



15685 SW 116th Avenue #311
King City, OR 97224

Meeting Minutes
June 26, 2012

Opening:

The Special Board Meeting of Quail Hollow-East Homeowners Association was called to order at 8:11 P.M. on June 26, 2012 in Tigard, OR. by Mike Gadbery.

Board Members Present: Mike Gadbery
Matt Frazer
Stephanie Mitchell
Wayne Kephart

Leilani Arellano was absent due to work schedule

A. Approval of Agenda

The agenda was unanimously approved as distributed.

B. Approval of Minutes

Reading of the minutes of the previous meeting was waived.

C. Treasurer's Report

The treasurer's report was approved as read by Stephanie Mitchell.

D. No Open Issues

E. New Issues

1. 2012 Reserves Study

The 2012 Reserves Study (attached) recommends additional funds be contributed to the reserves for the balance of 2012 to maintain a strong funding plan. The current level of contribution puts the funding in the mid-fair range. A monthly increase of approximately \$410 is required to bring the funding to the minimum 71% considered for a strong funding plan. Motion by Mike was made and seconded to accept the 2012 Reserves Study and continue the reserves contribution at the current level. The vote was taken and passed unanimously.

2. 2012 Budget Comparison - Jan thru Jun 1 2012

Comparison (attached) shows pro-rated amounts as established by the estimated budget for 2012. Landscaping requirements as of Jun 1 were 125% of the estimated budget. This was due to the snow causing a tree in tract G to fall and the resulting repair of the irrigation system damaged as a result of that occurrence. A minor repair of the irrigation system is also being charged in June. Income from dues as of June 1 was 80% of the estimated budget. This is due to 2 severely delinquent accounts and others that are on the road to delinquency. Overall expenses excluding landscaping were kept to approximately 80% of the estimated budget. The exception was the welcome basket total cost as a result of several property ownership changes. The cost however is more than covered by the \$50.00 transfer fee charged new members. The changes in property ownership actually reduced the income short fall percentage due to the transfer fee from the new members.

3. Dues Increase Consideration

A survey of 3 other Homeowners Associations dues with approximately the same facilities (playground for little ones and a relatively small landscaped area) in the metro area was done in the beginning of June 2012. None of these had a pool or rec hall. All were comprised of either all single family homes or a large majority of single family homes. The survey revealed monthly dues charged from \$35 to \$40 with one as high as \$50. As of 6/3/2012, fifty one members of Quail Hollow-East pay each month and thirty historically have paid annually qualifying for the 10% discount. Based on the number qualifying for the 10% discount, it seems to cost the Homeowners Association dues of approximately \$900 per year, however, the discount saves the Homeowners Association expenses such as postage, stationary etc enough to cover that loss in dues when the cost of mailing a bill is considered. The discount encourages members to pay in advance giving the Homeowners Association more flexibility in managing resources.

The Quail Hollow-East dues have remained at \$25 since the development of this subdivision more than 11 years ago. How this was accomplished was by taking advantage of discounts and in the last three years using resources that were purchased previously. The following are demonstrative of how the expenses were handled:

Postage - In 2008 and again in 2009 1000 forever stamps were purchased when the cost for a stamp was \$0.41. Members were encouraged to receive billings by email, however most refused. Bylaws were changed to allow email of notices and policy changes to save postage. Currently the stamps remaining number 100, this will allow mailing bills to members for about the next two months. Postage costs have risen approximately 30% in the last 11 years however 90% of the members of this Homeowners Association refuse to accept billing by email which is free of cost to the Homeowners Association.

Website - In 2007 LunarPages offered website service for 5 years at a significant discount, therefore during the past 5 years there was no cost for the website. The website service is due this year. The website is required to give the members the ability to view the public records of the Association.

Printing newsletters, bills etc

In 2009 printer toner was purchased at a significant discount. When additional supplies were needed, discounts and printing points at HP along with gift cards were used to purchase the Homeowners Association toner. Additional toner will be needed before the end of the year. In 2010 paper was purchased on a special buy (buy one get one free) without a limit. The stock of paper is getting low.

A \$5 increase (less than the cost of a gallon of milk and a loaf of bread or if you are into them - a cup of coffee from Starbucks) still leaves the Homeowners Association in "rob Peter to pay Paul" circumstances. A \$7.50 increase (approximately the cost of 2 gallons of milk) would increase the end of year checking account balance to \$2250 barring any unforeseen expenses not sufficient to repay the loan from the reserves account. A \$10 increase (approximately the cost of 2 gallons of milk and a loaf of bread) would allow the reserves loan to be repaid and develop an emergency expense cushion in the checking account. This could also cover an increase in the reserves contribution in the future. No change in the amount of dues should be required for several years. Motion by Matt was made and seconded to increase the monthly assessments by \$10 to a monthly amount of \$35 effective August 1, 2012. The vote was taken and passed.

4. Severely Delinquent Accounts

The CC&Rs require the expenses for the Homeowners Association to be equally shared by the 81 lots. Currently there are members slightly in arrears however there are 2 who are allowing the neighbors to carry their share and have been for some time. Legal action may be appropriate with one because the small claims suit did not accomplish anything and all other contacts have been ignored. Legal costs are recoverable under the CC&Rs but must be paid by the Homeowners Association up front. Mike and Wayne will attempt to meet with the member to determine what can be done to encourage payment.

5. Bark dust

R C Maintenance indicated bark dust needed to be replaced at the cost of \$1500. An email vote approved the expenditure. Motion by Mike was made and seconded to record the approval of the \$1500 bark dust expenditure. The vote was taken and passed.

6. Appearance along 121st

Because there has been concern and some complaints about the lack of color at the entrances to the Homeowners Association, a landscaping special project to put flowers along 121st estimate was obtained - \$400. Bark dust cost of \$1500 has already placed the budget in an underwater situation. Motion by Mike was made and seconded not to put flowers along 121st. The vote was taken and passed unanimously.

7. 2012 Block Party

Due to the financial problems of the Homeowners Association cancellation of the Block Party is a consideration. The total budget for the Block Party - \$1500. Contact with Events Unlimited (formerly Clowns Unlimited) found the cost of a scaled down number of tables, chairs, one specialty machine, a 1.5 hr roving clown (not sure if face painting or balloon animals) and the 5 in 1 bouncer is \$747.50. Food costs of KFC chicken, Hot Dogs w/buns, 6 Pizzas, water, ice for snow cones or floss for cotton candy, potato chips, beverages etc amounts to approximately \$452.58. Bingo prize of \$300. For a total of \$1,500.08. Cancellation of this event would not cover the shortfall even though it would make a couple of the members happy. Many members look forward to the Block Party. There would be a loss of community cohesiveness without it. The Association has a number of new members who may feel their dues are for nothing. Those who attend seem to enjoy it and the kids love it. Motion by Mike was made and seconded not to cancel as a method to assist in the financial problems being experienced. The vote was taken and passed.

F. Adjournment:

Meeting was adjourned at 9:45 P.M. in Tigard, OR. by Mike Gadbery. Next meeting is scheduled for August 7, 2012.

Minutes submitted by: Matt Frazer, Secretary

	<u>Jan - Jun 1, 2012</u>	<u>Estimated Budget</u>	<u>\$ Over (Under) Budget</u>
Income			
Assessments, Fees & Interest			
Collection Fees	\$ 36.00	\$ 0.00	\$ 36.00
Late Fees	\$ 59.13	\$ 0.00	\$ 59.13
Member Dues Interest	\$ 23.56	\$ 0.00	\$ 23.56
Monthly Assessments	\$ 7,545.79	\$ 9,354.69	\$ (1,808.90)
Penalty Fees	\$ 50.00	\$ 0.00	\$ 50.00
Returned Check Charge	\$ 25.00	\$ 0.00	\$ 25.00
Special Dues Assessment	\$ 50.00	\$ 0.00	\$ 50.00
Total Assessments, Fees & Interest	\$ 7,789.48	\$ 9,354.69	\$ (1,565.21)
Interest			
Bank Operating Interest	\$ 0.25	\$ 0.30	\$ (0.05)
Bank Reserves Interest	\$ 7.28	\$ 6.29	\$ 0.99
Total Interest	\$ 7.53	\$ 6.59	\$ 0.94
Total Income	\$ 7,797.01	\$ 9,361.28	\$ (1,564.27)
Expense			
Accounting & Management Fees			
Accounting Services	\$ 810.00	\$ 815.40	\$ (5.40)
Bank Charges	\$ 12.00	\$ 0.00	\$ 12.00
Insurance	\$ 1,679.00	\$ 2,144.00	\$ (465.00)
Office Supplies	\$ 50.53	\$ 129.99	\$ (79.46)
Taxes & Licenses	\$ 200.00	\$ 200.00	\$ 0.00
Total Accounting & Management Fees	\$ 2,751.53	\$ 3,289.39	\$ (537.86)
Association Operations			
Asset Repairs	\$ 0.00	\$ 40.97	\$ (40.97)
Landscaping			
Common Area Maintenance	\$ 5,090.00	\$ 5,033.33	\$ 56.67
Landscape Special Projects	\$ 330.00	\$ 120.00	\$ 210.00
Total Landscaping	\$ 5,420.00	\$ 5,153.33	\$ 266.67
Utility			
Irrigation Water	\$ 0.00	\$ 109.34	\$ (109.34)
Total Utility	\$ 0.00	\$ 109.34	\$ (109.34)
Total Association Operations	\$ 5,420.00	\$ 5,303.64	\$ 116.36
Event Expenditures			
Block Party	\$ 0.00	\$ 335.00	\$ (335.00)
Garage Sale	\$ 0.00	\$ 55.00	\$ (55.00)
Welcome Basket	\$ 90.30	\$ 33.33	\$ 56.97
Total Event Expenditures	\$ 90.30	\$ 423.33	\$ (333.03)
Total Expense	\$ 8,261.83	\$ 9,016.36	\$ (754.53)

Year 2012 Reserve Study Plan Quail Hollow-East Homeowners Association Tigard, Oregon

Type of Reserve Study Performed: Level III: Reserve study update with no site inspection

Reserve Fund Balance: Effective January 1, 2012, the Actual Reserves Balance is \$25,368.31 versus the Ideal Reserves Balance which currently is \$42,658.14.

Percent Funded. A key indicator of a homeowner association's reserve funding health. 100% Funded is ideal. To determine the current Percent Funded, the Actual Reserves Balance is divided by the Ideal Reserves Balance. The Ideal Reserves Balance used in this study is the original cost of the component. For a stronger funding the Ideal Reserves Balance should be adjusted by the rate of inflation. Based on this formula, reserves were **59% Funded** (0-35%=Weak; 36-70%=Fair; 71-100%=Strong). The proposed Funding Plan systematically adjusts Annual Contributions to move this level toward the 100% Funded ideal.

Using the figures as of June 1, 2012 the Actual Reserves Balance of \$26,998.83 versus the Ideal Reserves Balance of \$44,225.49 the reserves are **61% Funded**.

Recommended Contribution to Reserves. The Funding Plan recommends the minimum funding strength to be 71%. To achieve this goal in 2012 an additional contribution of \$4,401.27 is recommended. This amounts to an increase of the current monthly reserves deposit of \$324.27 to \$733.54 for the balance of 2012 (Jul thru Dec) an increase each month of \$409.27. At the current contribution rate the reserves will be 62% funded at the end of 2012.

Investment Rate. The Reserve Study allows informed long range investment planning. A .15% yield is projected based on current reserve account balance. Investing in the highest yielding and insured investments can substantially reduce owner contributions. See www.bankrate.com for local investment options.

Inflation Rate. 2% was used based on the most recent 12 month average published by http://www.inflationdata.com/inflation/Inflation_Rate/CurrentInflation.asp.

Tax Rate. 30% was used based on using a Federal Tax Form 1120H versus Tax Form 1120 which carries a 15% tax rate. Form 1120 is more complicated than 1120H, requirements are more stringent.

Annual Review & Update Service. An annual review and update of the Reserve Study is required by statute and necessary for continued accuracy. A review and update provides a new 30 year projection with current inflation factor, investment rates and any known component cost changes.

RESERVE STUDY

FUNDING PLAN SUMMARY REPORT

- Percent Funded: Reserves Balance divided by the Ideal Balance
- Ideal Balance: Each component is measured, assessed for useful and remaining useful life plus cost of replacement. Based on this analysis, each component should have a certain amount of money set aside as of the year in question.
- The Ideal Balance is the sum of all these component amounts as adjusted by the inflation factor.
- Reserves Balance: Reserve funds total at beginning of each year
- Annual Contribution: Funds needed to meet the reserve schedule
- Interest Income: Yield on invested reserve funds
- Tax Liability: Federal taxes owed on investment interest earned

Reserves BALANCE FUNDS DISTRIBUTION - Allocates available funds to the components. If funds are insufficient to fully fund each component, funds are allocated to components that are scheduled to happen sooner.

DEFINITIONS - Reserve Study Identifies the components all or part of which will normally require replacement in more than one and less than fifty years and the estimated cost of replacement.

RESERVE STUDY CRITERIA

1. Identify current reserve funds balance
2. Identify components to be included
3. Establish reasonable life of each component
4. Establish remaining life of each component
5. Estimate replacement cost of each component
6. Assemble data in Reserve Study
7. Generate Reserve Funding Plan.

FUNDING PLAN CRITERIA - The Funding Plan goal is to reach 100% Funding of the Ideal Balance during the life of the study period. If reserves are initially severely underfunded, the Funding Plan accelerates quickly to address immediate cash needs but then eases into a gradual annual increase. Due to cash inflows and outflows, the plan rarely hits 100% exactly but hovers below or over that mark.

The Funding Plan charts the annual beginning balance, yearly expenditures, contribution requirements and ending balance. It factors in interest earned on invested reserve funds, taxes paid on interest earned and area inflation.

SOURCES OF INFORMATION (as applicable):

Original plans and specifications	Board Members
Original builder and developer	General Members
Contractors and vendors	Property Manager
Industry Professionals	Resident Manager
	Cost Estimating Services

To remain accurate, the Reserve Study must be updated annually.

Limitations & Assumptions

1. This Reserve Study is intended for the sole use of the Homeowners Association and is not to be construed as a guarantee, warranty or an opinion on the advisability of purchase.

2. The information provided by this Reserve Study is effective for one year from the completion date of the report. An annual review and update of this Reserve Study is required to adjust known cost changes, to maintain accuracy and is required by state statute.
3. Financial liability for errors and omissions is limited to the charge made to Homeowners Association to perform this Reserve Study.
4. The scope of this Reserve Study is expressly limited to the components included.
5. The remaining useful life estimates of this Reserve Study assumes normal weather conditions and does not factor in damage by flood, wind, storm, earthquake or other insurable events. The useful life estimates assume proper construction, installation, design plus adequate preventive maintenance. Improper construction, installation, design or failure to maintain will lead to shortened useful lives.
6. The cost estimates of this Reserve Study are based in current pricing for similar installations and materials and/or based in actual costs paid by Homeowners Association. Future costs are subject to change according to supply and demand, material costs, effects of inflation and other forces which are not under Consultant's control.
7. The conclusions of this Reserve Study do not involve forensic or destructive testing of the components and were arrived at by either visual inspection and/or information provided by Homeowners Association.
8. This Reserve Study is not intended to address or discover construction defects, asbestos, mold, water intrusion or lead paint. Homeowners Association agrees to indemnify, defend and hold Consultant harmless from all related claims.

WORKSHEET REPORT - Listing of the reserve components (fixed assets), cost, year put in service, useful life and replacement cost estimate.

Reserves Loan to Checking	\$ 4,000.00
Jan 1 2012 Reserves Balance	\$21,368.31
Jan 1 2012 Equity Capitalization	\$42,658.14
Total Jan 1 2012 Reserves	\$25,368.31
Percent Reserves Funding 1/1/2012	59.47%
Jun 1 2012 Reserves Balance	\$ 22,998.83
Jun 1 2012 Equity Capitalization	\$ 44,225.49
Total Reserves Jun 1 2012	\$ 26,998.83
Percent Reserves Funding 6/1/2012	61.05%
71% Funding Reserves Level	\$ 31,400.10
2012 Additional Required to obtain	\$ 4,401.27
2012 Contribution Remaining	\$ 1,945.64
Difference	\$ 2,455.63
Additional monthly contribution	\$ 409.27
Total Monthly Contribution	\$ 733.54
Estimated 12/31/2012 Reserves Bal	\$ 28,944.47
Estimated 12/31/2012 Equity Bal	\$ 46,106.31
Estimated Percent Reserves Funding 12/31/2012	62.78%

**Quail Hollow East Homeowners Association
Current Reserves Deposits**

January thru December 2012

	Expected Life in years	Original Cost	Replacement Cost at 2%/annum*	Cost per Lot per Month	Monthly Reserve Deposit	Period Reserves Deposit	Accumulated Reserves	Monthly Depreciation	Prior Depreciation	Period Depreciation	Total Depreciation	Ending Asset Value
Reserves:												
Entry Monument	45	\$ 4,500.00	\$ 10,970.34	\$ 0.25	\$ 20.32	\$ 243.79	\$ 2,412.15	\$ 8.33	\$ 1,905.00	\$ 100.00	\$ 2,005.00	\$ 2,495.00
Park Benches (3)	15	\$ 1,500.00	\$ 2,018.80	\$ 0.14	\$ 11.22	\$ 134.59	\$ 1,344.37	\$ 8.33	\$ 1,362.50	\$ 100.00	\$ 1,462.50	\$ 37.50
Fence (121st)	7	\$ 6,120.00	\$ 8,611.45	\$ 1.27	\$102.52	\$ 1,230.21	\$ 11,191.85		\$ 6,112.71	\$ -	\$ 6,112.71	\$ -
Fence (124th)	15	\$ 1,080.00	\$ 923.68	\$ 0.06	\$ 5.13	\$ 61.58	\$ 704.09	\$ -	\$ 1,080.00	\$ -	\$ 1,080.00	\$ -
Fence (Picket)	15	\$ 1,121.53	\$ 1,509.43	\$ 0.10	\$ 8.39	\$ 100.63	\$ 415.24	\$ 6.23	\$ 330.23	\$ 74.77	\$ 405.00	\$ 716.53
Sony Notebook Computer	5	\$ 1,239.98	\$ 1,369.04	\$ 0.28	\$ 22.82	\$ 273.81	\$ 1,789.18		\$ 1,239.98	\$ -	\$ 1,239.98	\$ -
HP 2550 Color Laser Printer	5	\$ 498.64	\$ 636.41	\$ 0.13	\$ 10.61	\$ 127.28	\$ 736.35		\$ 498.64	\$ -	\$ 498.64	\$ -
New Play Structure	25	\$18,401.23	\$ 30,189.17	\$ 1.24	\$100.63	\$ 1,207.57	\$ 5,031.89	\$ 61.34	\$ 3,783.30	\$ 736.05	\$ 4,519.35	\$ 13,881.88
Benches & Tetherball	25	\$ 3,620.00	\$ 5,822.54	\$ 0.24	\$ 19.41	\$ 232.90	\$ 859.41	\$ 12.07	\$ 3,192.05	\$ 144.80	\$ 3,336.85	\$ 283.15
Canopies	5	\$ 599.70	\$ 662.12	\$ 0.14	\$ 11.04	\$ 132.42	\$ 165.53	\$ 10.00	\$ 39.98	\$ 39.98	\$ 79.96	\$ 519.74
Storage Shed	30	\$ 2,426.41	\$ 4,395.11	\$ 0.15	\$ 12.21	\$ 146.50	\$ 604.37	\$ 6.74	\$ 357.22	\$ 80.88	\$ 438.10	\$ 1,988.31
Total Reserves per Lot per Month		\$41,107.49	\$ 67,108.09	\$ 4.00	\$324.27	\$ 3,891.27	\$ 25,254.42	\$ 113.04	\$ 19,901.61	\$ 1,276.48	\$ 21,178.09	\$ 19,922.12
Total Reserves to be deposited per month					\$ 324.27							
Total Deposit for Year					\$ 3,891.27							

Comparison of Association Annual Expenses

Expenditure Description	Year			
Expenditure figures exclude any events	2003		2011	
Total Expenditures (including depreciation)		\$ 26,692.00		\$ 26,434.00
Operations (includes landscaping, water etc)		\$ 23,704.00		\$ 20,332.00
Landscaping	\$ 17,350.00		\$ 12,120.00	
Water	\$ 1,581.00		\$ 1,660.00	
Management (includes postage, taxes & accounting)		\$ 2,222.00		\$ 4,337.00
Taxes	\$ 20.00		\$ 200.00	
Insurance	\$ 627.00		\$ 1,929.00	
Bank Charges	\$ 300.00		\$ 0.00	
Accounting Services	\$ 0.00		\$ 1,944.00	

Quail Hollow-East Association Dues

2003 vs 2011 Comparison of routine expenses reveals:

- Overall expenses have been held relatively static for reasons given above.
- Landscaping cost has been drastically reduced which has caused a slight reduction in appearance (i.e. no flowers etc).
- Water cost has stayed pretty much the same even though the actual rates have increased significantly.
- Cost of insurance has tripled.
- Cost of state taxes is now 10 times what it was 11 years ago.

Under the CC&Rs annual expenses are to be divided by 81 to establish the dues, however, for the last 11 years the Board has tailored the expenses to stay within dues maintained at \$25. Currently the Homeowners Association has a loan from the reserves and is not adequately funding the reserves to meet a strong funding plan. The reserves loan to the operations budget is \$4000 plus interest. The recommended annual reserves contribution is \$4400 more than currently is being contributed. And last but not least the Homeowners Association does not have enough money to pay the ongoing expenses without some kind of action being taken.