

Nature Pointe HOA Annual Meeting Minutes

Sunday, March 30, 2014, 4 p.m.

Nature Pointe Clubhouse

Board members present: Alex Leonard, President; Bryan Burns, Treasurer; Karen Leach, Secretary, Trudy Henderson and Deborah Leonard

HOA members: 45 members attended, 80 voted including proxy votes

I. Call to Order

Following a potluck dinner, Trudy Henderson, called the meeting to order at 4:50 p.m.

II. Board Elections

Bryan explained the nomination process. He said we haven't always done it correctly and asked members carrying proxy notifications to turn them in. He explained that there are only 2 ways to vote: by being present at the meeting or giving a proxy to someone to vote for you. Absentee ballots are not allowed according to our Bylaws. A proxy notification gives the person the right to vote for you on any topic that comes up at the meeting. Bryan thanked the Nominations Committee Dave Ashworth, Steve Mitchell, April Sweet and Karen Leach.

John Lionbarger asked if the Board has the authority to waive the rules. Bryan said no. Bryan said we can take nominations from the floor because all votes reside in the room. If someone is nominated from the floor you can change your ballot. He said we have 65 lots, however, 7 lots cannot vote because they are not in good standing with the HOA, therefore, 58 lots can cast their vote so we need 30 lots for a quorum. If only one person from a lot is represented at the meeting, they are eligible to cast 2 votes/lot that they own.

Dave Ashworth, Nominations Committee Member, announced a quorum, reporting 27 lots present in the room, along with 12 proxies. Trudy called for nominations from the floor, hearing none, nominations were closed. She asked Dave, Steve and April to count the ballots. Trudy said we will have a Special Meeting at 6 p.m. for the recall process.

III. Recognition

Alex announced our newest resident, Aiden - Quyen Nguyen delivered a baby boy on Friday, March 28.

A. Volunteers — Alex expressed thanks to our volunteers: Scott Horton, Alison Murray and Trudy Henderson, Architectural Control Committee; John Henderson, coordinating logistics of patio furniture upholstery; Trudy Henderson and Heidi Ruffner, shopping; Scott Horton, getting VDO and Sales Office IT upgrades; Jeff Eschenburg and Karen Leach, trimming Aspens and cleaning up landscape at gate and Clubhouse; Trudy Henderson and Vicki Burns, organizing dozens of volunteers to help with the Cleanup Day and the volunteers who helped; Karen leach, organizing the Manager's job interviews; Thiel Baca, weekly plant care; Melissa Trudell, yoga instructor; Linhson Do, Scott Horton and Matt Spellman, backup Clubhouse lockup team; Dale and Melissa Ruge, instructors for Karate and Kettlebells; Wes Trudell, parking lot snow removal; Jeff Eschenburg, backup snow plowing; Sue Campbell, landscaping; Patsy Spellman

and Karen Leach Christmas party; Robin Eschenburg, Christmas tree decorations; Alison Murray, monthly reconciling of financial statements and Jazzercise dance instructor; Nathan Sweet, website update; Eric Schindwolf and April Sweet, maintaining gate system; Patsy Spellman, designing the Wedding Sales Office; Dave Ashworth, donating snow plow weights; ALL Board members; Bryan Burns over 5 years as Treasurer, Board member, IT, Sound expert, gate system and his tremendous general generosity.

- B. Contractors** – Alex thanked Clubhouse, weddings coordinators/helpers: Holly and Peter Siebert, Catherine Hannigan, Brinna, Bridget and Beth Rammage, Tim Kuehn, Marisol, Hank Spellman, Stephanie and Donny; cleaning crew: Alma & Aurora; building and maintenance: Paul Reed; and Anasazi Hall painting: Scott Horton

IV. New Housing Starts

Alex said Tom and Vera Perry will break ground at the end of the week on lot 38.

V. Realtor Report

Patsy Spellman, Nature Pointe Realtor and HOA member, said the Perry's 2,700' Tuscan designed home will be a beautiful addition to the neighborhood. She said Lytton's just listed their home for \$475,000. She has had a lot of recent traffic and she is currently working with 3 serious lot buyers. Patsy said she is concerned about the potential increase of dues and the impact it will have on future buyers. She reported that Alex has been busy with developing a new Phase, Black Bear Court, and he has a couple who are waiting for final approval on the lots. She said the nationwide trends are for smaller, green homes with solar and Cascadia's for extended families.

Patsy said the Sales Office is almost finished and she invited members to stop by. She is having open houses on Saturdays from 10 a.m. to 2 p.m., and she will spend more time in the Clubhouse with Alex until the Clubhouse Manager is hired. They will meet with potential buyers in the Sales Office to discuss financial matters.

VI. Safety & Security Team

Jeff Murray reported on the Safety and Security Team, indicating the committees that were established following the Annual Meeting last year had some cross over so 3 of the committees decided to merge. They are having planning meetings, and he asked for member input and involvement.

VII. Community Meeting Report

Alex reported that at the March 8th Community Meeting, members asked the Board to respond to 4 questions. Alex referred to the written responses attached to the Meeting Agenda:

- 1. Write a clear definition of transparency** (*include a list of topics which cannot or will not be made public, the presumption being that all else will be communicated, in a fully candid fashion*). Answer: Accessibility of information that is easy to understand and disclosure of information per HOA Law 47-7E-5, Record of Disclosure to Members, page 16. The new HOA Law lists the information that must be available to members and states "not Executive Board sessions" and the Board has said numerous times not salaries, or per our

Covenants, 5.9 records, page 21: "The Association shall not be obligated to make any private or proprietary records (including building plans) of Members available to other Members or to the public." Alex said we can certainly do a better job of communicating on a regular basis.

2. **Address validity of the recall election.** *Answer:* The Board was not given the petition as required by the Bylaws until Monday prior to the Annual Meeting. The Board set the date for the Recall Special Meeting to be held on March 30th at 6 p.m. According to the Bylaws secret ballots are not allowed because all votes must be cast by an HOA member in good standing and a ballot without indentifying the lot owner is invalid. The Board determined that a majority of the 58 lots in good standing would require a minimum of 59 votes to vote in the affirmative to recall a Board member. If the recall happens then nominations for a new Board member would come from the floor. An election may then proceed if a quorum of 30 lots is present.
3. **Update homeowners on changes to the Treasurer's position and financial processes.** *Answer:* The "process" does not change. Alex explained that Vista del Oro, LLC will appoint a new Board member following the Annual Meeting, quarterly financial statements will continue to be posted on the website, Steve Sanders, HOA CPA, will continue to do financial reviews, Alison Murray, Finance Committee member, will continue to do monthly reconciliations of our accounts, and Krystal Cortez, Bookkeeper, will continue and she has done an excellent job working 4-5 hours/week with a cap of 6 hours/week.
4. **What would the dues be if Nature Pointe were built out** (*Given that we have budgeted 50 weddings and the associated revenue earned in 2014 as the minimum required at this point, divide the total gross income of weddings and dues combined by 112 - maximum number of dues paying lots in subdivision - and then the result by 12 to get a monthly number*). *Answer:* A 2014 proposed Budget with 112 homes, no weddings, manager hours at 25 hours/month and many anticipated improvements, including 18K to Reserves, shows HOA Dues at \$150/mo.

VIII. Project Completion

Alex reported that the Kiva work space for Patrick Tigue, Facilities Manager, provides a good work space, and he has organized the east storage room, shop yard and janitor's closet. The new pool cover and switch upgrade are working well and he is researching upgrades to the Anasazi Hall swamp coolers so we can keep the east side doors closed during weddings.

IX. Architectural Control Committee (ACC) Update

Scott Horton formally welcomed Alison Murray to the Committee and said she brings great knowledge and experience with business systems, which will help provide uniformity to the ACC process. They have been reviewing plans for the Perry home and landscape plans for the Dewey's and Eschenburg's lots. The ACC will do a neighborhood drive through in the next several weeks and advanced notice will be given. He thanked members in advance for reviewing and following the Covenants, which will make their job easier.

X. 2013 Financial Reports

Bryan Burns presented the year-end 2013 Profit & Loss Statement, indicating that the Gross Profit was \$344,365 versus the budgeted about of \$284,200 or 121% over budget, and total expenses of \$291,690 versus the budgeted about of \$281,174. Dale Rugge asked why the amount to Reserves doesn't show in the final expenses. Bryan explained the amount shows for budget purposes, however, in the final report the \$25,000 to Reserves only shows on the Balance Sheet. He said we have to pay taxes on the amount transferred to Reserve. We

cannot avoid taxes by transferring money from one account to another. In 2013, we paid \$11,207 in State and Federal taxes because our income is higher. Tina Armijo asked how many nonrefundable deposits were received last year. Bryan said 41. He reported that our year-end Net Income was \$52,675.

Bryan reviewed the Balance Sheet with Total Assets of \$6,055,397.63, including \$30,000 in a 1-year CD at Sandia Labs Federal Credit Union and \$80,495 in Reserves with a total in our Banking Accounts of \$148,930.66. Total Liabilities and Equity are \$6,055,397.63. Cynthia Heins asked what amount should be in our Reserves. Bryan said he will present additional information later which will cover this topic.

Bryan presented the required Delinquency Summary Report, indicating 8 lots were delinquent in their Association Dues greater than 60 days for a total of \$34,774.19 as of December 31, 2013. One member paid brought their dues up to date in January so there are now 7 lots that are presently delinquent on dues. Alex said that one lien still needs to be filed on a lot.

Bryan then presented a 2010-2013 Nature Pointe Financial Summary, which he will send to all members. This financial summary contains graphs that show income by year for major sources of income, expenses for major expense accounts by year, net income by year, reserve account transfers by year, and total cash in the bank by year. He pointed out that Alex, as Developer, contributed \$20,000 to Reserves in 2011. In 2012 and 2013 the board transferred \$25,000 to reserve accounts. Bryan reported wedding income incorrectly in 2010 by entering the income into the accounting system on the day it was received rather than booking it on the day of the wedding. This practice is incorrect for accrual accounting. During 2011 we began entering income for events correctly into the accounting system which made the income in 2011 appear to be less than 2010. The non-refundable deposits for events must be booked on the day in which they are received; however, the remainder of event income must be booked on the day on which it is earned, the day of the event. To illustrate he explained that if a nonrefundable deposit is received in one year but the event does not occur until the next year, only the non-refundable deposit will show as income in the first of the two years. This is important to do correctly because we do not declare the income until all of it is received, no later than 30 days prior to an event. If you declare the income when you book the wedding you will be paying income tax on revenue that has not been received which can create serious issues.

Bryan's presentation continued with wedding income and expense for 2013. During 2013, all income from weddings totaled \$228,326.42. During that year 47 weddings were booked; however, 2 were cancelled. Identifiable costs for those weddings totaled \$72,926.03. Therefore the net income from weddings in 2013 was \$155,400.39. The cost/benefit for weddings is a return on investment of about 213%, a very good cost/benefit ratio. The net profit on a per wedding basis was \$3,306.39. The benefit to every one of the 58 lots that are currently paying dues is a net income of \$223 per lot per month.

Cynthia Heins asked why we don't have more money in Reserves. Bryan said we have spent money on building repairs. Cynthia asked about wear and tear on the building, septic system and roads with increased traffic from weddings. Bryan explained that it is hard to determine,

i.e. how many times would we have to wax the floors with more weddings, etc. We don't have a baseline since we started doing weddings fairly soon after opening. Mark Tuttle asked if Bryan's figures were pre-tax. Bryan said yes.

Bryan then discussed the projected income from 2014 weddings. He said in 2014, we currently have 49 weddings booked for an average price of \$5,804/wedding for a total income of \$284,396. Projected expenses are \$77,580.88 with a net income of \$206,815.12. If this information holds true, then the profit per wedding will be \$4,220.72, a net return on investment of approximately 266%. If this financial projection holds true, this equivalent to a benefit to each of the 58 lots of approximately \$297 per lot per month from wedding income.

Bryan then reviewed future cost considerations based on a study done by the Whitestone Research Corporation of 2,793 buildings owned by the United States Department of Agriculture. This study included the impact of operations, sustainment, and recapitalization. These 3 categories of cost are applicable to a wide variety of businesses and buildings and are commonly used in predicting future financial costs. This study was used to assist in developing a future cost Clubhouse and common areas of the HOA. We currently have operating costs for our building for more than 4 years and therefore operations can be based on current data for our building; however, we need to use other information for the sustainment and recapitalization expenses that are ahead. Bryan presented an operating cost for the building which shows that for the most recent year, operating costs were approximately \$222,000 which averages out to about \$11.10 per square foot per year. Taking the sustainment and recapitalization costs from the study and adding them to the operating cost yields a total cost per year of our buildings of \$19.17 per square foot per year. This totals \$383,400 per year if you include both sustainment and recapitalization costs; however, it totals \$326,400 per year if you only include sustainment.

Bryan presented additional charts that showed costs for re-paving roads, sealing roads, sealing and re-stripping the parking lot, and maintaining the tennis court. Roads total approximately \$24,594 per year and other common areas about \$3,200 per year. So, the total estimated cost for the HOA in future years is \$411,194 if you include sustainment and recapitalization or \$354,194 if you only include sustainment. Based on a projected net revenue of \$295,805 in 2014, this leaves us between approximately \$58,000 and \$115,000 short on income. These figures are between 19.6% and 38.9% more than projected income for 2014.

Bryan pointed out that in order to maintain Nature Pointe as we know it today, revenue must increase.

Bryan's complete presentation will be placed on the HOA members area of the HOA web site at www.naturepointe.com.

Cynthia Heins asked why staffing costs have increased. Bryan said because initially we didn't hire wedding contractors and we started with only one staff member. He explained that our building costs have increased because initially as a new building we didn't have a lot of expenses, and we now have higher legal fees and taxes with an increase of revenue. Mark

Tuttle cautioned that as our revenue increases so has our expenses. Bryan said our costs with inflation alone will continue to increase. He said he anticipates our future costs to be about \$383,400/year. Chet Leach said the costs seem too high. He gave an example of a home cost of \$500,000 and using Bryan's formula that would equate to about \$35,000/year in expenses, which he said seems unrealistically high. Bryan said the Clubhouse is much larger than a home and has more wear and tear than a home. AJ Yarbrough said we will have ongoing expenses whether we use the building or not. Tony Aragon suggested that as we have increased lot sales we could decrease the number of weddings/year. Alison Murray thanked Bryan for his tremendous work in preparing the Financial Summary.

XI. Board Election Results

April Sweet announced the results of the election - Jeff Murray was elected to serve a 2-year term on the Board of Directors. Trudy called for a 5 minute break prior to the Special Meeting.

XII. Special Meeting for Recall of a Board Member

Trudy called the meeting to order at 6:35 p.m. She said a certified independent CPA collected the number of signatures needed for a recall of Karen Leach, Board member. The Nomination Committee also verified that the signatures were valid and that there were 25% of the members entitled to vote on the petition. Trudy said just like the Board election, members must be in person to vote or have a valid proxy notification. We will need 59 votes or 51% of the membership voting in favor of the recall to move forward with the process. If so, then someone can be nominated from the floor for the election of a new Board member.

Mark Tuttle briefly explained why the process changed per the Bylaws, stating that members have to be present or give someone their right to vote for them through a proxy notification. Chet Leach said the recall group sent prejudicial information along with the ballot. Trudy said each side had an opportunity to respond. Mark asked if the voting information would be shared with anyone. Trudy said only the Counting Committee will know the information and it must be kept confidential.

John Henderson and Wes Trudell asked why information wasn't sent to members earlier when the process changed. Alex said according to the Bylaws we cannot have secret ballots and ballots must have signatures. Bryan explained that when the Board received the letter from the CPA a week prior to the Annual Meeting verifying the petition, they got legal counsel and notice was then sent to members. Karen said that Alex had the same amount of time and worked hard on Saturday contacting members to request the new proxy ballot to elect Jeff Murray.

Dave Ashworth announced the results of the recall - there were not enough votes to recall Karen Leach.

XIII. 2014 Budget

Alex presented the 2014 Board approved Budget vs 2013 Actual Income/Expenses. He reviewed the income and noted that a new category was set up #4010 "Prior Year Back Dues/Penalties" for \$6,800 received in January. He said the budget includes income from 50

weddings, with an allowance for a couple of cancellations and fewer nonrefundable deposits for 2015. Tony Aragon asked about rental from the Sales Office and if the utilities and insurance will be paid by the HOA. Alex said yes, his volunteer time to the HOA will offset rental and expenses. Alex said the 2014 Gross Profit is projected to be \$375,850 compared to \$344,365 in 2013.

Alex said the budgeted staffing/contractor expense may be on the high side, which includes Board approved salaries. He said the Accounting/Bookkeeping Services category includes 4 Financial Reviews during the year, additional CPA assistance and our bookkeeper who is doing an excellent job. Additional expenses include doing a Reserve Study, gate cameras, stucco repairs, swamp cooler upgrades in the Anasazi Hall so we can keep all doors closed during the weddings, and costs to obtain the Special Use Permit. John Lionbarger questioned using Consensus Planning to prepare and submit our Special Use Permit application. He indicated that there are other companies who have fixed costs rather than using an open ended billing system. Trudy said Consensus Planning worked with us to obtain our Conditional Use Permit, they have a record of achieving the best outcome and they are our best choice.

Alex said our advertising costs will decrease because we will drop one advertising company, insurance will go up due to increased coverage that was put in place last spring, State and Federal taxes have been estimated for the year with a big increase based on our income. Tony Aragon asked about costs for increased parking due to requirements for the Special Use Permit. Alex said he met with Public Works and they will allow parking along the east side of Nature Pointe Drive (where cars currently park), which may require wooden logs at the top of each parking lane to designate the space. He believes the cost will be minor, but we will need to see what may be required. Therefore, at this time expenditures for this project have not been added. Trudy confirmed that there may be other unknown expenses for the Special Use Permit and we will need to re-evaluate the budget at that time. John Loibarger said the overall budget has increased by 22% and expressed concern.

XIV. Special Use Permit Process

Alex said he has been working hard to meet the needs for the Special Use Permit. The application hearing with Bernalillo County will be held in early June. We need letters of support from members. One challenge will be to keep the music from traveling to neighbors, including homes in the 5 Hills Development to the east. Bryan said he took sound samples last summer so we have documentation. Alex said in response to members concerns about the septic system – it was designed for 2,000 gallons/day and if we have 200 guests that would require about 700 gallons. He asked members for feedback on temporary traffic signs along Nature Pointe Drive for a special event. No feedback was given by members. He is planning to meet with residents in the 5 Hills Development and Karen said she spoke to the President of the Board at Vista de Mañana and they are willing to write a letter of support. Alex asked members to give feedback on weddings.

Melissa Ruggie asked how we would be able to have weddings without the Special Use Permit. Alex explained that Jackie Fishman, Consensus Planning, asked the County and they will allow us to honor signed contracts. Bryan said it's about zoning rather than an appropriate use for weddings. He said when the County initially approved the Clubhouse it was anticipated that we

would have large events. It's when we started advertising and having groups from the outside use our Clubhouse that it became an issue. Trudy asked if members would like another meeting with an outside facilitator. John Lionbarger asked about the cost. Trudy confirmed that there would be a cost. John indicated that he might have a resource for someone who could facilitate a meeting without a cost.

XV. HOA Member Discussion

Trudy opened the meeting for member discussion and said 3 minutes per question.

Tony Aragon asked if our nonprofit status would change with increased wedding revenue. Bryan said no because in New Mexico we are recognized as a not-for-profit, which means no one in the Community receives an income from the HOA. We are not a 501c(3), although we could be a 501c(7), which is for HOA's however we earn income. Bryan said the Special Use Permit doesn't have anything to do with this.

Vicki Burns asked if we are considered a commercial business. Bryan said no, but our taxes will increase once we receive a business license.

John Lionbarger recommended meeting with a facilitator about the Special Use Permit process. Trudy said there are too many budget unknowns. Alex said we could delay non-necessary projects such as exterior stucco repair, which would be done for aesthetics purposes. John said we need to hold the line on expenses. We need to get everyone on the same page, as well as our surrounding neighborhoods.

Dave Ashworth asked how many wedding contracts have been signed. Bryan said 56, which includes weddings for 2014 and 2015. John Lionbarger said we need to inform brides about the Special Permit process. **Dale Rugge** confirmed the legal aspect of informing brides and not continuing to book future weddings since the County only gave approval on signed contracts. We have a legal duty to disclose this information to brides.

Patsy Spellman said she may lose some lot buyers because of potential dues increase if we don't get the Special Use Permit.

John Lionbarger asked where are we headed – what will our dues be? Karen Leach said that is one purpose for having a Reserve Study done. John suggested that the financial charts prepared by Bryan should suffice and spending money on a Reserve Study may not be needed. Alex asked for feedback about spending money to have a Reserve Study. No one expressed agreement.

April Sweet encourage the Board to consider other options rather than a dues increase to increase revenue, i.e. sell memberships to the Clubhouse, sell the Clubhouse and let someone else manage it, consider other options, etc.

Tony Aragon said we need to work together. Bryan suggested taking a poll and **Jeff Eschenburg** agreed with the need to gather support and information about what we need to

do. **Jeff Murray** suggested finding out what it would take for those opposed to the weddings and try to meet their needs and everyone give a little; have face to face meetings. **Mark Tuttle** recommended that the Board listen to members and find solutions and develop a process to book future weddings, i.e. put a contingency in the contract about the need to obtain a Special Use Permit. **Holly Lionbarger** also agreed with a poll, however, not a “yes/no” poll because there are too many concerns and issues.

John Henderson said we need to find solutions for the Dewys’ since they are so close to the Clubhouse – they have to leave during each wedding.

Bill Hensley said we have a 25% increase in the budget and recommended a flat budget. Trudy said it was a conscious decision to fix our assets and not let things deteriorate. **April Sweet** asked where should we cut: Manager, satellite television – what are we willing to give up, i.e. close the Clubhouse early and/or have volunteers come in and do the Managers work? **Mark Tuttle** suggested categorizing expenses differently, i.e. capitol expenses in a separate category and track the money. Trudy said we need transparency on what has been spent – we could categorize expenses like a property management company. **Steve Mitchell** said we need to look at operations and sustainment costs. **John Lionbarger** said we have a lot of talent within our membership, we shouldn’t put more work on Alex. Alex said he is always on call and he will soon be working 25-30 hours/week for the weddings. **Tony Aragon** asked about the job duties of the wedding planner. Alex explained that she does much of the administrative work, staff training and planning details for the weddings. Alex suggested a subcommittee to look at the expenses and/or have volunteers do various jobs. A number of members indicated that they would be willing to come to the Office and answer the telephone. Alex felt that handling calls from brides is more complicated and it would be difficult to have a different people answering the phone.

Trudy asked again how many members would be willing to have another meeting to discuss the weddings and process to obtain the Special Use Permit. Members showed interest. John Lionbarger said he will contact someone about serving as a mediator.

XVI. Adjourn

Trudy adjourned the meeting at 8 p.m.