

# TRUSTEE/HOMEOWNER MEETING AGENDA 11/7/05

START TIME: 7:00 P.M. END TIME: 8:30 P.M.

## 1. November Financial Update

Trustees passed out check register for October, 2005. Homeowner who originally requested same was pleased with results. Additional handouts included Monthly Income/Expense sheet, Account Balances sheet, 2006 Budget Development Explanation sheet, and Explanation of 2005 Indenture Changes. Trustees explained the purpose of each handout and residents seemed satisfied. Clarification was necessary for pool contract costs and liability insurance costs.

## 2. 2006 Budget Review

CLWII 2006 Proposed Budget was handed out to attendees. Development of operating expenses was discussed. Trustees also explained the bulk of income and how the bulk of it is received during the first two to three quarters of each year. A resident voiced his discontent with the proposed budget increase of \$275, which provides for a new basketball half-court. Another resident voiced approval. Trustees explained they would each be able to vote for their choice on December 5. This upcoming vote will determine whether \$250 remains as the assessment, or whether \$275 becomes the assessment for 2006. Question from floor as to whether we factored enough of an increase for anticipated higher natural gas costs. It was explained that we have more electrical usage than gas usage, and that hopefully, we allowed enough for anticipated increase.

## 3. Q & A – 2006 Budget & Voting Procedures @ December 5<sup>th</sup> Meeting

Indenture changes discussed. Trustees explained how the changes provide for a better financial accountability to residents. Comparisons were made from original document to amendments. A question was raised about unspent monies. It was explained that at the end of the year, any unspent monies will be set aside in a temporary account and applied towards unforeseen expenses and/or towards next year's expenses. Question raised about federal taxes and whether they may be charged, as non-profit corporation, if there is excess unspent funds. With current corporate filing, we pay no taxes if we spend what we take in.

## 4. Anticipated Attorney Response (Meeting of 10/6/05)

A trustee recalled a homeowner's request at the October 6 Special Meeting, which was for a written legal opinion on whether we are governed by CLWII Indentures or state corporate statutes. It was explained that attorney was currently working on this, as well as other items. North County Realty will be drawing up quitclaim deed to convey common ground ownership over to CLWII a.s.a.p. This was apparently an oversight on their part. In research, it was discovered they also failed to convey common ground in Ridgemont, a subdivision near CLWII. Also to be addressed and clarified in written statement by board atty. Is Item #7, on page 10 of original indentures.

## 5. Miscellaneous

Trustees announced receipt of letter from homeowner threatening subdivision with lawsuit. No further comments will be made about same. Question was asked about staggered trustee terms of office and why elections were always three years, rather than the remainder of a vacated term of office. Trustees also agreed to a request for homeowners' names to not be used in the publication of the minutes of each meeting. Meeting of Monday, December 5, will be voting only from 6 – 9 pm.

## How The Budget For 2006 Operating Expenses & Projects Was Developed

Removed Expenses which could be identified as "Project Type Expenses" from expense history

- Reviewed historical data
  - By category
  - By time period using five years of actuals
    - Income
      - 20% qtr 1 - late in the qtr.
      - 73% qtr 2
      - 5% qtr 3
      - 2% qtr 4
    - Expense
      - 10% qtr 1
      - 54% qtr 2
      - 26% qtr 3
      - 10% qtr 4
      - This means we need \$12,000 to \$15,000 in the checking account on 01/01/Ox to tide us over until 2nd qtr

Looked at any new contracts/bids for the year 2006

- Pool operation
- Factored in any expected increases in operating expenses
  - Example - gas
- Cris Finnegan and I then developed separate projections for each category
- Reviewed each others estimates and logic for the estimate by category

Came to agreement on the best number for each category

- Obtained bids for each of the project items
- Divided the totals by 497 to arrive at the proposed assessment per household

## **What the Indenture Changes of 2005 Mean to Residents**

### **Prior to 2005**

- No requirement for Trustees to develop any budget
- No requirement for Trustees to solicit resident input for budget or projects
- No requirement for Trustees to allow residents to vote on budget options
- No cap on the maximum amount the assessment could be raised each year
- No accountability to residents by trustees for expenditures

### **2005 and Beyond**

- Trustees must develop a budget each year and present it to residents for approval
- Residents can identify projects important to them
- Residents can vote on the budget option they prefer
- Defined caps for assessments beyond which the trustees can not go in a year
- Accountability to the residents by trustees on how the money will be spent