

CAUGHLIN RANCH HOMEOWNERS ASSOCIATION

Minutes of the Board of Directors Meeting

Wednesday, September 7, 2011, 7:00 – 9:00 P.M.

(Executive Session 5:00)

Caughlin Ranch Elementary School
4885 Village Green Parkway, Reno, NV

Board of Directors Present:

Millie Burke, President
Michael Chern, Vice President
Michele Attaway, Secretary
Michael Heffner, Treasurer
Larry MacNeil, Director
Gina Pedrini, Director
Ken Walters, Director

Others Present:

Paul Hershey, Manager
Linda Jussen, Office Manager
Dovie Joy- Secretary/Assistant
Katrina Rehkop, Admin Asst/ACC CC&R Compl.
Randy Lisenby, Landscape Supervisor
Shawn Oliphant, Legal Counsel
Gayle Wassenberg, Recording Secretary
Approximately 21 homeowners

Directors Absent:

None

1. **EXECUTIVE SESSION SUMMARY (Closed Session Prior to Board Meeting)**

Shawn Oliphant, General Counsel, was present to advise the Board relative to any potential legal matters, as allowed by NRS 49.035 to 49.115 (attorney-client privilege).

1.1 Summary Log on the CC&R Violations and Crew Update

Due to time limitations, violations were not reviewed.

1.2 Status of Member Assessments

Due to time limitations, assessment details were not reviewed.

1.3 Personnel Discussion

Discussion of personnel matters is subject to attorney-client privilege.

1.4 Discussion of Regulations and Requirements for a Wind Turbine

Legal Counsel advised the Executive Board on the legal aspects of wind turbine regulations.

2. **OPEN MEETING – CAUGHLIN RANCH BOARD OF DIRECTORS**

The meeting of the Board of Directors was called to order by President and presiding officer, Millie Burke at 7:05 P.M. A quorum was established. Director Burke thanked the homeowners for taking time out of their day to attend this business meeting.

2.1 Members' Comments (Agenda Items Only/2 Minutes per Member)

There were no comments at this time.

3. **LANDSCAPE SUPERVISOR'S REPORT**

Randy Lisenby reported on the crew's current and future endeavors. Randy and his crew were commended for their landscaping accomplishments.

4. **CONSENT AGENDA**

4.1 Approval of July 13 and August 10, 2011 Board Meeting Minutes

MOTION: Director Attaway made a motion, which was seconded, to approve the July 13 and August 10, 2011 Board meeting minutes as presented. Motion carried unanimously.

5. BUSINESS ITEMS

5.1 *2012 Draft Budget*

- Homeowners were advised that the 2012 Draft Budget will be presented at the Annual homeowners meeting in November for their approval.
- Paul noted Management Staff changes are now reflected in the 2012 Budget.
- Director Attaway requested an increase in the Special Events allocation to \$10,000.
- Paul requested an increase in the allocation for cleanup and maintenance of foreclosure properties.

MOTION: Director Chern made a motion, seconded by Director Heffner, that agenda item 5.3.6, Recommendation for Unightly Property Foreclosure Cleanup, be discussed at this point so that any financial decisions in this matter may be included in the 2012 Budget Draft. Motion carried unanimously.

- After discussing Paul's request and agenda item 5.3.6, the Board agreed to add a line item as a provision for foreclosure property cleanup and maintenance to the 2012 Budget in the amount of \$200,000. (Please refer to 5.3.6 for details.)

MOTION: Director Heffner made a motion, which was seconded, to approve the 2012 Draft Budget with the amendments that were noted with respect to foreclosed properties and events. Motion carried unanimously.

5.2 *Approval of Application for the Finance & Budget Committee*

Director Heffner noted that the appointment of Parker Stremmel to the Finance and Budget Committee has been unanimously endorsed by the Committee.

MOTION: Director Heffner made a motion, seconded by Director Pedrini, to approve the appointment of Parker Stremmel to the Finance & Budget Committee. Motion carried unanimously.

5.3 *General Manager's Report – Paul Hershey*

5.3.1 Discuss and Approve General Manager's Business/Staff Plan

This item was addressed in Paragraph 5.1, above.

5.3.2 Approval of the July 31, 2011 Financial Budget Report

MOTION: Director Heffner made a motion, seconded by Director Chern, to approve the July 31, 2011 Budget Report. Motion carried unanimously.

5.3.3 Update on the July 31, 2011 Financial Charts

Paul presented the July 31, 2011 Financial Charts, which are available for review on the HOA website.

5.3.4 Discussion and Approval of the Morgan Stanley Investment Policy

Paul summarized his research for investing Reserve and Operating funds. His recommendation was to continue with Morgan Stanley, and to accept their CD investment proposal.

Each CD will cost \$1 - \$4 on a one-time basis. Interest rates were compared with numerous other investment companies, and Morgan Stanley offered the highest rates. Additionally, if things start to deteriorate or if we can find better rates elsewhere, we can opt out of this program with no penalties.

Paul advised that the Finance and Budget Committee has recommended approval of this investment policy. Additionally, Paul recommended approval of the CDARS Deposit Placement Agreement, which is a program wherein we will be involved with one bank, but the accounts are spread to different banks, each of which is FDIC insured. Monthly reconciliation of accounts will be much less time consuming.

Director Heffner summarized as follows:

- Reserve Funds will be invested through Morgan Stanley.
- Operating Funds of approximately \$1 Million will be invested through Alliance Bank in CDs, maturing on a schedule that allows access of cash, as needed.

MOTION: Director Heffner made a motion, which was seconded by Director Chern, to approve Paul's recommendation. Motion carried unanimously.

5.3.5 Update on the Phase II Water Project Report

Paul fielded questions from the Board and the homeowners relative to the mechanics of Phase II. The power point presentation is available for review on the HOA website.

5.3.6 Recommendation for Unsightly Property Foreclosure Cleanup

Paul noted that at the August meeting he was asked to (1) prepare a procedure for improving the curb appeal of foreclosure properties, and (2) provide a list of distressed properties and prioritize by the urgency of cleanup and maintenance needs. He highlighted items that he has included in his procedure, such as identifying distressed properties, notifying property owners, administrative costs, lien process, timelines, etc.

A homeowner, who is employed by the Housing Authority, suggested that there will be certain foreclosure properties for which a \$2500 allocation is inadequate. He also suggested that there will be cases where fixing only the front of the property will not be enough, citing safety issues and encroachment of weeds and landscaping on neighboring properties and common areas.

The Board emphasized that for budgeting purposes, more definitive information is needed relative to the potential costs of this project, such as a prioritized list of existing distressed properties, bids from landscape contractors, and expected turnaround time for recovery of costs.

Legal Counsel noted limitations regarding the areas of a property that can be addressed by the Association, and spoke about time-line requirements in this process. Director Attaway offered to do some research relative to foreclosure turnover time. A Deercreek homeowner with non-judicial foreclosure experience noted it sometimes takes over two years to see a return on your money, and there are many things that can happen to slow the process. It was also suggested that any home that has been vacant for some time, is in a distressed state, and has been placed on the market, should be put at the top of the prioritized list for cleanup and maintenance because as soon as it is sold, the Association will recover their costs. Another homeowner requested that the Board consider a budget allocation of less than \$200,000 for this purpose.

As noted in agenda item 5.1, the Board agreed to budget \$200,000 for Foreclosure Cleanup and Maintenance in 2012. Management was asked to provide the Board with a prioritized list of properties and an estimated cost of the work to be charged to the 2011 pilot project, within three weeks of tonight.

Director Heffner assured the homeowners that this allocation will not require a 2012 increase in owner assessments, and emphasized that just because the provision is there, it doesn't mean that the full amount will be spent.

5.3.7 Discussion of Regulations and Requirements for Wind Turbines in Washoe County

Paul reported that he and Shawn Oliphant, Legal Counsel, have met with the County Building and Safety Director and the Assistant District Attorney who represents that department to discuss regulations in this matter and have determined that installation requirements must either be added to the ACC Regulations or the CC&R's. Paul and Shawn recommended that additional requirements should be added to the ACC Regulations rather than the CC&R's.

Shawn and Paul have prepared an amendment, which they will provide for the ACC's approval. The Board acknowledged that although the ACC is responsible for approving any changes to ACC regulations, the Board would like to be advised of the Committee's intention prior to the adoption of any amendment. Shawn offered to provide the Board members with copies of his recommended changes, which mirror the County's requirements, and would welcome any feedback from the Board. If the Board is satisfied with the changes, Legal Counsel will then provide the recommended changes to the ACC.

In the past, the ACC has not recorded minutes of their Committee meetings. Recently, according to Paul, they have started recording minutes. The CRHA Board of Directors thereby requested that in the future, minutes of the ACC meetings and any proposed changes to ACC Regulations be provided to the Board of Directors prior to adoption.

5.4 Update on the Community Events Committee

Director Attaway reported the first annual barbecue will be held at the Caughlin Club:

- Hamburgers, hotdogs, chips, wine, beer, Margaritas, and soft drinks will be served; other drinks can be purchased at the bar.
- Music will be provided by Jake's Garage Band.
- The Lions Club will do the cooking.
- 128 people, including 20 children, have RSVP'd.
- Board candidates will be in attendance and will be wearing ID badges.

5.5 Minutes for Board Meeting—Short Summary Position

Paul recommended decreasing the verbiage currently recorded in the meeting minutes, while continuing to stay in compliance with NRS 116.31083, Paragraph 8. As in the past, audio tapes will be available for membership at the office. Director Attaway will provide a sample template as an example for the transcriptionist.

5.6 Action on Management Contract

Director Burke advised that the management contract term has expired. After one year of service to CRHA, Paul Hershey tendered his resignation, with 60 days severance pay, a \$10,000 bonus, and compensation for ten days of unused vacation. After discussion, legal counsel advised the Board that a motion for any action in this matter should include a provision to hire an interim manager until such time as the Community Manager position is filled.

MOTION: Director Heffner made a motion, seconded by Director Chern, to accept the immediate resignation of Mr. Hershey, under the following terms and conditions: two months base compensation, an additional \$10,000, as well as payment of ten days vacation time, payable ten days after the execution of Exhibit A to the management agreement. Director Heffner further moved to authorize the president to enter into an agreement with Associated Management, Inc., to serve as Community Manager until a new Community Manager is employed. Motion carried by majority, with Directors Walters and MacNeil opposing.

A homeowner requested a more complete discussion as to the reasons for Mr. Hershey's resignation, "if Mr. Hershey would not be uncomfortable with it." Mr. Hershey responded that he would not be uncomfortable.

Director Heffner made the following comments on behalf of the Board: Relationships between a Community Manager and a Board, in terms of personnel actions, appraisals, raises--the whole personnel relationship--is guarded by privacy provisions and rules in NRS 116, which ties our hands in almost everything we try to do, and the difficulty this poses is that sometimes we are in a position where we have to make an announcement, but we are absolutely unable to provide any details behind it. That's the situation we were in a year ago, and that's the situation we are in today. I think what it comes down to is that you have to—or not—believe that your Board is doing the very best it can to represent the best interests of Caughlin Ranch. Director Heffner asked the homeowners to trust that the Board is acting with integrity, fairness, and dignity, and is doing the very best job they can.

Several homeowners commended Paul Hershey for what he has accomplished in the past year, expressed their opinions in this matter, and requested details as to the reason(s) behind his resignation. Director MacNeil suggested that if Paul wants to make a comment, he should be allowed to do so.

Legal Counsel advised Paul that he is free to say anything he wants to say, and advised the Board that personnel issues, which are discussed in personnel sessions, must remain confidential. Legal counsel then assured homeowners that this is not a situation of conflict; the situation is that the contract has expired by its term, there was action to be taken on the contract, and "resignation" has been proposed to provide the manager with more than he would have been entitled to for "termination" under the terms of the contract.

Paul Hershey responded as follows:

"The contract has come to an end. Under the contract, I am entitled to "X" and the Board has chosen to give me "Y," and accepted my resignation immediately."

Director MacNeil expressed his disapproval and advised that he did not agree with the Board's decision. Director MacNeil then submitted his written resignation to the Board of Directors.

6. MEMBERS' COMMENTS

There were no further comments.

7. ADJOURNMENT

With no further business to address at this time, the Board meeting was adjourned at 9:15 P.M

Respectfully submitted by:
Gayle Wassenberg
Recording Secretary
Transcends Transcription Services

Approved by:


Caughlin Ranch Board Member