

Minutes
Special Membership Meeting
November 20, 2006

Purpose: Discuss Proposed Changes to CCRs

President Joey Curtis welcomed the audience and introduced Brenda Beckman, Legislative Chair for CVHOA. Brenda prefaced her prepared briefing with a clarification that the document sent out recently is most definitely still in draft status. We encourage input from homeowners. All input is appreciated and will be considered. We cannot promise all input will be incorporated into the CCRs, due to legal restrictions and advice, but we want to consider everyone's view before finalizing. She also reminded us that because we no longer can use proxy votes, we need to encourage everyone to submit their ballot at (or before) the annual meeting.

After going through her presentation, Brenda opened the meeting to comments from the floor. She encouraged everyone to also submit comments in writing, so they could be sure that nothing is overlooked and that the homeowners can be confident that the meaning of their input is accurately captured. A sign-in sheet was circulated.

Questions and comments from the floor follow:

Q. I understand that the Association cannot use the deposits held in reserve. Is it correct that it can use the interest?

A. Yes, we can use the interest for association operations. The deposits themselves can only be used to cover unpaid assessments.

Q. How much is in the deposit reserve fund?

A. In the neighborhood of \$75-80K, at this time.

Comment: The ability of the Board to raise assessments by 10% without a review of the members was challenged. The state may give us the ability to raise it by 20%, but that is a ceiling, not a mandate. The membership should rule on increases.

Response: Under current CCRs, the board cannot even deal with routine inflation. Having some sort of permissible ceiling, maybe not 10%, but some range might be considered.

Comment: (Section 6.3.4) The CCRs do not require the annual budget to be voted on at the annual meeting. Even though the language says that a budget will be prepared annually, there is nothing that requires the membership to vote on it. In the past the members have always been given the chance to vote on the budget at the annual meeting. The speaker said that he had experience with another Board that had ability to raise assessments that was tied to the CPI. He felt that was a reasonable way to approach increases.

Response: Although that would certainly help in maintaining everyday operations, it does not address a capital improvement fund. We have been paying for things that we have done recently out of operating funds.

Comment: The speaker said that when he served on the board they had established a fund and left it with \$30 to 40 thousand. He did not think we should have a special assessment to build a capital improvement fund. Another homeowner remembered that there was a \$15 assessment that was supposed to be going into a capital improvement fund.

Response: It is probable that the funds that were originally destined for capital improvements were eventually used to cover the inflationary increase in the cost of normal operations. There is a legal requirement that the Board make provision for capital improvements, so we need to make sure we have the ability to address our infrastructure. Dee added that the 2007 budget, which will be given to all members before the annual meeting, will be a deficit budget, for which we will need to tap into the operating reserve. In order to keep our community in good repair, an increase tied only to CPI might not provide enough funds. We need to protect our property values and the quality of life we enjoy here. If we do not plan for major expenses, we may be forced to go into debt when an emergency situation develops.

Q. Does the Board have the authority to put the Association in debt?

A. Not positive on the debt issue, but an emergency expense (such as a failed water pipe repair) incurred by the Association would have to be covered. If reserves aren't enough, then the solution would probably be a special assessment to all homeowners.

Comment: Board member Carlson said that Pima County was experiencing some of the same types of problems with aging infrastructure that we could face. The huge water line break at Speedway cost a tremendous amount to repair. We need to establish reserves to deal with such problems. These problems are so important that California and Nevada have passed laws requiring new planned communities to have reserve studies done as part of their initial planning. They highly recommend that older communities go through the same reserve study process, so they know what they need to plan for. We have been able to do some paving repairs in the past few years, but next years budget will just about use up whatever reserves we have.

Comment: Bert Lubliner said that, while he is sensitive to the financial pressures on both retirees and the younger homeowners here, we need to protect the investment in our homes by making sure that our community as a whole is maintained, so that our property values will not fall and we will one day be able to get our investment back when we sell. He stressed that the 10% increase in the draft CCRs is an annual amount, not monthly.

Comment: Bob Green felt that there is no doubt in his mind that assessments will have to be increased. The landscaping budget alone is about \$100K and going up. Maybe we need to raise 10% this year and possibly the next year, but after that, perhaps we could look at tying the ceiling to the CPI. A 10% increase every year seems excessive. If

there are no increases in a given period of years, maybe future boards could be given the ability to go back a year or two and increase assessments based on CPI for those years, but not much more than that.

Response: If we only base assessments on CPI, then we will never get ahead of the requirement to establish reserves for future work that needs to be done.

Q. Can't we just take the deposit reserve fund that we cannot use and vote to make it a capital reserve fund?

A. Based on legal advice, this is not possible. Based on our current CCRs, the only thing we can do is either keep the deposits as is, or return them. The draft CCRs would enable us to return the funds to offset the financial burden of the new assessment, but we cannot legally convert one type of reserve to another.

Comment from Mr. Seltzer: Seems that some kind of increase is inevitable. Remembering back to the CAP conversion of a few years ago, our water pipes took a hit that we could be facing again if we don't have an increase. We also need to focus on the other areas besides financial in the new CCRs. We need to have rules in place to protect our property values; for example, seeing that someone checks to see that every homeowner is doing required maintenance on their home. People who fail to maintain their property will eventually cost every homeowner because their property values will fall if the standards of the area decline.

He was also concerned about Section 11.22.1, Parking. He felt that the wording implied that homeowners could park anywhere, anytime, including cul de sacs (common property). He said some residents treat the cul de sac as if it is their personal property. Everyone here has a garage -- why are they allowed to fill the garage with stuff, and then park on the cul de sacs? It is very inconvenient and inconsiderate. He felt putting guidelines in the CCRs would be a good idea.

Response: Our attorney was very clear on the types of things should be in the CCRs and what should be in rules and regulations. Details such as parking are more properly put in rules rather than CCRs. What we do need in the CCRs is some kind of enforcement mechanism, so we can enforce the rules. Up to now we have not really had the tools to maintain standards established in the rules.

Q. How are rules established?

A. By the Board. Motions passed by the Board at Monthly Board meetings are the basis for rules. Homeowners are free to ask the Board to address issues they are concerned about. Rules are part of a hierarchy of guidance. The CCRs are the underlying document, followed by By laws and Rules and Regulations. All of these have to be coordinated so that there are no conflicts. We re-wrote our By laws last year, so we should be in good shape. We are trying to correct the CCRs now, and will address the rules and regulations next. We have some good rules for Clubhouse and Pool use, but we need to continue to work on completing and formalizing them.

Back to parking - these draft CCRs seem to negate the intent of the original CCRs in which homeowners were promised that there would be guest parking available.

Response: Our streets were ceded to the city after the original CCRs were written and that we have no authority to limit street parking. Also, the layout of the houses has changed since the first CCRs, so there are not enough guest parking spots available to portion out two to be dedicated to each homeowner. Guest parking is common property. What we do need are CCRs with enforcement procedures and a set of rules on parking so that prevent people from cluttering the common area with vehicles. Developing appropriate rules is important in maintaining our standards.

Comment: The current wording says that parking “shall” be on a first-come, first-serve basis. If the wording is not changed, the Board does not have the ability to change parking rules by Board action.

Comment: Section 11.8, Inspection. AA homeowner objected strongly to this section. He felt no one should be permitted on his lot without permission. This view was seconded by another homeowner. Another added that there should be some allowance for emergencies. Another said that the area 1 foot outside each dwelling is common property, so the Board (or any homeowner) has the right to access that common property. Only the seven homes on the south end of CV own the lot they are on – every one else owns only the 12 inches outside their walls. .

Discussion followed on how much real property is attached to each home. One homeowner believed that the first homes built only had title to the property underneath the dwelling. Around 1972 a law was passed by the State of Arizona that disallowed that practice, so homes after that date had different amounts of property. One of the early amendments to the CCRs was made to address that change in the law. Other homeowners believed that homeowners only owed the 12” around their dwelling.

Response: The Board will ask our attorney for clarification on this.

Comment: Section 8.1 conflicts with Sec 10.11. Grass is not permitted in 10.11, but maintenance of grass is required in 8.1. Conflict needs to be resolved.

Comment: Since landscaping is such a big expense, have we considered hiring our own staff so we can control what is done?

Response: Attendants overwhelmingly discouraged this. Personnel management; cost, maintenance and storage of trucks and equipment would create a nightmare. Although a contractor may be expensive, you are transferring a lot of the headaches to a third party.

Q. What charge would be assessed to people using the open storage area for RVs? Currently, there isn't any.

A. No change in current procedure is anticipated.

Q. Article 9 of old CCRs says that Sections 1-7 cannot be modified. However, this draft changes everything. What authority do we have to do this?

A. We will check with the attorney again. She did mention that we may have to refile the articles of incorporation. We will certainly check on this with her and make sure the Association has taken the proper steps to protect the community.

Q: Couldn't the changes between old and new CCRs be marked in some way?

A. The changes were too broad to make tracking changes feasible.

Q. Shouldn't Homeowners be given copies of Rules and regulations?

A. The plan is to give homeowners copies of guidance as it is implemented. The By laws were revised last year. The CCRS are being addressed now. There are gaps in rules that need to be addressed. New guidance material will come out in full pages. The half size pages used for our FAQ books are more costly than full pages, so we will not do half-sized documents in the future. When there are revisions, we will send out the individual pages, so that you can just replace the changed page in your file.

Brenda thanked everyone for their participation and repeated her request for everyone to submit their comments in writing.

It was suggested that we should have another meeting during evening hours so people who work could attend. That will be considered.

Submitted by

Gloria Williams
Secretary