

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.
Minutes of the Meeting of the Board of Directors
November 3, 2016

John Rasmussen called the meeting to order at 10:03 a.m. on the date above noted at the location and time specified in the notice of meeting.

Those present were:

John Rasmussen, President
Glenn Norton, Vice-President
John "Randy" Kuhl, Treasurer
Carl Bauer, Director (via phone)
Earl Monari, Director

Richard Moore, Director (via phone)
Joyce Morris, Director (via phone)
Chris Gourdie, General Manager
Carol Post, Bookkeeper

Tom Leiser and Bryon Smith were absent.

The President announced a quorum was present and that the notice for this meeting was posted in accordance with the bylaws and statutory requirements.

Under provisions for owner comments, there were no owners present to address the board.

The minutes of the September 8, 2016 board meeting were then presented to the board. There being no corrections to the minutes, the president stated that the minutes of the September 8, 2016 meeting stand approved as submitted.

Randy Kuhl then gave the treasurer's report. The Association ended September with a surplus of income to expenses of \$18,760 for the month and a loss of \$132,854 for the year, due to the cost of resurfacing the roads. Operating cash was \$908,964 and cash in reserves totaled \$750,802, which includes a Property Insurance Fund balance of \$140,975. This fund will be liquidated to offset the cost of the road resurfacing project. Mr. Kuhl stated that with the exception of the road repaving project and construction of the new west side trash disposal location, all expenses were on track. He indicated that the Association was realizing huge savings in casualty and liability insurance premiums.

Earl Monari then asked why the parking lot reserve expenditures were so high during 2016, amounting to approximately \$160,000. Mr. Gourdie explained that there is more square footage in parking areas than in roads, and that two years of paving were completed in one, as directed by the board, since the Association did not want to do work on the roads before completing these parking areas. Mr. Monari felt that the board should have been privy to that number, and Mr. Gourdie said that the Association had been spending approximately \$80,000 per year on parking areas, so the final number fell in line with that.

Mr. Monari then expressed concern over the number of sewer line replacements the Association would be facing in coming years and asked whether it would be wise to set up a reserve account

for that purpose. Mr. Gourdie explained that since the sewer line replacements were repairs, the work would possibly not qualify as a reserve expenditure. There was also concern that if a sewer line replacement reserve was created, the funds would not be able to be used for any other purpose. Randy Kuhl suggested just budgeting a larger amount in operating to cover the expense. A suggestion was also made to look at the feasibility of setting aside the funds in an account, similar to the creation of the property insurance fund. Association staff will consult with the auditor on this.

Chris Gourdie then presented some highlights of the general manager's report. He stated that work is continuing at the Lake Lofts, and although materials costs were reasonable, the renovations were requiring excessive amounts of labor. He reported on sewer line replacements and indicated that three more were scheduled to be completed soon, likely creating an overbudget amount of \$5,000 to \$10,000 for the year. He gave a report on landscape renovations being done around property and stated that the irrigation department's efforts in repairing leaks, installing rain gauges and planting drought-resistant plants have resulted in considerable savings in water costs.

Mr. Gourdie also reported that several temporary parking spaces have been installed using mulch and landscape timbers to help alleviate overcrowding. These will eventually be paved and made permanent. Some drains are also needed due to water accumulating. Both of these, as well as replacement of parking stops are funded by the parking lot reserve. So the Association will continue to fund the reserve, although not at the previously high amounts. Mr. Gourdie stated that there will be enough money in the reserve to complete the Lake Loft parking lots during 2017, and it will be up to the board if they choose to do the road.

The next item on the agenda was a motion to clarify the application of the balance of the property insurance fund to the cost of the road project. During the March 24, 2016 meeting, the board approved a motion to move forward with the proposal to resurface the roads. Although the board discussed using the property insurance fund for this purpose during the meeting, it was not stated in the motion and therefore not included in the minutes. The Association attorney advised that the minutes should reflect a motion showing where the funds went. Randy Kuhl moved and Glenn Norton seconded a motion to move the balance of the property insurance fund, which was \$140,975 as of September 30, 2016, to operating to cover a portion of the cost of resurfacing the roads.

A discussion ensued, wherein Earl Monari asked about the legality of using the property insurance fund in this manner. Mr. Gourdie stated that the portion of the fund that was assessed to the membership was used to cover the insurance deductibles after the 2010 tornado. The remainder of the initial funds was approved by the board as part of the operating budget and is thus available to be used at the board's discretion. A vote was then taken, and the motion was approved unanimously.

Mr. Monari then asked for an update on the construction of the west side trash area. Mr. Gourdie explained that the project was at a standstill with Duke Energy, that the Association was waiting for Duke's engineer and nothing further could be done until power is hooked up. Mr. Norton asked about the feasibility of having a trash compactor. Mr. Gourdie indicated that when he

researched it several years ago, it was very expensive and the Association didn't have the volume at that time. He indicated that he would pull out the numbers for the next meeting. Mr. Rasmussen stated that there should be a rental fee for the compactor and a pull charge, and if the Association didn't have the volume, the company could pull just once per month. Mr. Gourdie indicated that he would look into it.

The next item on the agenda was a review of the auditor's management letter. Carol Post reviewed the recommendations made, which included having an updated reserve study performed, and assessing whether the 20% discount the Association receives on its audit costs by postponing the audit outweighs any potential untimely findings. Since the auditor has never found any significant problems during the audit, the board chose to continue receiving the discount. The auditor also stated that Statute 718 requires painting to be budgeted as a reserve, even though the IRS considers painting "non-capital," which requires the funds allocated to be used by the end of the year. Since the work at the Lake Lofts is moving much slower than anticipated, the painting funds are not being used as budgeted, so the board chose to leave the accounting as it is for the time being. Mr. Gourdie informed the board that an outside audit is only required every three years, if the membership votes to waive it. After discussing the advantages of a yearly audit, it was the consensus of the board that the Association should continue.

The next item on the agenda was a report on insurance renewals. Mr. Gourdie stated that the Association's crime policy was scheduled to renew on December 19, and although the renewal process had begun, the Association didn't have a premium amount yet.

Mr. Kuhl then stated that there should be one minor correction made to the letter to the owners giving second notice of the annual meeting. The letter stated, "The committee reviewed the budget and recommended to the Board that the budget be accepted without change." Mr. Kuhl stated that the committee recommended shifting the \$15,000 cost of replacing the air conditioning conduits from operating to reserves, which Ms. Post did before sending the budget to the board. John Rasmussen stated that he would announce the correction at the annual meeting.

At 11:08 a.m., Glenn Norton moved and Randy Kuhl seconded a motion to adjourn, which was approved unanimously.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carol Post".

Carol Post

Secretary pro tem