

**Minutes of the Regular Meeting of the Board of Directors
Timber Cove Homes Association
January 20, 2018 at the Fort Ross School**

A regular meeting of the TCHA Board of Directors was held on Saturday, January 20, 2018 at 10:00 a.m. at the Fort Ross School.

Attendees:

Directors:

Ron Case, President
Russell Wells, Vice President
John Gray, Treasurer
Bob Leichtner, Secretary
Sue Ellen McCann
Susan Moulton

Melany Collett, Office Manager

Members of the Association

Ms. Collett explained that access to wifi at the school was not functioning, despite arrangements previously made with school staff. Therefore we regret that planned phone attendance for remote members was not possible. We are guests of the school, and do not control communications facilities.

A copy of the sign in sheet for Association members who attended in person is attached.

The President chaired the meeting; the Secretary kept minutes.

Mr. Case called the meeting to order at 10:05 am.

Approval of Agenda

Upon motion duly made and seconded, the agenda was approved, 6-0.

Approval of Minutes of December 2, 2017 meeting.

Upon motion duly made and seconded, the Minutes were approved, 6-0.

Public Comment

A member encouraged participation in the Women's March, for men as well as women.

A new homeowner introduced herself and inquired about orientation for new owners. Her family was welcomed; the Office Manager will follow up.

A member introduced her neighbor, who is relatively new to the Association and is building a house. The member also proposed that the HOA be dissolved and replaced with a road association.

President's Report

Mr. Case briefly summarized the discussions in the preceding Executive Session of the Board. Claims and litigation were discussed; details regarding defense or strategy remain confidential. Insurers have denied coverage for these claims. The Board is dedicated to protecting the members of the Association. Caution was urged that contentious or inflammatory messaging could impair our defense against claims.

Office Communications

Ms. Collett noted that no new escrows had been noticed. Annual Information packages and dues billing will be forthcoming. Annual fees remain at \$459.20.

Old Business

Treasurer's Report

Mr. Gray noted that his prior presentation had included comment based on the content of invoices and back up or notations on check payments. He emphasized that the CPA has recommended an audit when necessary information is complete; the Board will need to authorize it. Ms. McCann, his predecessor as Treasurer, has prepared an update report with additional information about some of the items in Mr. Gray's prior report. Mr. Gray has reviewed the update and acknowledges some differences in specific items; however, the overall analyses and bottom line are not materially different.

CCR Summary and Core Values

Mr. Case noted that these items are currently not active and will be removed from the Agenda. Mr. Leichtner commented on the CCRs. It has been previously noted by attorneys and others that the CCRs were not well drafted, and that they are not compliant with current California law in many respects. The summarization project represented an attempt to provide a more "user-friendly" presentation of the CCRs, but given the drafting, interpretation and compliance complications, the concern is that no summary could provide a document

members could rely on with certainty regarding their rights and obligations. The CCRs need a comprehensive legal review and overhaul, but that would be a major, expensive and potentially contentious undertaking. It has been attempted, unsuccessfully, by prior Boards. It was suggested by members that a more limited descriptive update of the requirements and considerations involved in the architectural review process as it presently operates might be achievable and useful. It was agreed this approach merited exploration.

New Business

Treasurer's Report

Mr. Gray reviewed cash and reserves, bills paid, taxes, penalties and insurance.

New insurance has been bound that complies with the limits in Davis-Stirling. The premium is approximately \$14,800, more than double our prior policy, which was cancelled.

On January 12, Mr. Gray met with IRS officials, accompanied by our accountant and the office manager. The purpose was to resolve outstanding issues, filings, payments and penalties due and restore good standing. The IRS was on the verge of filing legal action against the Association for the history of failures to file and pay taxes and penalties. The current visit and payments made averted that liability. Further forms and payments will be required to clear our account.

In response to a question from a member, Mr. Gray explained that the oldest bill, for fiscal 2014, was actually due in January 2015. The penalties were for the prolonged period of non payment and non response to notices that continued for 30 months, including the taxes due for FY2015 and FY2016 as well.

In response to another question as to why the insurance had been cancelled, Mr. Gray explained that was because of errors in the insurance application TCHA had submitted. Mr. Leichtner also explained obligations to make timely notification of possible claims to insurers, both to ensure coverage, and in the application for new or renewal coverage.

Mr. Gray discussed Ms. McCann's update memo on financial matters. Based on information she had provided, he has corrected the timing of certain expenditures he had reported. He noted reduced funding due to the Unit 1 secession and recommendations for training of staff and Board on transaction processing that complies with fiduciary duties. There may be on line resources that would be more useful for community members. An audit was also recommended.

A member asked if any evidence of embezzlement had been found. Mr. Gray said 'no', it was more a matter of errors of "process", lacking oversight, or required authorizations. Mr. Case also noted that certain properties with large

overdue assessments had not been liened in compliance with the established past process.

Next steps will be completing all tax payments, recommending an audit after all payments and reporting is complete, and sending out dues invoices.

Mr. Gray and Ms. McCann commented on the various accounts TCHA had maintained, some of which did not reflect sound accounting practice; that has been corrected. The necessity for an updated reserve study was noted.

A discussion by Mr. Gray and Ms. McCann ensued regarding the decline in available operating funds necessary to meet essential expenditures. The loss of revenues from Unit 1 secession, unusually high legal expenses, the Todd indemnity matter, have all contributed to a decline in available operating funds. An additional, uncertain exposure was the possibility of costs arising from defense or settlement of existing or threatened claims. After discussion it was agreed that it would be advisable to temporarily borrow funds from the Reserve Account to meet current operating costs. With dues receipts anticipated in a few months, it was agreed that \$45,000 was appropriate to meet basic operations needs for three or four months. It was noted that under the Bylaws, these funds must promptly be restored to the Reserve Fund at the earliest opportunity. A special assessment might be necessary.

Whereupon Mr. Leichtner moved that the Association temporarily transfer \$45,000 from the Reserve Fund to the operating account, solely to pay essential operating expenses, such amounts to be restored promptly to the Reserve Fund, all in compliance with the Bylaws and applicable California law. The motion was seconded and approved, 6-0.

Mr. Case noted that these questions of the adequacy of funds suggest we need more input from all members about their priorities, and regarding the choices about financial constraints on activities and initiatives versus members' willingness to increase dues or levy special assessments. A member asked if dues increases or special assessments, could be used for the limited purpose of "catching up"; the answer is 'yes'.

A member complained that the treasurer's report included defamatory remarks, which should be retracted. Mr. Leichtner explained that the draft report had been fully reviewed by legal counsel, and his editorial recommendations incorporated.

Ms. McCann, our prior Treasurer, distributed hard copies of Mr. Gray's power point together with her own detailed report, adding clarifying information. Her presentation will be posted as an attachment to these minutes. She discussed her analysis at length, noting that dues had not kept up with revenue or the loss of Unit 1. She expressed some differences in perspective or explanation with Mr. Gray, but also agreed with many of his concerns. Melany will check on status of

liens. Ms. McCann thanked our attorney Martin Hirsch, John Gray, and Bob Leichtner for their efforts.

Payment of Bills

Upon motion duly made and seconded, payment of bills presented by the treasurer was approved, 6-0.

Mailboxes

Mr. Case noted that we have offers of volunteer assistance to complete the installation.

Community Input

Mr. Case repeated his interest in soliciting community input on key issues. We will explore a nonpartisan approach.

Appointment of New Board Member

Since the resignation of Eric McConn last fall, we have had a vacant seat on the Board. Mr. Case recommended the appointment of Margaret Grahame to fill that vacancy for the remainder of the applicable term. Ms. Moulton commented that more time should be allowed to invite expressions of interest from other parties, and to allow consideration of qualifications. Upon motion duly made and seconded, it was proposed that we open the vacancy to recommendations from the community, and that the appointment be deferred to the next meeting. That proposal was approved, 4-2, Mr. Case and Mr. Wells dissenting.

There being no further business, the meeting was adjourned at approximately 12:45 pm.

Respectfully submitted,

Robert Leichtner, Secretary