment of \$124/lot (Governing Documents); expenses due to increase in water and sewer expenses and legal.

- iv. Expectations for 2019: Point of importance: the Loan Debt Reserve fund has reached the USDA required amount (\$59,850); excess funds are now paid into the USDA O & M reserve account to anticipate projected capital replacement requirements (per Capital Replacement Plan and in line with the Reserve Study recommendations).
 - v. Proposed 2020 budget: Based on 2019 projections, expenditure trends, and expectations for the next year. Notice in particular roads and snow plowing increases.
 - b. USDA Loan Pay-down report (Maggie G): Total additional amount paid so far = \$8,678 (January – Jun 2019).
 - c. Solar Loan Report (Maggie G): Report posted on the association website. Main points of interest: Current loan balance is \$54,323, a decrease of \$3,449 over the past 13 months. As a result of the loan conversion in 2017, and a reset interest rate of 2.75% down from 4%, the total loan cost of the 20-year loan was reduced by \$6,453 with a lifetime of 17 years. Electric costs continue to show good performance in spite of impact of changing demographics and significant changes in weather conditions which influence demand on the water and sewer systems.
 - C. Lawsuit settlement report (Belinda C): The lawsuit was settled in January 2019 with only a request for the formation of a committee to reassess Property Management Company options. In answer to a question from the floor, the cost of the lawsuit was \$27,403, of which \$23,310 was for a defense attorney, and the remaining \$4,093 for directly-related legal fees from our regular HOA attorney.
 - D. Water/Sewer report (Jim Hayford): Both systems are operating up to expectations. The main points of interest are
 - a. the requirement for increased sampling related to lead and copper rules,
 - b. the steady replacement of copper piping with Schedule 80 PVC (which has a lifetime of 50 years).
 - c. the installation of a lightbulb to keep the temperature of the water tank at a workable temperature.Jim also commented on the number of installed taps approaching 100 during (of the 127 possible).

In answer to a question from the floor about sewer pump-out, Belinda talked about the height of sludge varying with the time of year (August showing higher than October), and the agreed-upon process of taking measurements at regular intervals during this time to detect whether a pump-out would be required. Bill Hamann (lot 25) stated that he is working with Dan Barteshius (our contracted operator) to monitor sewer operations, ensure better prediction, and prevent unnecessary pump-outs.
 - E. Solar system report: David Mullings (lot 131): The system is operating as designed; no problems have been detected.
 - F. Roads report: Scott Alamprese (lot 7):
 - a. Road maintenance is now including the addition of drainage ditches both of handle run-off and to capture gravel pushed to the side during snow plowing. (The gravel can then be recovered to reduce the expense of new gravel.)

- b. Snow plowing: The amount and frequency of snow this last year pushed the association way over budget. As an added complication, our contractor has equipment problems with impacted the quality of the plowing exercise. To accommodate location and his availability, we modified our contact procedure to call at a snow depth of 4" (rather than 6") to ensure he would be on site to plow before the snow got unmanageable... This was variously successful.
 - c. Long-term we are looking for a long-term contractor who can handle both road maintenance and snow plowing, which is difficult in this part of Colorado.
 - d. Future plans include road improvements, in particular additional culverts.
 - e. The additional subject of the condition of County Road 5 was raised and discussed, the outcome being that any member of the association should contact/complain to the Ouray County Commissioner and or Ouray County Road & Bridge. Jim Pettengill (lot 404) suggested "wet and roll" and a solution.
- G. Conservation report: Diane Thompson (lot 115): She advised that it is not too late to order and install Ponderosa Pine packets.
- The main emphasis of her report was to talk about noxious weeds (showing examples of thistles, mullen, ...) that spread, and how these can/should be removed, suggesting the best ways to do so. She also advised as to how to disinfect infected aspens that are suffering from aspen decline, including sudden aspen decline. A good website with descriptions and photos can be found by googling "Colorado noxious weeds".
- H. Pay it Forward report: Stephanie Kissner (lot 428): reported that although thus far no funds have been donated, the idea is a great one. The process is that the committee would advise the board as to any amount being received, including any directive re distribution, whereupon the board can make the ultimate decision to ensure fair and equitable distribution.
- I. Trails Investigatory report: Will Krois (lots 224, 14): The committee is at the stage of research and development, looking at the greenspace as a possibility to build a small trail system. Bill Hamann added the idea of using the right-of-way alongside our roads for such a system, which he has done adjacent to his property.
- J. Governing Documents report: Baird Brown (lot 425): The committee has completed its work, with the required 67% votes achieved to pass the documents. Further, he wanted to acknowledge and give credit to Walt Atwood (lot 22) as the chair and Joe Lange (lot 215), the other members of the committee, for their hard work.

BREAK

- K. Governing Documents Mail-In Ballot (Belinda C): At this time all 3 sections of the Revised, Amended and Restated Governing Documents have passed (per J above). While this is the case, the mail in vote will remain open (by voting regulations) until August 20, 2019 and then the Documents will be registered with the State of Colorado. The community is still encouraged to submit their votes even though the documents have passed, the purpose being to give as accurate picture of community interest.

Belinda then stated that the emphasis now goes to Rules and the need for a Rules Committee to formulate rules for the community (considering existing rules, and complaints that might result in new rules).

- L. Management Company Exploration report (Belinda): As a result of the lawsuit mediation, the board formed a committee to re-examine this issue. Said committee did as chartered and recommended not to proceed further with this issue. The board hereby upholds the committee's recommendation. While this is the decision as of now, this issue can be re-examined in the future as the community desires.
- M. Changing Demographics of Elk Meadows (Belinda C): Report posted on the association website. The report points out the impact of more, younger, families moving to EMHOA, who are full-time residents as being more cars, more wear and tear on the roads, more use of facilities, all of which put pressure on the budget...

A secondary discussion resulted from another change being the increase in complaints, which potentially feeds a Rules committee in terms of setting guidelines that answer typical complaints... Lance Fitzgerald (lot 222) suggested homeowners use the neighbor-to-neighbor approach first, before contacting the sheriff's office. He mentioned that, as sheriff, he is increasing patrols to help minimize problems.

- N. Elk Meadows Dues report: Finance Committee, Tim Chisholm (lot 10). Report posted on the association website. The outcome of this report was a recommendation to increase dues related to the General Fund (from the current \$309/lot to \$565/lot annually) as a result of the steady increase in general operating costs for road maintenance, snow plowing, insurance, legal accounting, and other general operating expenses (see treasurer's report). (It was noted that there has not been a dues increase in 18 years.)

After a discussion, the motion was withdrawn, and a straw poll resulted in a [motion being made to hold a Special Meeting within 60 days for the specific purpose of presenting the information to the wider community and having a specific ballot issue at that time: David Mullings; seconded: Lance Fitzgerald. All approved. The motion passed.](#)

The BOD will now schedule such a meeting and send out an information packet per meeting policy.

- O. Capital Replacement Plan and Reserve Study: Tim Chisholm. Report posted on the association website. This report summarized the results of the study.
- P. Special Assessment to Repopulate the Reserves Proposal: Following the Reserve Study and analysis of the state of our reserve funds, this item was withdrawn from the agenda: No special assessment will be required due to the reserves recovering adequately through EMHOA's established dues breakdown process.
- Q. Committee sign-up: A request was made to the community to sign up for any of the various committees.
- R. Fire Hydrant project (Belinda): Report posted on the association website.
- S. Contingency Plans – Water/Sewer (Belinda): Report posted on the association website.

III. OLD BUSINESS – None

IV. NEW BUSINESS

- A. Naming some of the common complaints in Elk Meadows, and the question as to whether they should develop into rules, the Rules committee will take on the mission to polling the community, discussing and recommending to the board a possible suite of rules for consideration.

Relatedly, a letter from the Sprentalls was read in its entirety (copy attached). In addition, printed copies were made available to those who wanted to study the issues in more detail.

- B. Introduction of candidates for Directors
 - a. Nominated candidates: None.
 - b. Call for nominations from the floor: Maggie Guscott accepted a nomination from the floor to continue.
- C. Discussion of issues up for vote: None
- D. Items from 1B above: None
- E. Election and voting

V. ANNOUNCEMENTS

- A. Results of Election:

Maggie Guscott was voted in with a count of 57 votes. The two Board members, Belinda C, Ceann Ingram (lot 301), resigning at the end of their terms, will remain on an interim basis. Thus the board of directors for the 2019-2020 year is:

- Scott Alamprese (lot 7) - continuing, term ending July 2020
- Bill Stagg (lot 304) - continuing, term ending July 2020
- Maggie Guscott (lot 305) - new term July 2019 – July 2022
- Belinda Chisholm (lot 10) – interim, term ending July 2020
- Ceann Ingram (lot 301) – interim, term ending July 2020

- B. Ballot item: The 2020 Budget (posted on the web and presented) was approved with 50 votes (51% of quorum (or 30 votes) being required to pass).

VI. ADJOURNMENT

Motion to approve adjournment (1:55pm) by affirmation.

Respectfully submitted by
EMHOA BOD, 7/10/2019

Attachment

Letter from Bob and Gail Sprentall, to be read at the 2019 Annual Meeting:

Elk Meadows 2019 Ongoing Issues for discussion as listed on the 2019 Annual Meeting agenda

2018 Financial Statements:

1. Income is reported on the accrual basis and is improperly reported in the year-end financial statements. Repeated inquiries by the Sprentalls regarding the proper reporting of income have been refused by the Elk Meadows Board of Directors. According to Elk Meadows Lot Assessment Worksheet the Accrual Basis Financial statements at 12/31/18 should show income of \$171,079.80 in member assessments.
 - a. \$39,334.44 titled General Fund titled Member Assessments on Lot Assessment Worksheet; \$45,430.59 is posted in 12/31/18 Income Statement. Where is the discrepancy?
 - b. \$6,477.00 listed as USDA Oper/Mtnce Reserve Fund; unable to locate any sort of Income Statement reporting. State where it is reported.
 - c. \$6,096.00 titled Reserve Fund Setaside on the Lot Assessment Worksheet does not appear as accrued income. State where it is reported.
 - d. \$7,147.60 posted to Sewer Assessment account seems to be only 4 cents off from Lot Assessment Worksheet.
 - e. Where does the \$7,290.00 Base Sewer Usage listed as accrued income appear in the Lot Assessment Worksheet?
 - f. Where does the \$72,313.73 posted to WF Assessment appear as income in the Lot Assessment Worksheet?
 - g. \$38,808.00 titled Water Usage Account on Lot Assessment Worksheet; \$38,180.00 is posted in 12/31/18 Income Statement. Where is the discrepancy?
 - h. Where does the \$22,860 Sewer Usage Account listed on Lot Assessment Worksheet appear as income in the 12/31/18 Financial Statements?
 - i. Did not attempt to verify the USDA Loan Payment accounts as well as the associated reserve account. Information was not forwarded to the Sprentalls. Provide a reconciliation of assessment collections, where deposited, and record of payments to USDA and the accounting for those payments in the financial statements.
2. An observance that the Lot Assessment Worksheet is extremely difficult to decipher because of the less than proper presentation.
3. Deposit accounts on Balance Sheet do not reflect regular and proper deposits to the many accounts established as reserve accounts. Again, repeated inquiries regarding proper reporting of income and accounting for reserve funds billings have produced no answer from the Elk Meadows Board of Directors.
4. Neither the 2018 nor the 2019 budgets agree with the Lot Assessment Worksheet. How can a budget be presented which does not agree with the lot assessments?

5. There does not appear to be any sort of budget for the Reserve Fund. Please explain. Submit proper accounting statements for the Reserve Fund along with a budget for the Reserve Fund.

Lawsuit Settlement:

Since 2012 it has been the goal of the Sprentalls to establish proper management practices in Elk Meadows as a result of adverse effects of improper management which affected the Sprentall property. The efforts of the Sprentalls have forced annual meeting ballot corrections and a meeting do-over, governing document updates, establishment of required policies required by Colorado Law, completion of a reserve study, financial accountability, and negotiations to place management and accounting duties in the hands of qualified individuals. Those efforts and the resulting refusal of the Elk Meadows governing boards to establish proper practices have cost the community thousands in unnecessary dollars. At this time, the Elk Meadows governing board continues to refuse to follow proper management practices which will again lead to more law suits.

Management Company Exploration:

At court ordered mediation in January 2019 the Sprentalls requested that Elk Meadows form a committee to investigate the services a property manager could offer to help the community operate properly under Colorado Law. It was the opinion of the mediator that it would be critical for one of the Sprentalls to participate on the committee since it is an element of their goal toward achieving proper management practices.

- 1) However, the Elk Meadows Board of Directors seems to believe that they have the right to refuse Sprentall participation in the process. That in itself is discrimination and will lead to additional legal action should they continue.

- 2) According to the minutes of the May meeting of the Elk Meadows Board of Directors, the committee does not intend to pursue the investigation of hiring of an HOA manager.

- 3) The Sprentalls do not believe that the committee had any intention whatsoever to pursue the matter.

- 4) Approximately two years ago a group of Elk Meadows homeowners approached a local HOA manager regarding the services they could provide to Elk Meadows and an estimated cost (members of the board of directors refused to participate). At that time there was a quote of \$1,000/month to provide accounting and management oversight in compliance with CCIOA.

- 5) The 2018 financial statements indicated that Elk Meadows spent \$8,500 for accounting not in compliance with CCIOA and \$7,000 for management services, as well as \$4,130 in legal fees which a management company could have likely saved. Why would our community choose to expend more

funds for services which do not offer what is needed for the community? It has been noted that the current accountant is leaving ---- therefore, it is the opportune time to engage proper accounting and management services for our community.

6) Submit the charter for the committee, proof of publication, criteria for selection to the committee, proof of research, and all minutes of meetings of the committee.

Capital Replacement Plan and Reserve Study:

One of the accomplishments of the Sprentalls has been to force a reserve study to be performed. Upon examination of the study, it is quite obvious that there are elements of the study which are incomplete when applied to the entirety of the community assets.

1. The Reserve Study did not include all relevant assets. Explain why the items listed below were not included in the Reserve Study. Relevant assets not included in this study to be considered for funding are:
 - a. Roads
 - b. Common Areas
 - c. Water Shed and Water Treatment Shed
 - d. Mechanical Room Computer
 - e. Pulsatron Pumps
 - f. Control Panel
 - g. Bag Filters
 - h. The water treatment system
2. When commissioning the Reserve Study commenced, the Elk Meadows Board of Directors purported that regular and ongoing maintenance is performed on both the water and sewer systems.
 - a. When requested to provide the maintenance schedules, the Elk Meadows Board of Directors has been unable to provide such documents. Explain what was purported to the preparers of the Reserve Study without proof of existence of such maintenance schedules.
 - b. Budgeted amounts which are substantiated by those regular and periodic maintenance items are not presented in the financial statements. (Roads are a very good example. They are falling apart and in need of upgrades, yet there are no schedules for upgrade nor funds appropriated.) Answer why there are no schedules to substantiate budgeted amounts.
 - c. Lack of provision for periodic maintenance according to a schedule distorts the goal of the Reserve Study and makes the study irrelevant since it is assumed that proper ongoing maintenance is performed. Indicate the reasoning of the Elk Meadows governance.
 - d. The Reserve Study presented specific periodic maintenance schedules for assets. When proof of those schedules was requested, Elk Meadows was

unable to provide any documentation. The Reserve Study directed that periodic maintenance should be part of the planned reserve funding. Prove where budgeted amounts are presented to follow the planned maintenance presented in the Reserve Study.

- e. The omission of assets from the Reserve Study and lack of planned maintenance will result in catastrophic failure of our assets and funding will not be sufficient to remedy the situation. Discuss why the residents who had the foresight to provide a tremendous asset for the community should not expect that the assets be properly managed for their lifetime.

Request for special assessment to replenish Reserve Fund for legal fees:

The Elk Meadows Annual Meeting info packet contains a request for a one-time assessment to bring their reserves back to the “pre lawsuit level”. Such an assessment to completely replenish the fund is purported to be \$267 per lot for 127 lots which computes to \$33,909 in legal fees they state they have expended. Their 12/31/18 financials indicate that they expended \$19,728.50. Did they spend another \$14,180.50 in 2019? We have attempted to access the 2019 financial statements on the web site and our access is not granted. We have requested access without response.

- 1) Provide access to all residents to the web site.
- 2) Place financial statements, meeting minutes, insurance coverages, and all governing documents on the web site as required by Colorado HOA law.
- 3) Prove the existence of \$33,909 in legal fees specifically to the Sprentall lawsuit.
- 4) Remove the usage of Sprentall name from the financial statements reporting.
- 5) Present a proper reserve fund analysis prior to requesting any special assessments.
Consider a monthly dues increase to boost funding the Reserves to accomplish:
 - a. replenishment of cash
 - b. provide available funds to commence proper maintenance and replacement of all capital assets.

A proposed discussion regarding if there should be a limit on the number of buildings per lot:

County Regulations are specific regarding construction of buildings, whether they apply to residences or those associated with an existing residence. As part of the rewrite of governing documents it has been established that Elk Meadows shall follow such regulations. Any discussion relative to the allowance of “shed cities” to appear is outside of the regulations which we are being asked to approve!

In 2018 there was considerable discussion which involved legal opinion regarding a lot in Elk Meadows which has allowed five illegal sheds to appear over the past several years. Such eyesores are

disrespectful to the natural beauty of the community and are an invasion of the privacy of the surrounding lot owners.

Continued issues with the approval of new governing documents:

Those who have closely read the documents have observed items which are not included in the document rewrite which are critical to the integrity of the community and respect for the surroundings. Those individuals feel that further revisions should be made prior to approval. Comments from residents have been submitted and ignored for consideration for inclusion. Explain the reasoning why the Elk Meadows governance is not willing to utilize some final considerations which respect the wishes of the community?

We request acknowledgment of the following suggestions for document inclusion:

1. Our community has a history of challenges with attaining a quorum at annual meetings. We need to ask ourselves if we are comfortable with the percentages to attain approvals. We understand that the vote to reduce the quorum was successful. This essentially allows a minority of individuals to run amuck with community issues.
2. The elections and terms of directors seems confusing. What do we want?
3. There cannot be a limit of \$500 per year for assessments.
4. Specific exclusions of animals needs to include horses.
5. Exhibit B does not include our fences, which are a capital asset.
6. The architectural control section is far from being acceptable. It lacks the proper attachments, it is vague in its perceptions, and needs to correct the following items:
 - a. Time frames for completion of construction.
 - b. The allowance of mobile homes.
 - c. Yard space requirements to ensure that structures are not allowed to consume entire lots.
 - d. Must include specific guidelines for allowable structures.

A discussion of the "changing demographics of Elk Meadows":

When we chose to purchase property and build a home in Elk Meadows, our decision was prioritized by the desire to live in an alpine environment where community utilities are provided for and where there is a respect for the beauty of the surroundings. There seems to be an evolving sense of disrespect for the community.

1. Community utilities have been provided for because of the foresight of concerned and caring individuals with a common goal for the subdivision. Caring for those assets must be of highest priority.
2. The preservation of natural beauty needs to be of extreme priority.

- a. Regulations for maintaining respect for our surroundings are vital to establishment of community order and avoidance of conflict.
- b. Regulations need to include:
 - i. Specifications for lot usage
 - ii. Specifications for construction of homes
 - iii. Specifications for maintenance to avoid eyesores
 - iv. Specifications for living with wildlife