

Nature Pointe Board Meeting
Minutes Friday, December 27, 2013 at 8 a.m.
Nature Pointe Clubhouse

Board members present: Alex Leonard, President; Mark Tuttle, Vice President; Bryan Burns, Treasurer; Karen Leach, Secretary; and Debbie Leonard

Staff: Simona Derr, Clubhouse & Event Manager

Members present: Tina Armijo, Thiel Baca, Gary Clark, Buck Dewey, Cynthia Heins, John Lionbarger, Melissa Rugge, Patsy Spellman, Wes Trudell and Karen Tuttle

Guest: Elveta Bishop, Executive Coach

Call to Order

Alex called the meeting to order at 8:03 a.m. He introduced Elveta Bishop, an Executive Coach he is working with and invited guest. The Board minutes of November 10, 2013 were approved.

Manager's Report

Simona reported that the 2013 wedding season was the best yet with 48 weddings during the year (2 weddings were canceled). She said they have already sold 38 weddings and 1 anniversary for 2014, and 1 wedding for 2015. Wedding prices have been increased to \$6,800 for a Saturday and \$5,600 for a Friday or Sunday. She reported the Maintenance Apartment rental ad has been placed on Craig's List. She is working on the end of the year books and double checking her work.

Financial

Bryan reported that he has done an exhaustive search of the QuickBooks entries in the chart of accounts and found 21 accounts with different amounts and changes to transactions in the 3rd quarter. He reviewed line by line the changes in the Profit and Loss Budget vs Actual, January - September 2013, indicating a net change of \$800 in revenue that was booked in the wrong year and \$6.23 in expenses that was entered twice. He said the \$323.13 credit received from Entranosa was entered incorrectly. He stressed the importance for Simona to inform him prior to making changes and/or corrections to the QuickBooks system. He said Heidi Ruffner, HOA member, reviewed the 2014 wedding contracts to ensure that entries into QuickBooks are correct, which he still needs to review.

Bryan then reviewed the Profit & Loss Budget vs Actual, January - December 26, 2013. He noted that \$450, a 2014 quarterly HOA dues, was incorrectly entered into income this year and needs to be moved to 2014. Our income tax payment should be paid prior to December 31, 2013. He noted we have 7 HOA accounts that are past due more than 60 days and we need to confirm that we have filed property liens on all. Bryan moved to write off \$9,407 in bad debt for 2013, Mark 2nd, motion passed.

Bryan said we will apply the last allocation of depreciation allowed on our snow plow truck. He reported a net income of \$67,339.80, which is \$3,025.86 over our budget. Alex corrected him by clarifying we are actually have \$64,313.94 net profit over the budget expectations. Bryan

confirmed that this was correct. Alex also pointed out that we ended the year with \$52,232.39 over the expected profit budget in wedding income.

Bryan stated we need to determine the amount to be deposited into our Reserve Account before the end of the year. He projected a year-end balance of \$48,381.93, including the \$5,000 deposited into reserves in June, the expected 2014 1st quarter income and expenses, and expected net income from the first quarter. He then suggested depositing \$20,000 into the Reserve Account. Alex suggested designating the \$30,000 1 year CD at Sandia Federal Credit Union as reserves. Mark said we should not tie up this money in a Reserve Account, which would make it more difficult to access for future projects. Bryan said when the CD matures in October, we could plan future projects for that time frame. Bryan moved to deposit \$20,000 into our Reserve Account at US Bank, seconded by Mark, motion passed. Karen summarized by noting the we deposited \$5,000 into our Reserve Account in June, \$30,000 into a 1 year CD in October, and \$20,000 into our Reserve Account in December.

Bryan reviewed the 3rd quarter Balance Sheet, which also reflected a variety of needed changes. Bryan said he is strongly displeased to have to make so many corrections in QuickBooks over several years. He indicated that information needs to be entered correctly the first time, and he is still fixing errors made in 2012. Bryan said we cannot continue to do business this way. He has spent holidays, vacation days, evenings and weekends reviewing our accounting system and fixing errors. He stressed that we need a different level of financial commitment. Karen thanked Bryan for his tremendous commitment over the years.

Architectural Control Committee (ACC)

Alex reported that the ACC has been reviewing a few property requests and they need to do another drive through of the neighborhood.

Old Business

Shopping – Alex asked again for a volunteer to take over all of the shopping needs for the HOA. Mark said that 70% of the shopping is done at Costco and Home Depot. Bryan said Trudy Henderson and Heidi Ruffner have both volunteered and questioned him about what he is looking for in a volunteer. Wes Trudell said he would be willing, and Cynthia Heins said she would also be willing and she gets a 10% military discount at Home Depot.

Pool Cover – Alex reported that we have extensive cracking in the pool cover which is allowing water to permeate, adding a burden to the closure system. He said he asked various contractors about repairing it, but after 7 years it needs to be replaced. Mark and Karen also looked at the cover and confirmed the need for replacement. Alex obtained 2 bids for a new pool cover: Southwest Pool Service (NM Cover Star pool cover dealer) for \$3,600 and Aqua Tech Services for \$2,600. Southwest Pool Service will also install a wireless automatic limit switch for the pool cover, allowing proper opening/closing and less wear and tear and maintenance. Mark moved that we replace the pool cover and use the same vendor to replace the cover and install the automatic limit switch, seconded by Karen, motion passed.

Wedding Income/Expenses – Alex distributed a chart summarizing Wedding Income and Expenses for 2013. Karen mentioned that the chart didn't include State and Federal taxes; Bryan confirmed the need for this expenditure. Alex stressed that we made a net profit on

weddings of \$36,600 over budget. He said expenses in the 4th quarter showed closer to the budgeted amount. Bryan questioned the figures, indicating that we had over spent our wedding budget. Alex said the budget was based on 40 weddings, rather than the actual 46 weddings. Bryan said he had not approved booking more weddings this year. Bryan said Alex booked more weddings which increased income, but it was not reported to the Board until after the fact. Bryan stressed that we cannot continue to do business this way. He said we need more planning and controlling of the budget. He said the Board did not approve 45-48 weddings, but we did say via e-mail to book a few more than 40 because of potential cancellations and additional building expenses. Bryan said the chart was also flawed because we changed our refund policy to a nonrefundable policy, therefore \$800 times 40 weddings equates to \$32,000 more income. Bryan stated the net profit is actually \$4,600 not \$36,600. Mark stressed the need to have one set of books. Bryan confirmed and said it leads to incorrect conclusions and causes distrust among our members.

Rule Book Revision – Karen said we need to move forward on the revision of our Rule Book, which was started last spring and suggested that it be done through a subcommittee. She said Bill Chappell, HOA Lawyer, has given his recommendations. Alex volunteered to help Karen.

Violation of Governing Documents – Karen said that Bill Chappell has given his recommendations on our proposed fine structure. She indicated that the ACC is not able to do follow up property inspections without having Board approval on the fine structure. Mark said the rules need to be in agreement with our Covenants. Karen indicated that 95% of the infractions in the community can be enforced through the fine structure. Bryan moved to approve the Violation of Governing Documents: Covenants, Bylaws and Clubhouse Rule Book fine structure, seconded by Karen, motion passed (Violation copy attached).

New Business

Bylaws – Mark said that according to our Bylaws, action can be taken outside of a Board meeting and a vote can occur. He said he made a motion on December 8, 2013, and Trudy, Bryan and he voted, but the other Board members have not. Karen said this is a topic for an Executive Board meeting and that she had called for the discussion. Mark said the topic had been discussed thoroughly. Karen asked Debbie and Alex if they agreed; they did not. The Board agreed to have an Executive Board meeting on Friday, January 3rd at 9 a.m.

Facilities Manager Interviews – Alex reported that Mark contacted potential candidates by telephone to do a preliminary interview, and then Karen, Mark and he interviewed 8-10 candidates. Karen said we have received about 30 resumes and we have some strong candidates. Alex said we will narrow the pool and do second interviews soon.

Pool and Wellness Center – Alex said he recently discussed the closures of the pool and Wellness Center during the wedding ceremony with the wedding coordinators and they agreed these areas can remain open during the entire wedding event. He said the privacy curtains on the large window and glass door in the hallway have been a success. The change will occur as new weddings are booked since brides have signed a contract stating these areas will be closed during the ceremony. Mark made a motion to change the wording in the wedding contract and to inform members via the weekly “What’s Happening at Nature Pointe” e-mails, seconded by Karen, motion passed.

Massage Room – Alex reported that the massage room will not be used in the future as storage for liquor during the weddings. Now that the Kiva has been reorganized, he will put the liquor on carts and store it in the Kiva.

Indoor Volleyball – Alex said he has had a request from a member who wants to play volleyball in the Anasazi Hall. He said this type of sport could damage the twinkle lights and the large glass chandelier. He explained it take 3 hours of labor to put up and take down the twinkle lights. Bryan asked when the first wedding was schedule since twinkle lights are used for weddings. Alex said January 18, and Karen indicated that weddings are usually booked year round. Bryan said he used to play volleyball before we installed the twinkle lights and chandelier, and confirmed that playing volleyball would potentially damage both. He said he could think of no solution.

Lawn Tractor/Snow Plow – Alex explained that he has researched and talked to various people about using our Craftsman 21 HP lawn tractor to plow snow in tight spots in our parking lot. With Board approval, he purchased a 42” blade and chains for the back tires. He will also get 100 pounds of weight for the back tires. Bryan suggested 250 pounds. Wes Trudell offered to plow the parking lot with his ATV and 5 foot blade. Mark said the ATV would be superior to the lawn mower. Mark said we have an open agreement with Wes on snow plowing and equipment, and we need to have an understanding of the agreement and put it in writing. Mark will follow up with Wes.

Trail – Alex explained that Buck Dewey spoke to Karen about the need to construct a trail from the Clubhouse to connect with the trail that runs along our east property line, which will help to keep people from walking on his property. It was agreed to construct this section of the trail as soon as the weather allows.

Quarterly HOA Payments – Alex reminded everyone that we will change our HOA dues system from monthly to quarterly, which means fewer transactions for both members and the Manager. Karen recommended that we have a grace period of one quarter where we will not charge a late fee to allow members more time to set up automatic payments with their banks. Buck said Trudy told a number of members they could continue to pay on a monthly basis. Karen explained that Board members discussed letting members pay monthly, but when she and Alex researched how other HOA’s around the country handle quarterly payments they discovered that they all have the same structure in place: bills are sent quarterly and a late fee is charged on the 25th of the first month. Discussion followed about the amount and timing of the late fee. John Lionbarger asked if we had looked into a system where the member would authorize automatic bank payments from each member’s account. Karen said she briefly checked into this and it seemed that a small business may not be able to do it. Mark explained our new system would mean fewer checks/transactions for everyone involved. Karen moved that we continue to charge a late fee of \$25/month, effective after the first quarter grace period, seconded by Debbie. Discussion followed. John Lionbarger said we would have better support in the community if we allowed monthly payments and we should ask members how they would like to handle payment. Tina Armijo said they budget on a monthly basis and the Covenants state that dues are made monthly. Mark recalled that this was correct, and he explained that the quarterly payment system was suggested by a property management company as a means to more effectively manage our business operations. Bryan said we cannot go against the Covenants and said we need to table the motion until we determine how to handle the quarterly payments.

Board Member Nomination – Mark explained that at the Annual Meeting last year we had a nomination from the floor and since ballots were mailed before the nomination was made, it created an unfair process. This year we will inform members that they need to submit nominations by February 17 to be included on the ballot. According to the Bylaws, nominations can still be made from the floor. Board member candidates need to be in good standing, and they need to submit a bibliography of their background and experience, along with a picture. Mark made a motion to change the nomination process for a member to nominate another member to be included in the packet of information which will be mailed to all HOA members, seconded by Karen, motion passed. Bryan said we need to evaluate the process this year to determine if we want to continue it in the future. Karen will mail the information about the process soon. Bryan reminded the Board that we will need to do another mailing to meet the Bylaws requirements of notifying members 10-50 days in advance of the Annual Meeting. Karen confirmed that this is the notification process we have used in the past.

Facilities Plan – Alex said the Board is developing a 3 year Facilities Plan. Bryan asked if our road contractor gave a projection for road resurfacing. Alex said we will probably need to do a resealing of it in 1-4 years to help the life expectancy of the roads. He said our roads are 7-8 years old and we are not seeing any structural failures.

Gate Camera – Alex said our goal is to be able to view the license plate and face of drivers as they come through the gate. Bryan said we need to identify someone who is knowledgeable about gate camera systems. Mark said he will gather the information and ask Bryan to critique proposals.

Voice-Shot – Alex said Tony Aragon recommended Voice-Shot as a neighborhood emergency alert system at the Board meeting on November 10, 2013. Mark said a couple of members approached him about other systems, so he will follow up to gather the information.

Covenants Clarifications – Mark said our Covenants have some contradictions and we need to make changes so we don't have conflicting information. Thiel Baca asked how long the Covenants will be in place. Mark said until the change in control from the developer to the HOA (once 90% of the lots are sold). He said the Covenants can be amended, for example, the size of home was lowered to 2,000 square feet a number of years ago. Bryan explained that at that HOA meeting, members voted and agreed to lower the square footage. Mark clarified that Alex, as developer, can make changes to the Covenants – he doesn't need to take a vote.

2014 Budget – Alex asked Board members to start noting budget expenditure needs/ideas. Mark said we need to develop a financial model for the weddings, e.g. number of hours, workers, food, etc. Karen stressed that Holly Siebert, Wedding Coordinator, needs to be involved in developing and monitoring the budget since she is the one who hires, schedules and trains our wedding contractors. Mark said we need to hold our expenses down on weddings for 2014, and if our profit per wedding is \$3,750 we may want to budget 45-48 weddings. He said we should develop a calendar spread sheet to balance the number of weddings per month. Mark explained that he has been working on a financial model for Clubhouse operations as costs continue to increase. He indicated that if we look at HOA income/expenses without the weddings, HOA dues would have to be in excess of \$200/month if we could magically snap our fingers today and have all 112 lots sold and a house on each lot (cover budgeted expenses and provide for a \$75,000 reserve). Given that it will likely be many years before this will be achieved, if ever; add in inflation, \$100,000 reserves and additional overhead in either staffing or an HOA management company over 10 years and the dues required grows to \$300/month.

Net long term effect: we will always require a significant external source of income beyond HOA dues to support the costs associated with maintaining the Clubhouse, roads and associated HOA facilities – 40 or more weddings per year will effectively be forever. He said we have a 5.5 million dollar Clubhouse depreciated over 39 years equates to \$141,000 per year. The Clubhouse is free of debt and was donated to the HOA by Alex, so we can't depreciate the building. If we look at the cost to maintain the Clubhouse, staff, road maintenance, Alex's volunteer time, which at some point the HOA will have to pay someone, costs will continue to increase. Debbie said we need to project a percentage per year to put into our Reserve Account now while we have fewer expenses. Karen stated that Alex and Simona have done an excellent job in selling weddings at a higher price each year. Bryan suggested making more of an effort to schedule corporate events. Karen explained that we have done that and we discovered the profit margin does not justify the work load and wear and tear on the building. **Signage** – Alex suggested putting a sign in the Clubhouse parking lot "please unload guests under the porte cochere during icy conditions". Discussion followed. Alex will ask our insurance agent about potential liability. Karen suggested the best solution would be to remove the snow as soon as possible to prevent icy conditions.

Next Board Meeting

It was agreed that the next Board meeting will be Friday, January 24, 2014.

Adjourn:

Alex reminded everyone about the Monday, February 17th deadline for Board nominations and adjourned the meeting at 11 a.m.