



## Board of Directors Minutes

August 16, 2007

**Members Present:** Allen Alchian (president), Dan Rivers (vice president), Richard Robertson (secretary), Corinne Solano (treasurer), Marshall Boss (covenant enforcement), Penny Dyer (common areas), Mike Abplanalp (ACC)

**Guests Present:** Steve and Diane Boggs, Jurg and Carol Seyffer, Robert Morgan, Carol Hattrup, Bev Giltner, Susan Bann, Robert Sievert.

Meeting was called to order at 6:37 PM

- I. Meeting Agenda.** Following the addition of *Policies and Procedures* to both the Secretary and Treasurer sections by Solano, Abplanalp moved to adopt the agenda and Boss seconded. Adopted unanimously.
  
- II. Approval of July 19, 2007 Board of Directors meeting minutes.** Solano distributed a revised version of the minutes she proposed the Board accept for adoption. An extensive discussion ensued about the amount of detail the various board members felt was appropriate to include in the minutes, whether comments from the audience should be included. Boss moved to thank Solano for her work on the minutes and to reject her changes. Rivers seconded. Rivers moved to amend the motion to delete thanking Solano. Boss seconded. The amendment to the motion was approved with Boss against and Solano abstaining. The amended motion was then approved with Solano against. Abplanalp made a motion to approved the minutes that were originally distributed to the Board at this meeting. Boss seconded. Approved with Solano against.
  
- III. Guest Presentation. Carol Seyffer (19017 Malmsbury Court)**  
Ms. Seyffer began by expressing her disappointment with the Board for rejecting the changes to the minutes proposed by Solano. She then referred to the March 2007 Special Meeting at which several King's Deer owners spoke against Richmond Homes building in King's Deer. She questioned the ability of the declarant to invoke the Covenants paragraph 26F to waive covenant restrictions. to build houses in King's Deer. She cited Richmond Homes' extensive record of building tract homes and questioned how they could build custom-quality homes from designs that are used repeatedly and asked why the Board was allowing Richmond to build in King's Deer. Alchian responded that Richmond Homes, like any other King's Deer property owner, is allowed to build houses that comply with the covenants, and the two under construction and third project recently approved by the ACC all meet the restrictions of the covenants with no waivers. Abplanalp added that the ACC is monitoring the Richmond Homes construction just like they monitor any other new home construction; this was demonstrated recently when siding was put up and then removed from the Brockenbury house; stucco is what was approved and the ACC is watching for stucco to be applied.
  
- IV. Officers' Reports**
  - A. Vice President**
    - 1. Governing Documents.** Rivers explained that a communtiy meeting of the HOA will be held at the Tri-Lakes United Methodist Church, adjacent to the King's Deer north-east corner, on Tuesday, September 11, 2007, 7 PM. He explained that the HOA had failed to complete technical changes in the Classic and Highlands Covenants and in the Articles of Incorporation following the 2003 merger. These technical deficiencies pose an ongoing legal risk to the HOA. Our legal counsel has advised that they must be corrected and that

the Board would be wise to “hear the voice of the people” before acting. The latter is the purpose of the upcoming community meeting, where members will be invited to express their thoughts and opinions on the issue directly to the Directors. Rivers proposed a set of rules to govern the meeting, ensuring that it be an opportunity for the Board to hear the people, and ask questions of the presenters, rather than a general meeting to debate the issue. The Board discussed the proposed rules in some detail. Rivers and Alchian will revise them prior to the community meeting, which Alchian will chair.

## **B. Secretary**

1. **Well Authorization Status.** Robertson reported that the declarant continues to pursue the additional water well authorizations for King’s Deer. The official comment period has expired and only Colorado Springs has submitted comments. Those are now being reviewed for resolution.
2. **Newsletter.** It is still in writing. Directors who have not yet submitted an article still have a few days to get it written and submitted.
3. **Policies and Procedures.** Solano moved that the Secretary establish a *Policies & Procedures* book for the HOA enlisting input from other board members in 2007, and for the Secretary provide status reports at every board meeting on the progress. Boss seconded. Rivers moved to amend the motion by inserting “Board of Directors” after “...HOA...” Solano seconded. The amendment to the original motion was approved with Boss opposed. The vote on the amended motion was approved unanimously.

## **C. Treasurer**

1. **Treasurer’s Report.** Solano presented a printed *Treasurer’s Report* and reported total operating funds are \$65,092.88, the Compliance Fee account contains \$72,740.16, and the Reserves account holds \$54,232.90. Robertson suggested that the accuracy of the Compliance Fee balance be reviewed by the Treasurer because this amount would expect to be a round number.
2. **Policies and Procedures.**
  - a. Solano moved to Transfer \$11,835.88 from the Wells Fargo Account “Business Savings” to an HOA reserves account on October 11, 2007 when the Citadel CD account will mature. Solano explained that these funds are actually HOA “reserve” funds, not operating funds and need to be included with the other HOA reserve funds. Boss seconded. In subsequent discussions, directors did not object to the idea of making the transfer, but they did not see the obligation to make the decision at this advanced time, and recommended we wait until the September board meeting to make this decision. The vote on the motion was three in favor—Boss, Abplanalp and Solano—and four against. The motion failed.
  - b. Solano moved to approve the spending of up to \$1,200 on hiring a QuickBooks specialist with CPA qualifications to update the association’s accounting files/data in QuickBooks to accurately reflect the association’s Budget, Profit & Loss and other reports. Boss seconded. Discussions reflected on whether the amount was enough, whether we need to hire the person before board members do some preliminary work, and the type of knowledge the person should have. Robertson suggested Dyer, Solano,

Sievert, and Wasson do the preliminary work and then let the final vote of the board be accomplished by email. The board unanimously consented to tabling the motion until the four individuals do the initial study of our accounts.

- c. Solano moved that any amount exceeding \$500 for any expenditure needs board approval, stating the service/product to be purchased, the estimated amount and by when the estimated amount will be used for that service/product. Alchian seconded. The treasurer expressed concerns about recent expenses that were made without her knowledge. Dyer raised objections to the motion because maintenance often has expenses for single items that exceed \$500, such as repair of light poles. This proposed restriction will greatly increase management tasks for maintaining the common areas. Boss expressed concerns that this seems to be micro-managing by the Board. This led to a discussion about the recent expenditure of HOA funds by the president which was not approved in advance by the Board. The vote on the motion for requiring board approval for any expenditure exceeding \$500 failed with Solano voting in favor, Alchian abstaining, and all others voting against.
  - d. Solano moved that any expenditure on budget line items that are recorded over budget needs board approval stating the service/product to be purchased, the estimated amount and by when the estimated amount will be used for that service/product. Boss seconded. Rivers expressed reservations about this restriction because he felt it unreasonably restricts the ability to shift funds identified for a larger category of work, such as common area maintenance among specific needs, such as from irrigation repair to trail maintenance. After considerable discussion, the motion was voted on and did not pass, with Solano in favor and six against.
  - e. Solano suggested a policy that the Executive Director will have the authority to write association checks for payments and that these checks can only be signed by two signature-authorized Officers of the Board of Directors. Currently the Executive Director is also authorized to sign checks, but every check must be cosigned, and the two officers authorized to sign checks are the treasurer and the president. Rivers didn't see why our current policy is a problem since every check must be signed by two people and every check will contain at least one signature of an office of the board. Solano explained that she felt allowing the person who writes checks to also sign checks was a problem. After extensive discussion regarding the concept of check writing and signing, Solano moved that the person who has the authority to write association checks shall not have the authority to sign checks. Abplanalp seconded. Alchian said he could support the motion. Robertson expressed his opposition because he did not like the piece-meal presentation of motions, that they should be part of a comprehensive policy. Dyer expressed a similar concern. Solano explained she doesn't want to wait months to put together a comprehensive policy because we need procedures in place now. The vote on the motion was Solano and Alchian in favor; all others opposed. The motion failed.
3. **2006 Audit.** Alchian informed the board that a meeting scheduled for August 7 with Mr. Kofford of BiggsKofford, PC, to resolve HOA concerns about the 2006 audit has been rescheduled for Tuesday, August 21. This meeting will be attended by Alchian, Solano, Abplanalp, Sievert, and Dyer. Robertson moved that the Board of Directors endorse Alchian's recent past action of sending \$2000 of HOA funds to BiggsKofford as a partial payment for the 2006 audit. Rivers seconded. Solano expressed her concern that Alchian's action was taken without coordination with the treasurer. After considerable discussion

among the board, Alchian explained the details behind his action. On August 7, he instructed the Executive Director to write a check for \$2000 payable to BiggsKofford; he had the Executive Director sign it, he co-signed it and he mailed it on August 8 to BiggsKofford along with a cover letter explaining this was a 50 percent payment toward the 2006 audit that BiggsKofford was completing. Alchian explained he did this after he cancelled a meeting that had been scheduled with Kurt Kofford for the late afternoon of August 7; the meeting was intended to resolve HOA concerns with the draft 2006 audit so BiggsKofford could complete the audit and receive payment for the audit. Completion of the audit had been waiting for this meeting since mid-July. BiggsKofford had submitted a request for payment to King's Deer in April and King's Deer had not paid anything toward the audit. Alchian explained that cancelling the meeting further delays completion of the audit by at least two weeks and he therefore felt that it was time for King's Deer to make a partial payment since cancellation was our action, not a BK action. Alchian said that he also provided a \$2000 check from his own funds to the Association which he directed the Executive Director to deposit if two directors objected to his action on this matter. On the motion Solano and Alchian abstained and all others voted in favor. Motion approved.

4. **2005 Audit.** Robertson moved that the Association not have a 2005 audit. Seconded by Dyer. Robertson explained he felt biannual audits were sufficient and would support a 2008 audit but not a 2007 audit. Dyer felt we have more immediate concerns that must be addressed by our limited available funds. The motion passed with Solano opposed.
5. **Forensic Audit.** Solano sought a final decision from the board regarding her recommendations to pursue a forensic audit. She also asked for confirmation that individual association members could fund a forensic audit of the association; Alchian responded that the financial records were open records and if individuals wished to pay for a forensic audit, they may certainly do that. Dyer moved that the Board of Directors shall not support a forensic audit. Abplanalp seconded. Motion passed with six in favor and Solano opposed.
6. **2007 Budget.** Sievert presented a proposed revised 2007 Budget to the board. Alchian responded that he greatly appreciated the hard work by the Financial Review Committee had only received the revised budget and would like some time to look it over before approving it. The Board agreed that they need to have some time to review the details of the proposal. Solano then asked about the status of the 2006 Tax Return. Alchian said he understands that BiggsKofford filed for an extension of the tax return because they were to prepare it for the association upon completion of the 2006 Audit. Sievert concluded his report by citing that the association has spent, this year to date, \$128,850, and has received \$185,606.
7. **2008 Budget.** Solano reflected on the need to get our 2007 accounting records straightened out before we can accurately produce a 2008 budget. Sievert noted that the action to fix the 2007 accounting records should take a week or two at most, not a month; once that is complete then we will have the appropriate base upon which to build a 2008 budget. Alchian emphasized that the board needs to adopt a proposed 2008 budget by the end of September so it can be presented to the membership in October.

## V. Director's Reports

### A. Common Areas.

- 1. Maintenance.** We met with Mountain View Electric Association and confirmed that they are responsible for electrical maintenance to our street lights, including replacement of all electrical components when they fail; this is a service included in our electrical utility bill contract with MVEA. In other words, electrical repairs we have in the past been paying contractors to do for us, is actually covered by our existing contract. While we cannot recover our past unnecessary expenses, we will be able to avoid them in the future. Dyer commended our Executive Director, Pat Wasson, for discovering this unnecessary expenditure, and Dyer added that from past records we should now be able to avoid about \$5000 in annual maintenance and repair expenses. The trails are being reworked due to all the rain and 25 tons of gravel added. The pond has been treated for algae and we have a person weeding the monuments. Dyer believes we have the maintenance under control. The evidence will begin to show soon.
- 2. Tractor Sale.** The HOA is accepting bids on the Kubota tractor. One bid has been received and other individuals have expressed interest in participating. It is advertised in the Tribune and Gazette, and information is posted on our web site.

### B. Covenant Enforcement.

- 1. New Construction Landscaping.** A recent change to the new construction project application now requires owners/builders to submit the landscape plan with the original project application. This will clearly establish the landscape compliance requirements and will hopefully eliminate houses with barren land around them.
- 2. ACC.** Boss and Abplanalp have also been working with Rich Paul, ACC Chairman, to tighten up how covenant violations originating from a construction project will be enforced and managed.
- 3. ACC Project Approval with Covenant Violation.** Boss explained that the ACC has sought board guidance on whether a project application should be approved on a property where an unresolved and active covenant violation exists. He proposed a policy that restricted the project approval in such circumstances unless the HOA president, vice president, ACC liaison, Covenant Enforcement liaison, or the board as a whole decides the project is in the best interest of the community. Details on how to implement the procedures of the policy are still to be worked out. The board members were supportive of the proposed policy.
- 4. Active Violations.** Boss reviewed select covenant violations with the board, including a fine imposed for repeat violation of the recreational vehicle parking policy, and action to be taken regarding a property owner who has not responded to fines imposed for failure to report their 2006 water meter reading. A hearing notice will be sent to the property owner who has not reported the water meter reading. The hearing will be held at the next board meeting and the board will decide on the appropriate action including a possible lien against the property.

5. **Procedure for Violations.** Boss presented the final version of the draft *Procedure for Violations*. The board consented to having it sent to the HOA attorney for final review before formal adoption by the board.
6. **Committee Charter Revision.** Boss presented the proposed revised Charter for the Covenant Enforcement Oversight Committee. He reported that only one item was added to the original charter. Robertson moved to approve. Rivers seconded. The vote was unanimously in favor of the motion and therefore passed.
7. **810 Lancers Covenant Violation.** Alchian recommended the board discuss a violation regarding the new detached garage at 810 Lancers in executive session. The board consented.

### C. Architectural Control Committee

1. **ACC Report.** Abplanalp summarized the status of active projects. A third Richmond Homes project has been reviewed and approved by the ACC.
2. **Richmond Homes Project Approvals.** Abplanalp and Alchian reported that according to King's Deer declarant, Paul Thompson, all future new home construction projects submitted for approval by Richmond Homes will be go direct to the ACC for review; the declarant is not going to be involved in those reviews and approvals. No waivers to the covenants have been granted Richmond Homes.
3. **Design Standards Revision and Proposed Landscape Standards.** The ACC has developed their proposed revisions to the existing Design Standards and a proposed new landscape standard. The redline version of each document has been sent to all directors; directors should now be reviewing those recommended changes. At a later time the Board will decide if and when to send the documents to committee for a review and coordination with the committee. Alchian added that if there were any changes to the Design Standards that are of urgent nature, the ACC may propose those individually to the board for approval as amendments to the existing standards; this has been done in the past. Abplanalp suggested these two initiatives be tabled and the board concurred.
4. **Project Approval where a violation exists.** Abplanalp explained that the ACC has been presented a project application for a detached garage at a property on which a covenant violation exists. The specific problem is that the owner has placed a landscape feature, an old wooden two wheel cart; it is placed at the entry to the property, adjacent to driveway. From past practice by the ACC, the general guidance has been to disapprove these sizable landscape features that are placed near the road where they can reflect as much, or more, on the neighborhood rather than reflect on the house itself. In simple terms, if these landscape features are desired, they should be in close proximity to the house, not out by the road. Following that basic criterion, the ACC seeks guidance from the board as to whether they should hold up the approval of the detached garage to achieve resolution of the outstanding covenant violation—that being the location of the wood cart. The board chose to not get directly involved at this time and to leave it to the Covenant Enforcement Oversight Committee and the Architectural Control Committee to resolve.

**VI. Meeting adjourned at 11:07 PM** to executive session to discuss a covenant violation at 810 Lancers. Motion by Rivers and seconded by Robertson. Unanimous.

Attachments

1. Treasurer's Report
2. Proposed 2007 Revised Budget
3. Covenant Violation Report
4. ACC Report
5. Office Report

Minutes approved September 20, 2007

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*president*

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*secretary*