

BOARD MINUTES – JUNE 21, 2008

Present were: Mike Zonnefeld, Ron Sipp, Nancy West, & Bob Ferguson

The Meeting was called to order at 4pm by President Mike Zonnefeld who then asked for the Treasurer's Report.

Treasurers' Report - Ron Sipp: Ron stated that on July 6th the two CD's are up for renewal and he made a decision to renew them both. The Long Range account has about \$17,500 and Ron is going to change the nomenclature, when he transfers the \$3380 this month to the Long Range Account will have \$50,000 in it after the transfer and this account will then be called; "CD Long Range". The monthly report had been prepared on a cash basis. Ron asked for questions – there were none and he went on to talk about the Excess of Income over Expenses Report - under expenses there is an under spent amount of \$18,590.00 for the 5 month period; but there are some deferred expenses that would take care of that. He also prepared (thanks to Dee, as she got him thinking about the Budget last month) - Ron noted that he had been concerned that we are really 3 organizations lumped together into one. Using his financial report he spoke about an allocation – the column on the left - it replicates our financial statement (see attached report). He went on to explain that if you add them all together we have \$158,000 in the bank – receivables are overpaid as people have paid ahead \$12,500 and our net assets are \$307,000 add those together and our net value of the Association is \$452,598 (net assets and net equity). The total revenue for the year is \$157,000 which ties into the financial statement and we spent \$138,000 and we come up with the \$18,590 which is on the financial statement – the only difference Ron explained, was he classified the expenditures by gross instead of itemizing; so we have the Administrative at \$9187 and if you look at Landscaping it is \$441,000. In column two is Long Range and we have \$47,461 in the bank so the equity in that account would be the \$47,461 – the Long Range Income for the year is \$61,413 so we have income included in that \$18,000 worth of income which is the \$16,000 that is locatable to the Long Range Account. The next column contains the Fixed Assets – they are past expenditures which really have nothing to do with the operations of the business this year. The net Fixed Assets are \$307,000 and included in the financial which I am doing which has never been done before is - we are doing depreciation on a monthly basis. Ron continued that we have taken almost \$18,000 worth of depreciation this year. If you take the beginning number which is the \$18,000 and subtract the \$16,00 which is about two thousand and then you add back the depreciation we come back with the fact that we are under budget by about \$20,000. Ron said he has been working to find out what the operations of the

business are, and that was the purpose of this schedule. Then Ron added that he went to last year's budget which he believed was approved, that was the one Gloria set up in Quick Books – that budget totals for the end of May \$133,000. Explaining what he did in the over/under budget Ron said he took those numbers, and for Administrative expense this year we are under spent by \$4,100. Landscaping is about even, our payroll is \$2,300 under budget, and we are about \$5,700 under budget for utilities which means we are under budget, which was set up at the beginning of the year, around \$13,000. Continuing he told how he took the Annual budget of \$386,270 because the question came up of how you allocate the expenditures – Administrative was allocated to be about 5%, the Landscaping is 31%, Maintenance is 8% , Payroll is 18%, the Utilities are 26%, and the Capitol Improvements are approximately 13% of what our budget is. If you add all those up it is 101%... he just rounded everything up. The problem that arises is (referring to Kent's letter from the last Board meeting), the revenue in terms of projected dues is about \$351,000 for the year, which means we have a projected deficit of approximately \$35,000. Ron goes on to explain that Kent has done a line item study and that Kent says our expenditures will only be \$355,000 not \$385,000. Going on; in a worst case scenario it will be around \$367/368,000. In conclusion Ron added that the deficit we have this year will only be \$5/6,000 or up to \$10/11,000 at the most. With \$113,000 in the bank in operations so presumably, if Kent's projection is correct it will only drop down \$10,000 – so that we really don't have to be concerned about this year! He added that he didn't know what was going to happen in the out years. Ron asked for comments...

Ron went on to say that Goldi told him that one of the De Maio units that was in bankruptcy sold – I think there is a little note in here.. A bank has purchased it, and they have agreed to start paying the monthly dues on it which haven't been paid. Nancy asked if they were paying the back dues and Ron answered – no.

Ron then reads Goldi' note: see below

“Report: De Maio Property in arrears -7214 E. Camino Valle Verde

This property, with outstanding homeowner fees due CVHOA (\$2691.00) was purchased by Colonial Capital Bank of Phoenix on June 10th. The contact person at the Bank is Rob Leonard – (602) 224-0745.

The bank is in the process of repairing and fixing up the home to put it on the market. They have already fixed the broken garage door, trimmed plantings and they are replacing appliances that were taken from the property by the last renter.

The bank will not be responsible for back dues owed by the previous owner but happily © they will keep current fees up and asked to have their first billing on July 1st.

Attached is their first Statement. Their June fees have been pro-rated to reflect date of ownership.

Rob has been personally thanked for helping to bring this property up to our beautiful community standards.

Goldi 6/21/08”

The budget was only determined on 167 units not on 169, because of the two homes that were in default. Technically Ron added that we probably picked up about \$1200 to \$1500. He said that concluded his report and asked if there were any questions.

From the floor, someone asked if there was a quorum on the Board today and Ron responded that there were only 6 members presently on the Board and they had 4 bodies here! Answering another question from the floor Ron added that three Board members had resigned.

Mike then called for minutes from the last meeting; he asked for a motion to approve them...Nancy made a motion to accept the minutes as presented. It was seconded by Bob, and passed by unanimous vote by the Board.

*Mike then asked for the **Manager’s Report; JJ Jaster**: JJ reported that he was on track as to the work on the main entrance of Colonia Verde for the painting and replanting – the majority of the work is already completed. One of two water line projects is completed, there are plans to do the second one in a week or so. We still have money left over from this project, so the plan is to do some more. He stated that he was not going to report on all his jobs that he does on a daily basis, just the highlights. He is in the process of doing maintenance on the utility enclosures which is a yearly project. He is also planning to work on the flood plain area by Don Skaggs house (7202 E. Camino Valle Verde) before the monsoons - where the sand washes out – the plan is to pull back sand and line the banks with big boulders. We are on target with infrastructure repairs. In September we will be into paving across the street (from the Clubhouse) as well as seal coating.*

Landscaping Report; Bob Ferguson : Bob asked if everyone had a copy of the Reserve Study – requisitioned by the last Board. There’s a lot of numbers and a lot of lines. It lists every appreciable item that needs replacing sometime in the future. This is a study that says since you have not accumulated a reserve you should have accumulated \$450,000 and we did not that; and the problem is; what are we going to do when these things come due? If you take a look at the list there are two pages of assets and they have a cost column on it – cost to maintain and they have life expectancy and then the replacement year. Take item # 1002 Clubhouse – paint exterior – it is going to cost \$2107.00 – this paint job is going to last for 8 years and the plan is to do this in 2009. The Reserve Study people worked this thing up and they said if you do these things on schedule: example; if you paint this, and you replace the blacktop in the cul-de-sacs that’s every 30 yrs., you’re going to need that \$450,000. We don’t have the money –

alright. What he did – he listed everything that’s due in 2009 and future years – and we start by assuming we have \$60,000 in the bank at the beginning of 2009 and we’ll collect about \$40,000 – and if do all the things that were scheduled to do in 2009 – they cost \$54,000 and we end up with \$45,000 in the account. In 2010 we go broke and we stay broke for the rest of the period. What can we do about this? We’d have to consider these numbers as far as the cost and the useful life of estimates. Take for instance item #1015 – Clubhouse computer – it says we’ll spend \$1200 in 2013 and we are going to replace it every five years. There is no particular reason you have to replace a computer every five years. By grouping these expense by the year scheduled to be replaced and considering our present monthly assessment the \$20.00 we end up in 2038 owing about \$500,000. We must do these things, but we don’t necessarily have to do them on *their* schedule. The second enclosure talks about closing the cold pool, that would save about \$30,000; not immediately, but down the road. If we defer those items that are scheduled for five year replacement to six years we’ll save – over a 30 year period we’ll only do them five times instead of six times. And there is a savings of \$100,000. Lastly, if we raise the dues \$10 we are home free over this period of time. Mike asked if this report took into account any inflation. Bob responded with: This report does not take into account any inflation. In 20-30 years we would have \$300,000 in the Reserve Account, by adjusting the time that we do these things. Ron added that he was going to be 96 years old!! Bob added that what’s important is that someone’s going to have to monitor this every year. They estimate the cul-de-sacs are going to last for 30 years – there are only five houses in my cul-de-sac and two of them are empty. There is not a lot of traffic – only one or two cars come down every day. You go down a few cul-de-sacs, there are 10 houses and there is a lot of traffic there. Some cul-de-sacs are going to last and some won’t. Nancy added that there are things on the Study about replacing the doors (clubhouse/pool house) – she added that she’s had houses for 30 years and not replaced doors. Those items could very easily be adjusted. Mike added that this is, like a good Consultant’s study, it could be a worst - case analysis as well, with every possible contingency addressed. It’s pretty incredible! Bob added that by laying it out by years you get a better picture of just exactly what your problems are. Ron asked Bob if he had a Landscaping report. Bob answered a question from the floor about calling into the office for the pick up of yard trimmings, he added that the information will also be in the Chronicle. Mike commented that he had done outstanding work.

Nancy also added that Bob had put in a lot of work on his report. Mike commented that both Ron and Bob had done a tremendous amount of work. And what Ron did not mention is he has placed money in a CD and in the five months it has been in there it has earned us over a thousand dollars. Mike commented that we would like to formally thank both of you for all your hard work! Bob added that he attended a seminar by AAA Landscaping which is a outfit out of Phoenix – the seminar was on tree care. Bob added that he was impressed with the professionalism of the seminar. So he is going to put them on the Bidder’s List. Nancy commented that it was a good idea! Nancy posed a question to Bob : she said a couple of people had asked her if he was going to trim the palm trees. Bob replied – yes, after the fourth of July. He went on to say that in the Seminar he went to he learned that palm trees are the home of roof rats. I don’t think we have here but because the trees have been kept trimmed but if you don’t trim them the roof rats get in them and they get into the roof of your house. Nancy added that

there are nests in the palm trees and the rats like to eat the eggs and things – Bob agreed. Mike and Ron both asked Bob if we were budgeted to do the palm tree trimming and he replied it is the season to trim and yes we are budget to do that. Mike then asked Nancy for her report.

Nancy West; Women's Club Report: Nancy reported that the Women's Club is working on the fourth of July barbeque, she also has a notice about in the up and coming season on October 20th, which is probably the first meeting Council Rodney Glassman will be the guest speaker – so it's not too soon to express your concerns and ask your questions. Submit your signed concerns and questions to the Clubhouse by September 28th. The November guest is Dave Fitzsimmons, the newspaper political cartoonist for the Arizona Star newspaper – the date is November 13th. During the summer please submit your favorite and most maddening Fitz cartoons to the Clubhouse – they will be posted all around the room, to let him know that he does have an impact on us. He did a t-shirt for the Zoo, and she has it, so she will wear it on that day. He also signed the shirt. Mike asked if there would be notice in the Chronicle and Nancy responded with a yes. Mike asked Nancy if she had anything else and she said no. Nancy said she hoped to see everyone on the fourth and Mike added it probably would be nice and warm and that he had been drafted to sing for that thing too!

Mike directed a question to Bob: What about the Plaxco tree? Bob said he talked to Denice Plaxco about the whole business and they'll work that out. Mike told Mrs. Williams that it would be handled but he has been unable to get over there personally but he felt that it could be handled informally as Denice is open to resolving the matter. Bob responded that he had received an email from Denice.

Mike reported: The delinquent dues are still open (De Maio property) – we are waiting out the 60 days to move on that. Nancy added that the Women's Club Board and the HOA Board will be meeting in the near future to discuss upcoming events.

New Business: Personnel Report Mike noted that we have the new reports but Mindy is not here today due to her seriously ill father. Would like to defer that until September. Mike then asked about replacing Board Members when Nancy told him there was a question being raised from the floor. Bryan queried Mike about the 60 days for the Court procedure for the DeMaio Lien – Mike replied that the Court had told him it was 60 days. Bryan sits on the Court and he says it's only 20 says with Mike responding that's what the Court told him – Mike asked to speak with Bryan after the meeting so if the Court's number of days is wrong he would like to take action sooner.

Mike then went on to speak on replacing Board Member – he added that we have had some volunteers. His said that the CC&R's are pretty clear that that the Board *MAY* chose to replace Board members to fill out the term or they may not. He believes that we need a motion from the Board to replace Board members- so moved by Bob and seconded by Nancy. We have a nomination – Ron nominated Bill Carter and it was seconded by Bob. Mike asked for a vote and the nomination was passed by a majority vote of the Board. Mike asked: Mr. Carter – is that acceptable to you? Bill nodded from the floor and Mike thanked him very much! Mike thought we had another volunteer –

or if the Board wanted they could leave this decision up to the September meeting. When all of our Board members are back and we can fill the rest of the appointments for the rest of the year and we could move forward with other volunteers and I suspect I am open to discussion on it from any member of the Board. Ron said he wished to defer. Mike asked if there was a motion to defer – (don't know who made the motion – it was not recorded on the tape) – the motion was seconded by Nancy and Mike called for a vote and the motion was passed unanimously by all Board members. Mike welcomed Bill Carter to the Board and said the rest of the Board replacements would be addressed in September. We also need to address the Secretary position – Mindy volunteered to do that – I sent her an email today but she has not responded so we will have to defer that to September as well. In the mean time Goldi and I will continue to translate the recorder for minutes. Kent Driesbock said he was going to be present on the telephone today to discuss his report but he has had a major family crisis and he sent an email asking that it also be deferred to September. I think that his report is significant enough that it deserves the full Board's attention – probably all nine members, not just four or five as he's got some pretty heavy stuff in there. Ron interjected that the Board didn't have nine members. Mike responded that we may have nine members in September.

Since Mindy is not here I gave you a drawing from Larry Dickey who I had a long conversation with yesterday - he owns a house immediately South of the Clubhouse. He wants to fill in a ten foot by ten foot addition on there.. I circled his location and you can see that his property taxes are paid on that segment. Mike said he told Larry that the Board would work on the approval but he would have to go through the normal channels of Architectural Approval and obtaining the permits in order to do that. Ron asked if it had to be surveyed. Mike answered that he did not know if it did or not. Ron then asked JJ if he knew if it needed a survey. JJ responded by citing a case of a homeowner some years ago wanted to extend his patio and the initial survey of the property – a lot of the homes here are square and Dickey's house has a protruding patio and he wants to enclose the patio all the way to the end of his house. The earlier homeowner wanted to seel back some property to the association that was his and the Board made a decision that he have a survey done and that survey had to show if he actually owned that property or not. He actually traded the property for what he wanted. It needs to be surveyed to let us know if you own it! Mike said that we needed to make a note to that effect. That's why he included the little drawing because as far he knows he is paying tax on that little corner. When I get with Mindy I'll talk to her about getting architectural approval. Nancy asked if that was not even a patio. Mike responded that it is bare land at the moment. It's a notch in house his house was built. There was a question from the floor from Alene Schwartz but it was too mumbled to understand on the tape. Mike responded than Alene responded but again unable to understand. Mike asked if there were any other comments on Mr. Dickey's proposal. Nancy again stated that the survey needs to show that really is his property – Ron added that if it was his property he should have the right to do it. Mike said he would relay all the information from today to Larry so he could start working on that.

Board Goal Statements If each of the members would take a few minutes to state what their personal goals were being on the Board for the next few years and also the Board's goals – just a little assignment to think about. Mike added that he had some

long terms goals but some he would like to do – one of the goals would be to make this a closed –off and gated community. He added that he didn't know if that was possible. It would be nice. But there is a lot of huge things that come along with that.

Mike asked if there was anything else from the Board before he called to the audience. No one responded so Mike made his call to the audience.

He thanked everyone for coming and added how nice it was to see so many attendees here on a hot summer day.

From the floor Joey Curtis asked Mike that they check to see if they really needed an even number of Board members. Mike responded that he was going to see about seven Board members. Mike asked for any other comments before they adjourned.

Mike asked for a movement to adjourn – but from the floor Jack Olwine rose with a comment: Jack addressed the fact that the Board said they would have a plan that they could give the homeowners about the need for a management company by December 1st - that this would be available to review prior to the Annual Meeting. And to have at least two meetings on different days and at different times so that you can present your study. This should not be part of the Annual Meeting. Otherwise it just ??? Ron responded – Nancy responded..Ron spoke about Kent's proposal or letter he said that he was going to do a long term study and it would be completed in 180 days..Ron added that when he did the math – that's in August. He won't be back until September so obviously we are not going to get that date. And he said that – he's doing a proposal for a management company, for self-management and for a combo. Ron went on to add that Kent said that they would be open to discussion, with two or three meetings, like we had before with everyone in a civil manner and then they can talk about it-analyze it and get an opinion on it how people feel. Hopefully something can be finalized but not in terms of a proposal or at least give people some options on what they want to do. I arbitrarily last night I did...??? Jack responded that everyone wants to do what's right and they all need the same information. This whole thing was planned to be six or seven months and there would be a discussion for two or three months and the thing that – Mike added that the decision is so important the we don't want to “knee jerk” into this and He thought all of them feel that way as homeowners as well. From the floor Sue Carter asked; What she is concerned about all this stuff is going to happen when? Both Ron and Mike responded – September. She added that there was nothing written in stone that the Board couldn't meet in August. Ron responded that it was possible. From the floor Mark Brook said he looked back in the meeting minutes and said it is a specific motion passed about the length of the long term planning process. We do not have to be involved with looking at the very narrow issue – we are looking at the long term study of the future of Colonia Verde. The past Colonia Verde, the past taxes and all these other things that have not been looked at in the same detail for you. I understand that the motion contained that a series of hearing were going to be involved with the future of Colonia and not be involved with only the small point of a property management company for Colonia Verde. The point is: what's good for Colonia Verde in 2008 and G-d knows I hope it's not like social security??? Mark continued- That's his understanding of the process...which I hope the Board would vote on it's own and listen

to the rest of the community these people who have virgin ears maybe allow people to make some suggestions on how to process a discussion somewhere in September when there is time to have this discussed like Jack said . Ron added that we didn't want to ruin the Holiday season Mike reiterated the motion that Mark spoke on the it was NOT limited to discussion of only a Property Management company. Mike added that the idea was to decide what was best for the entire community for 10-20-30 years. Nancy added that when we did the study on everything, if we have to have a meeting every week we'll do that!! Mike agreed. And Nancy went on to say that –until everybody can get all the information they need.

Alene responded with the fact that this Board is charged with responsibility of issuing to (unintelligible)...that they must direct themselves to the person and that they are taking care of the community property. And what we do now regardless of old we have to care... some more of her comments were unintelligible – Mike and Nancy thanked Alene for her comments.

Mike again asked if there was anything else. From the floor someone asked how they get in line to get their walkways done? Mike asked for their name – she responded – Penny. There's some people needing new walkways because they are afraid they are going to fall. Alene responded from the audience that there is a form you can fill out – while Mike added they needed to talk to JJ. And if that doesn't work out give Mike a call.

Mike again reminded the assembled group that he makes himself available to them for their calls anytime. Send emails – some might get lost but that comes with the territory! He added that hopefully trying to do the best for the entire community.

A question from the floor was asked; who on the Board is charged with paving? Mike answered that it hadn't been decided yet who would do paving. Ron answered probably Kent and Mike added – or a new Board member. Mike replied “Duly noted John”.

Mike again asked for a motion to adjourn...Ron made the motion and it was seconded by Bob, voted on and unanimously passed.