

Mosby Mountain Community Association

MEETING OF THE BOARD OF DIRECTORS

Date and time: Wednesday, November 5, 2008, 6:30 pm

Meeting location: home of Preston Miller and Debra Mincarelli, 1390 Singleton Lane

Board members present:

Preston Miller, President, 1390 Singleton Lane
Michael Hightower, Vice President, 1957 Ridgetop Drive
Jim Peterson, Secretary/Treasurer, 1969 Ridgetop Drive
Todd Pullen, 1212 Hatcher Court
Brian Roy, 1647 Hubbard Court
Barbara Strain, 1635 Hubbard Court

Other members of the Association present:

Jana Glenn, 1330 Singleton Lane
John Glenn, 1330 Singleton Lane
Ron Matthews, 1706 Mattox Court
Debra Mincarelli, 1390 Singleton Lane

1. Welcome and introductions

Mr. Miller called the meeting to order at 6:40 p.m.

2. Adoption of agenda

Mr. Miller suggested that the Common Areas Committee report be moved up. Also, the Nominating Committee has a report.

On a motion by Ms. Strain, seconded by Mr. Hightower, the agenda was unanimously adopted with the revisions suggested by Mr. Miller.

3. Approval of October 1, 2008, board meeting minutes

On a motion by Mr. Roy, seconded by Mr. Pullen, the minutes of the October 1, 2008, board meeting were unanimously approved as distributed.

4. Common Areas Committee (CAC) Report

Mr. Roy reported that the special assessment landscaping is almost complete and the CAC members are very pleased with the results. Some topsoil was delivered today and some seeding remains, but this should be completed by this coming Saturday. Landscaping Services, in cooperation with the residents on Turnstone Drive, has completed the work on the island on Turnstone Drive at a cost of \$1,450.00. A significant maple was planted in the center, surrounded by a band of mulch and then a band of lawn. The Association supplied the mulch and the residents on Turnstone did the work.

Mr. Roy also reported on the first Mosby Community Day held on Sunday, October 26, when 15 neighbors came together, enjoyed fellowship, painted the white entrance signs, planted pansies, and removed many of the black erosion fences. The CAC recommends that Community Days be scheduled to be held two or three times each year. They are planning to hold the next event in the spring at which

time the black entrance fencing would be repaired. Mr. Pullen has looked into this matter and has determined that Southern States sells the special fencing boards and black asphalt paint needed for the maintenance. Other activities would include cleaning up the trails.

Next year's proposed budget that will be considered by the membership at the Annual Meeting includes \$10,950.00 for landscaping improvements next year. If this is approved, then the proposed amount for the following year would be less, and accordingly the budget would actually decline over three years. For 2009, the landscaping budget would cover the final payment for the work on Turnstone (it was only partially budgeted this year) improving the access to the entrances to the trails, and plantings for the catch basins and Ridgetop Drive.

One concern expressed by the committee is the lack of response by the developer regarding their participation in the landscaping improvements. Mr. Roy submitted the plan for the bridge to them but has seen no activity nor received any response. In the continuing effort to get final answers from the developer prior to the December Annual Meeting, Mr. Roy will attempt once more to contact the developer, and then if no response is forthcoming, Mr. Miller will send a letter along with copies to Board of Supervisions member Sally Thomas and to County officials.

Ms. Strain reported that she has completed her research relative to the installation of improved lighting for the entrance signs. She was unable to locate the kind of lighting desired locally and so has pursued information she has gleaned from the Internet. She provided the board with two alternative proposals, one that would provide new lighting on two of the entrance signs with the old lights then to be installed on the third sign at a cost of \$810.80 for lights and cables, and the second proposal to provide new lights for all three signs at a cost of \$1,216.70. Optional 5-year warranties could also be purchased, but everyone agreed they would not be desirable to obtain. The method of anchoring the lights and solar panels was also discussed with the recognition that there would likely be some small expense for that as well.

On a motion by Mr. Hightower, seconded by Mr. Peterson, it was unanimously voted to approve the proposal to install new lighting on the two signs closest to Old Lynchburg Road, and authorized Ms. Strain to acquire the equipment and materials for a cost not to exceed \$1,000.00.

The possibility of installing all of the old lights on the third sign (the large sign on Singleton Lane across from Mattox Court) will be pursued after the new lights are installed.

5. Financial statements

Mr. Peterson distributed copies of reports from Joseph Saunders, CPA, for the period ending September 30, 2008, showing a cash balance of \$23,850.56 and a reserve balance of \$10,000.00 (see attached). The report does not reflect the accumulated interest earned on the reserve account of \$98.11 (for the months July through October). This will be incorporated into future reports. Mr. Peterson also reported that the total amount billed in the special assessment in September was \$29,155.00, of which \$27,685.00 had been received as of yesterday leaving a balance due of \$1,815.85. Expenditures for the landscaping work paid out of the special assessment total \$25,600.00 as of yesterday. Similarly, for the regular assessment billed on October 1, \$11,560.85 was billed, \$9,745 has been received as of yesterday, with a balance due of \$1,815.85.

Mr. Peterson reported that a bad check had been returned to Saunders, CPA, with a bank charge of \$5.00. Saunders sent the check back and billed the party to be reimbursed for the \$5.00. However, Saunders recommends that the board adopt a policy calling for a \$25.00 fee for any returned checks which would not only cover the bank charge against the Association (typically \$5.00), but also offset the costs of returning the check.

On a motion by Mr. Pullen, seconded by Mr. Hightower, it was unanimously voted to adopt a policy setting a \$25.00 fee for any returned checks.

On a motion by Mr. Pullen, seconded by Ms. Strain, the financial reports for the period ending September 30, 2008, were unanimously accepted as distributed.

6. Architectural Review Board (ARB) report

Ms. Strain noted that due to communications with the owner, the car on Singleton Lane is no longer permanently parked on the street in reverse.

With regard to the issue of the visibility of trash containers, notices were sent out to 30 households regarding the need to remove their trash containers from view. Three options were offered to accomplish this: place the containers in the garage; construct screening; or conceal the cans behind landscaping or hardscaping. She noted that the last two options would need to be submitted to the ARB for approval before construction is initiated. Follow up letters will be sent as necessary.

Members of the ARB completed a comprehensive house-by-house inspection to determine what specific violations were evident. Only a few were identified, and so by the end of November, all will have been contacted and the ARB records for those updated.

7. Follow up to September 3, 2008, membership discussion on formation of an ad hoc exploratory committee for paid HOA administration: call for volunteers

Mr. Miller asked if anyone present was interested in serving on an ad hoc exploratory committee. There was no response. Mr. Peterson distributed copies of a memorandum he had prepared entitled, "Secretary/Treasurer's perspective on the consideration of employing a property management company (see attached)." He said the paper covers much of the history leading up to the current discussion and also addresses many of the questions that have been raised. He wanted the paper to be entered into the record with the board minutes so that both sides of the issue will have been brought before those who are interested. Given the lack of response to the call for volunteers, Mr. Miller said that the issue of forming an ad hoc committee was closed. Ms. Strain pointed out that as part of the board's standard operating procedures, the need for staffing resources is considered every year by the board during the annual operational and budget planning. The option to employ staff or a contractor is an option that is always open to the board.

8. Recent neighborhood concerns: dogs and vandalism

Mr. Peterson distributed copies of excerpts from three e-mails that were recently received, two of which pertained to vandalism experienced on Halloween, and one about the mess left by neighbors' dogs. After much discussion, it was agreed that an announcement should be posted on the website reminding pet owners to be considerate and to clean up after their pets. Also, members will be asked at the Annual Meeting if they would like to see poop bag dispensers installed in the neighborhood so that dog owners who forgot to bring a bag with them would have the bags conveniently available.

With regard to the issue of how future vandalism could be thwarted, it was suggested that if a neighborhood watch program were initiated, this would be the kind of activity the program would address by having members on the lookout throughout the Halloween evening.

9. Nominating Committee Report

The Nominating Committee is comprised of Pat Campbell, Jana Glenn and Ron Matthews. Ron Matthews reported that the following slate will be placed into nomination: Kristie Beitz, Todd Jenkins and Matthew Althoff for two-year director's terms (and Michael Hightower, Jim Peterson and Barbara Strain will continue for the second year of their current two-year terms on the board), and for the officer's terms (one year each): Barbara Strain for president, Kristie Beitz for vice president, and Jim Peterson for secretary/treasurer. The committee had also prepared a draft of a proxy ballot to be mailed out prior with the official notification of the December 3 Annual Meeting, but after some discussion, it was agreed that the vote for officers and directors should be incorporated into the standard proxy ballot along with the votes for the budget item and proposed neighborhood watch program.

Ms. Glenn reported that the committee had asked each of the nominees to complete a questionnaire to provide some biographical information on the candidates for the benefit of the membership. She said she

was grateful that everyone responded promptly and so the committee will be able to supply an information sheet for the elections.

Mr. Miller, along with the other members of the board, thanked the committee for their hard work

10. Planning for the December 3, 2008, Annual Meeting

The monthly board meetings and quarterly membership meetings (including the Annual Meeting) had originally been scheduled to be held on Tuesday evenings, but a suggestion was made early in the year by a neighborhood resident that the meetings be moved to Wednesdays so that those who could not attend on Tuesdays could then participate. This was done, but in the process it has become clear that the pattern of attendance did not change, and also that the facilities used in the past are simply not available on Wednesdays, and that is why Fry's Springs has been utilized for the September membership meeting and the upcoming December Annual Meeting. Given this dilemma, Mr. Miller suggested that for next year, the practice of holding the meetings on Tuesday be reinstated.

On a motion by Ms. Strain, seconded by Mr. Hightower, it was unanimously voted to recommend to the new board that the board meetings and quarterly membership meetings for 2009 be held on the first Tuesday of each month.

Mr. Miller went over the proposed agenda for the Annual Meeting and the order in which items should be considered. Each board member is asked to submit three items to Mr. Peterson to be included in the year-in-review report. The CAC and ARB were also asked to submit a list of bullets reflecting their activities and achievements. Soft drinks, snacks and music will be provided, and the meeting announcement going out to all members will encourage members to bring a holiday snack to share and to plan to stay to meet their neighbors.

11. Comments on items not on the agenda

There were no comments on items not on the agenda.

12. Next meeting

The next regular meeting of the board will be held on Tuesday, January 6, 6:30 pm., at a location to be determined.

The Annual Meeting of the Association will be held on Wednesday, December 3, 2008, 6:30 p.m., at the Fry's Springs Beach Club, 2512 Jefferson Park Avenue.

The meeting was adjourned at 8:50 p.m.

Respectfully submitted,

James R. Peterson
Secretary/Treasurer

10 PM
 17/08
 Annual Basis

Mosby Mountain Community Association
Balance Sheet
 As of September 30, 2008

	<u>Sep 30, 08</u>
ASSETS	
Current Assets	
Checking/Savings	
10300 · Cash - VNB - 6409	23,850.56
Total Checking/Savings	23,850.56
Accounts Receivable	
11000 · Accounts Receivable	12,939.13
Total Accounts Receivable	12,939.13
Total Current Assets	36,789.69
Other Assets	
10500 · ING Direct CD	10,000.00
Total Other Assets	10,000.00
TOTAL ASSETS	<u>46,789.69</u>
LIABILITIES & EQUITY	
Equity	
32000 · CAPITAL CONTRIBUTIONS	2,000.00
39996 · RETAINED EARNING	15,983.00
Net Income	28,806.69
Total Equity	46,789.69
TOTAL LIABILITIES & EQUITY	<u>46,789.69</u>

1 PM
 17/08
 Annual Basis

Mosby Mountain Community Association
Profit & Loss Budget Performance
 September 2008

	<u>Sep 08</u>	<u>Budget</u>	<u>Jan - Sep 08</u>	<u>YTD Budget</u>	<u>Annual Budget</u>
Income					
41000 · ASSESSMENT INCOME	29,155.00		63,785.28	34,680.75	46,241.00
42000 · DISCLOSURE PACKET FEES			76.50		
43000 · INTEREST INCOME		8.33		75.00	100.00
Total Income	29,155.00	8.33	63,861.78	34,755.75	46,341.00
Expense					
51000 · ACCOUNTING FEES	331.04	25.00	3,014.41	225.00	300.00
51500 · BANK CHARGES			-0.19		
52000 · INSURANCE		75.00		675.00	900.00
53000 · LEGAL FEES		83.33		750.00	1,000.00
53500 · LICENSES AND FEES		4.17	69.00	37.50	50.00
54000 · MANAGEMENT FEES		366.67		3,300.00	4,400.00
54500 · MEETING EXPENSE		20.83	60.00	187.50	250.00
55000 · OFFICE EXPENSE	124.32	100.00	534.65	900.00	1,200.00
55500 · OTHER PROFESSIONAL SERVICES		20.83		187.50	250.00
64500 · TRASH COLLECTION	1,679.74	1,680.25	18,808.49	15,122.25	20,163.00
64600 · COMMON AREAS MAINTENANCE		1,125.00		10,125.00	13,500.00
75300 · LANDSCAPING - CONTRACT			3,400.00		
75400 · LANDSCAPING - NON-CONTRACT	1,000.00		7,300.00		
75800 · SIGNAGE		37.50	316.33	337.50	450.00
75900 · SNOW REMOVAL			1,402.50	1,250.00	2,500.00
85500 · WEBSITE EXPENSE	44.97		149.90		
Total Expense	3,180.07	3,538.58	35,055.09	33,097.25	44,963.00
Net Income	<u>25,974.93</u>	<u>-3,530.25</u>	<u>28,806.69</u>	<u>1,658.50</u>	<u>1,378.00</u>

MEMORANDUM

To: Mosby Mountain Community Association (MMCA) Board of Directors

From: James R. Peterson, Secretary/Treasurer

Subject: Secretary/Treasurer's perspective on the consideration of employing a property management company

Date: November 5, 2008

Overview

As early as June a year ago, some MMCA members raised concerns that the board was looking at the scope of work required for the functioning of the Association and the role, or possible lack thereof, of continuing to pay a property management company for the administration of the Association's business. The issue resurfaced again this year when an ad hoc get together was scheduled at the home of one of the members. This was followed by a resolution raised at the June 4, 2008, quarterly meeting of the membership in the form of a "Talking Points" paper that was produced and circulated at that time. Follow-up on the issue was reintroduced at the September 3 quarterly meeting of the membership.

It is the purpose of the current memorandum to enter into the record a synopsis of the process leading to the current status and to examine some of the specific elements raised in the talking points.

Background

The developer had initially employed a property management company, and, although the Declaration of Covenants and Restrictions of Mosby Mountain (hereinafter referred to as the "Declaration") specifically provided that once the governance responsibility was transferred to the MMCA Board of Directors the contract could be terminated, the contract contained an automatic renewal clause and so the contract was automatically continuously renewed (with an October through September term).

At the Annual Meeting of the Association held on December 6, 2005, the election of board members and officers was to be held. However, there was not in place a nominating committee or other process for developing a slate prior to the meeting, and so volunteers were solicited from the audience to place themselves into nomination. That was how the membership of the board came about in the second year of the Association's existence.

The three members who stepped forward had never met each other prior to that meeting, but a brief informal discussion made it apparent that all three had extensive organization experience in other sectors of their past and current lives, and an almost immediate consensus emerged on the priority requirements to be addressed, all of which are fundamental imperatives to the legal and fiduciary responsibilities of a governance board.

The first requirement is to assure the orderly succession of board members and officers. It was agreed that the number of board members should be expanded, and that staggered terms should be incorporated to enhance effective ongoing functioning of the board and board continuity. A proposal for the specifics of this would be developed and brought to the membership for consideration and action. This would require amendments to the Declaration and bylaws would need to be revised (if they existed) or developed.

The second requirement was to promote maximum participation by the membership.

The third requirement was to review the range and depth of specific responsibilities and tasks necessary to meet the following provision in the Declaration and to assure that the Association is operated in an effective and efficient manner.

Article VI, Section 2 (f) of the Declaration assigns sole responsibility and authority for the Board of Directors to determine what services are needed to carry out the responsibilities of the Association: "The services necessary or desirable in the judgment of the Board of Directors of the Association to carry out the Association's obligations and business under the terms of this Declaration." Article IV, Section 1 (d) of the bylaws adopted promulgated by the Evergreen Land Company state that "The Board of Directors shall have power to: Employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties." Article VI, Section 1 of the revised bylaws adopted by the Association carry forward this exact specification of responsibility and authority.

The process

Following are excerpts from the first board meeting held by the new board on January 18, 2007:

The board members had met briefly at the end of the December 4, 2006, Annual Meeting, and assembled now to identify the major issues and timelines to be issued by the board for calendar year 2007.

1. Promote maximum participation by the membership by:
 - a. holding quarterly membership meetings (Tuesday, March 6; Tuesday, June 5; Tuesday, September 4; and the Annual Meeting on Tuesday, December 4) and frequent meetings of the board, and rotating the location of the meetings to various members' homes;
 - b. review Articles and Covenants to determine changes needed to expand the size of the board and provide for a nominating process and continuity on the board for action in June to establish bylaws and amendments to the Covenants as necessary.
2. Contact the members of the Architectural Review Board, newsletter and neighborhood news publisher to see if they would be willing to continue for this year.
3. Determine the status of "punch list" items, the bridge, Ridgetop Drive easement, and the trails.
4. Review the scope of work listed in the management and landscaping services agreements and evaluate and revise as appropriate.
5. Review budgets longitudinally to determine trends and planning for the 2008 budget.

The board members will each consider the officer positions with the intent of achieving agreement as to whom will be elected to each position prior to the board meeting scheduled for February 15 (originally scheduled for February 14 but changed due to Valentine's Day). The agenda for the February 15 meeting was also discussed and also suggestions as how to promote participation for that meeting and the March 6 membership meeting including house-to-house visits.

Then, at the next board meeting (February 15), extensive planning was conducted for what was to be the first quarterly meeting of the Association to be held on March 6. Unfortunately, the property management company failed to mail out the required notices, and so this meeting could not be held.

The board members were concerned with the provision in the Association Management Agreement between the Association and the property management company that provided that the property management company could terminate the agreement at any time of its choosing: "The Agent may terminate this Agreement by giving the Association ninety (90) days written

notice at any time,” yet on the other hand, the requirement for the Association provided for an automatic renewal: “This Agreement shall be automatically extended on an annual basis unless written notice is given by Association to Agent to terminate the Agreement within ninety (90) days prior to the anniversary date of either the original term or any extended term.” In accordance with the provision in the Association Management Agreement, the board provided legal notification on June 19, 2007, to the property management company 90 days prior to the automatic renewal date of October 1, 2007, that the agreement would not be automatically extended in order for the board to first complete an assessment of the optimum scope of work necessary to assure that all responsibilities of the Association would be fully met in the most efficient, cost-effective manner possible.

Board meetings in July and August were devoted extensively to seeking input from the membership as to their perceptions as to the scope of work necessary to promote the optimum functioning of the Association. The board solicited proposals from full-service property management companies and from CPA firms with real estate management experience. Board members interviewed representatives from three of the four responding full-service companies and all three of the responding CPA firms. Even after follow-up meetings with the full-service contractors to clarify that the Association does not have any condominiums, buildings, A/C units, roofs, pools, tennis courts, golf courses, play grounds—in short, nothing that requires management and maintenance other than the grounds, the cost-benefits of the proposals did not justify their selection. A CPA firm with an experienced, licensed real estate agent with specific property owner’s association experience was selected to begin work with the Association effective October 1, 2007.

Questions and concerns

Most of the concerns raised by those members who favor the reemployment of a property management firm are reflected in the “Talking Points” paper distributed at the June 4, 2008, quarterly meeting of the membership. These points are addressed in the following outline:

1. *Should cost savings be the orienting principle on which to base the decision about community management?* Cost was never the determining factor in the board’s determination that paid management was not needed. The board carefully studied all aspects of the work necessary to assure responsible operations. The lack of amenities simply did not justify the expenditure of the Association’s resources for general management services.
2. *What is the net savings per household of being self-managed? Aside from cost savings, what are the other benefits of being self-managed?* The net savings is not the issue. The issue is what work needs to be done, and is a paid contractor or paid employee needed to do the work. The board’s extensive study regarding management and administrative functions determined that only the accounting piece could benefit from contracting out for services. Given the total lack of amenities, the board and committee members can effectively and comfortably carry out the general management and administrative responsibilities.
3. *Is it prudent for board members, directors and committee members to assume the inherent risks and liabilities of self-management?* The Association’s liability insurance—required by the Declarations and state code—fully covers the actions of the board and committee members. Further, the board is ultimately legally responsible for all operations of the Association whether a contractor is engaged or not. Indeed, the previous contract with the property management company specified that, “The association assumes all risk of loss or damage to the Property and all liability in connection with the Property or the ownership and management thereof.” Another provision stated: “To the extent not paid out of insurance, the Association shall indemnify the Agent and its officers, directors, agents and employees against and save them

harmless from all claims, liability, losses, expenses (including without limitation attorney's fees)....”

4. *As board members, directors and committee members change from year to year, how will the transfer of knowledge be streamlined and what will the learning curve be?* The Covenants and bylaws were revised to provide for two-year staggered terms. This is conventional practice for effective organizations.
5. *Can the officers of the HOA stay abreast of changing laws, rules and regulations concerning HOA management?* The state in cooperation with the Property Owners Association of Virginia provides free training seminars to address all requirements of POA's. It was through one of these regional seminars, attended by representatives from about 75 POAs, that we learned of the specific requirements for Disclosure Packets, and the board immediately developed a packet to fully address the requirements. Many other issues—organization, legal, financial, etc.—were also covered. One aspect that was repeatedly stressed was that the board has the full legal responsibility for the operations of the Association, even if a property management company is employed.
6. *Do these individuals have sufficient knowledge of local contractors to hire reputable firms, negotiate the best rates, monitor performance and ensure satisfaction and warranty?* Since Mosby Mountain does not have any buildings, tennis courts, pools, golf courses, play grounds—nothing, except the maintenance of the grass and shrubs, this is well within the capabilities of the board and committees to deal with, as evidenced by the single largest undertaking ever likely for the area, the landscaping provided through the special assessment in September 2008. Also, in more routine matters, the board has negotiated better insurance coverage at lesser cost, snow removal and lawn care, and community-wide trash collection that saves the neighbors over \$10,000 per year in the aggregate (that was a year ago—the savings now likely exceeds \$15,000).
7. *Are these individuals available during the workday to meet and oversee contractors if necessary?* Yes.
8. *Is there sufficient manpower to juggle the management responsibilities of the neighborhood, when coupled with the demands of day jobs and families?* Yes.
9. *What if one or more individuals commit to serving in an official role, but find themselves unable to continue due to personal reasons related to work, family, health or other concerns? Given the relatively small size of our community, are there enough people in the neighborhood willing to assume the necessary responsibilities of self-management over the long term?* This has already occurred, and new persons transitioned in smoothly.
10. *Will volunteers be consistently available to field neighbors' questions on a timely basis (e.g. same business day or 24 hour period)?* Yes, and are also available evenings and weekends.
11. *Is there one go-to person whom neighbors can direct all questions and concerns during working hours?* The accounting firm has been so designated, but in a small community like Mosby Mountain, in practice the neighbors tend to call board and committee members directly because they have direct access to the decision makers.
12. *Is it prudent for neighbors to handle disputes and compliance issues with other neighbors one-on-one or are these situations better handled by a management entity serving as liaison?* Various concerns have arisen and these have been dealt with directly by board and committee members. The most frequent and dicey complaint has been about dogs, and the previous property management contract included the specific exclusion that, “Agent shall not have involvement in the enforcement of rules and regulations related to pet policies (dogs, cats or other).”