

Stoney Brook Homeowners Association
Minutes of the Meeting of the Board of Directors
May 20, 2020

Amended by the Board – June 24, 2020

Directors Present: Stan Trout, John Cowan, Uli Kappus, Craig Weber, Jack Kiner, Ron Branish, Andy Klatskin, Kerry Santambrogio and Bill Letson

Others Present: Angela Miller, Office Manager

Others Absent: Oliver Lynch, General Manager

Homeowners Present: Mark Winski (Unit 428), Laura Goff & Jerry Gordon (Unit 323), Trina Shanks (Unit 311), Vincent DiBiase (Unit 380), Richard Schoenmaker (Unit 31), Larry Harper (Unit 340), EJ & Lisa Kartsen (Unit 442), Jennifer Hilger (Unit 417) and John Vondras (Unit 436)

Call to Order: Mr. Trout called the meeting to order at 6:30 p.m. with a quorum established.

Homeowners Comments: Mr. and Mrs. Kartsen requested the speed bump near their unit be removed. Mr. Trout will do a poll of the surrounding neighbors to determine if the majority have no objections of removing the speed bump. Due to the extra traffic (contractors and/or delivery services) in the community, the next newsletter will mention a reminder of the speeding rules and for owners to let their contractors be aware of the speed limit as well. Mr. Kartsen mentioned if the association is concerned of speeding through out the community, then more speed bumps should be in place. Mr. Harper suggested opening the pool in the 3 phases for the group that want to exercise (laps/run in place) limiting the number of people at a time (i.e. 3 people for 30-minute increments), next phase open up with the lounge chairs by safe distancing for enjoying the pool and sun, final phase for the socializing. Mr. Winski reminding owners if you see any suspicious behavior please contact 911, which connects to District 3 police department and they will make the decision if they need to send any patrol to the area or just to record it. Mr. Winski recommends it be mandatory to keep unattended garage doors closed. Mr. Kiner mentioned it will be difficult to monitor but will send a reminder from the safety advisory committee. Mr. Trout suggested forming a committee to Mr. Winski if the mandatory request may be written in our rules/policy. Mr. Kappus implied having the inner garage door to unit be locked as well. Ms. Santambrogio mentioned a garage door timer could be installed.

Approval of the Minutes: A motion (**Kiner/Weber**) to accept the April 22, 2020 Minutes as written and to add an addendum to include Mr. Jaspers questions to the minutes passed with no opposition.

President's Message: Mr. Trout mentioned Denver Water repaired the sprinkler line issues near the Temple entrance.

General Manager's Report: Mr. Lynch provided a report. Mr. Cowan complemented all involved with the plantings along the south pool fence and the triangle area near path east of the Chateau.

ONGOING PROJECTS:

- Pond/Stream clean up (weather permits)
- Tree Removal (complete next week)

COMPLETED PROJECTS:

- Planting along pool fence & triangle area (near Chateau parking lot)
- Pool piping per City of Denver

- Water shut off @ Unit 474 repaired by Denver Water

NEW PROJECTS:

- Crack seal to start next week (in-house)

Treasurer's Report: Mr. Branish provided the April 2020 Financial reports. Mr. Branish reported finances are in favorable results, major items under budget due to timing of project. The balance sheet as of the end of April reflects consolidated reserve balances of \$336,320 of which \$268,153 is in bank checking or investments accounts, and another \$71,559 is in prepaid insurance that will *increase our cash flow as a result of being a non cash item in the Profit and Loss Statement*. Mr. Branish mentioned the cash flow will be reducing in the upcoming months from major projects being completed.

Finance Committee: Mr. Cowan had nothing to report at this time, more involvement once the LRP starts meeting.

Long Range Planning Committee: Mr. Weber mentioned the committee will begin meeting in mid to late June.

Architectural Review Committee: Mr. Kiner reported ten approvals; a request to extend their deck into common area, which will need additional approval from the board and owners. The Grounds Committee and the maintenance crew did an excellent job with the new plantings along the south pool fence and triangle area. Mr. Kiner mentioned for a small project as just removing/replacing a couple of plants, there is no need of approval, but appreciate informing ARC. Mr. Kiner strongly encourages neighbors communicate with each other before submitting or beginning a landscape project. Grounds Committee will be submitting for the 2021 budget to the LRP landscape plans for the Yosemite/Union area. Mr. Winski asked about the brown arborvitae's trees along Union & Yosemite, Mr. Kiner replied Mr. Lynch will be replacing some of them or try to save them. Mr. Cowan believes they should survive, since they were hit by a freeze. Mr. DiBiase asked if fire pits are permitted. Mr. Kiner mentioned fire pits are not allowed per the SBHOA Rule 9: Hazardous Materials section and the guidelines from the Fire Dept. If an owner is requesting to install a glass covered gas with rock design pits, which produces no embers, will need to be approved by ARC or a revision in Rule 9.

Safety Advisory Committee: Mr. Kiner reached out to the police department of complaints received about the speeding along I-25 & 225. The police are aware and have cited at least 10 speeders (90-130 mph), this can be 20 points against driver's license. Mr. Kiner did report a break in. Mr. Kiner recommends letting your neighbors or the office be aware if you will be out of town, therefore any strange behaviors can be detected in hopes to prevent any future break-ins.

Insurance: Mr. Branish is planning for a July meeting to discuss August renewal and other policy options.

Communications Committee: The Committee has launched the new email address for owners to ask questions: <mailto:sbhoainfo@gmail.com> Any articles for the July/August newsletter should be submitted by June 26, 2020.

New Business:

- a. Amenities Timeframe to Open:** The Association is continuing to follow the City of Denver guidelines to avoid liability and any fines. Mr. Klatskin attended the webinar hosted by our HOA Attorney and it is recommended to follow the State & City guidelines.

b. Proposed modification to rules regarding marijuana: Mr. Trout, Mr. Klatskin and Mr. Kiner reviewed our current Rules and Regulations for restrictions of pets, amenities (glass containers) and marijuana use. The Clubhouse Rules from the Reservation form remain the same. These additions and/or revisions are proposed to the board to be accepted and publish in the newsletter for owners to review and at the July board meeting the board to approve the rule revisions which gives the owners ample time to object, if needed.

An Addition to Rule 5:

Animals are not permitted on the tennis courts, in the pool or hot tub areas, or in the clubhouse, except for service dogs.

An Addition to Rule 14:

No glass containers are permitted in the pool or hot tub areas, on the deck or on the tennis courts.

Modification of rule 14:

Old: There shall be no smoking within the Clubhouse, deck, and pool areas.

Proposed: There shall be no smoking or vaping (tobacco or marijuana) within the Clubhouse, deck, pool, hot tub, and tennis court areas.

A **motion (Santambrogio/Weber)** to accept the recommended revisions to Rule 5 and Rule 14 passed with no objections.

c. Exterior Bistro Lights: Mr. Kiner reported if any owners consider installing Exterior Bistro Lights will need ARC approval, low wattage, no colored lights, no light interference with neighbors, and for patio/deck only no extending the lights in common area.

Ms. Kartsen asked based on the safety issues has the Association ever considered being a gated community? Mr. Cowan replied the road system within the community would have to be managed 24/7 to allow access and this is not feasible with the different entrances. Mr. Cowan reported the entrance “safety” cameras are up and running. Mr. Branish questioned if we need to upgrade to security cameras. Mr. Cowan answered we researched the idea of a newer system, but it was going to be a big expense. Mr. Kartsen suggested doing crime statistics or comparisons to other neighborhoods. Mr. Cowan mentioned as history goes the association is a safe environment to live.

Adjournment: At 7:56 p.m., there being no further business, a **motion (Kiner/Cowan)** to adjourn until Wednesday, June 24, 2020 passed unanimously.

Respectfully submitted,
Angela Miller, Recording Secretary

Addendum to May 20, 2020 Meeting Minutes
Amended in red per directors meeting 06/24/20

1. In the Treasurers Report section of the 3-25-20 Board meeting minutes there is stated that "consolidated reserve balances of \$313,060" are on hand at the end of February and of that " \$109,759 is in *prepaid insurance that will increase our cash flow as a result of being a non cash item in the Profit and Loss Statement*.(revised wording per Mr. Branish) This type of statement has been attributed to the Board on several occasions. **Please explain in detail how that will be refunded to our bank account and provide copies of any bank deposits to support this claim.**

Answer:

Each month we receive \$140,000 in homeowner dues, which is deposited into our operating account. \$20,000 of these dues are allocated to insurance expense. However, since the insurance was already paid "prepaid insurance", those funds simply accumulate and add to the Operating Funds Bank account. We are transferring \$100,000 Jan-May in these accumulated funds from insurance to a Reserve Bank account. \$50,000 additional will be available in mid-August.

2. SBHOA Board appears to be using the most liberal definition of "reserves" possible, which is likely giving Homeowners the mistaken belief that the HOA has actually accumulated and set aside funds for future use. Reserves are commonly defined in accounting literature as cash available to fund future expenses and costs.

Our monthly financials are consolidated. Both reserve fund activity and operating fund activity are merged or commingled. Rightly or wrongly, Stoney Brook has always referred to the net equity of the of the HOA as the "Reserves". It is not the same as cash in specific bank accounts. It does, however, reflect the liquidity of the HOA and accurately reflects all cash available to operate the HOA while providing for some emergency funds, if required. When including prepaid insurance, "cash balances" typically comes close to the consolidated equity number. Depending on the time of the year about \$50,000 or so is needed for operating capital and is part of this consolidated equity (and cash), so implying it is all available for reserve spending, or some unscheduled need for cash, would not be correct: Most of it, but not all.

The calculation is quite simple, take your cash balance on any date and subtract accounts payable (as these are for past not future expenses) to arrive at a reserve number.

The Board adapted a "Baseline Reserve Funding" plan in 2002. The goal of this funding strategy is to attain and maintain the reserve cash balance above zero. This means that while each individual common area component may not be fully funded, the reserve balance does not drop below zero during the projected 30-year period. Expenditures for major repair and replacement of common area assets are funded from approximately *\$240,000* each year allocated from homeowner dues. The definition of "Reserve" funds being accumulated into specific reserve bank accounts doesn't happen by design.

Several years ago, when the State updated their requirements for maintaining a "reasonable reserve", the Board stipulated a \$200,000 minimum cash reserve balance even though we had already been maintaining higher balances.

Maintaining a higher balance allows flexibility to speed up a project, if desired, and to obviously cover something missed or misjudged in the 30-year plan. This is called a "Threshold Reserve Funding" plan. It is the same as the "Baseline" plan but it sets

a minimum greater than zero. Again, this is a consolidated equity minimum, which has always been used as the official definition of the “reserve” in Stoney Brook.

This is a long and complicated answer to Tom’s simple question, but necessary when making comments about the fiduciary duty of the Board. This Board and prior Boards have given considerable time and thought about how to fund our long-term needs. There has been the full recognition that some items might develop that would not be covered by this planning, but leaving those potential, and in some cases inevitable, costs to be paid by assessment was a better choice than having high dues in order to accumulate large cash reserve bank balances.

Board has a fiduciary duty to maintain funds collected as Reserves and to inform Homeowners of changes in those funds and not to overstate reserve balances. At the end of 2019 a more accurate and conservative view of reserves looked like this:

	OPERATING FUND	RESERVE FUND
CASH ON HAND	84,341	6
PAYABLES	(24,881)	-
NET AVAILABLE ASSETS	59,460	6

Please show us the calculations for how the Board arrives at its "reserve" balance. The auditors at the end of the year separate operating and reserve deposits and expenditures. We fund the reserve each year with about \$240,000 of homeowner dues and we spend a similar amount from the projected 30-year plan to repair and replace common area assets. The net effect of those expenditures and revenues becomes a year-end adjustment to correct any imbalance between the Operations and Reserve books.

What is the justification for including prepaid expenses in reserves when those funds are not available in any way to fund any other expenses or costs? Until about 3 years ago, paying the annual insurance payment in advance, which is now \$240,000, was not required. When it first happened the Board, after reviewing with the auditors and attorneys, decided that investing in the prepayment of the insurance to save 8% borrowing costs was prudent. It is a current asset, restored to cash monthly and is fully secure so long as homeowners continue to pay dues. Bear in mind that even if the insurance policy was paid in installments there would be a corresponding liability for the amounts due so there is no effect on reserves. Except for the fact that the money would be in a bank account instead of being expended for the prepayment of the annual insurance bill: A big difference.

3. It appears that the Board is accounting for insurance expense in the budget to actual statement on an accrual basis. **Isn't the budget to actual statement more useful on a cash basis?** Also, the monthly financials show clearly that Prepaid Insurance is being converted to an expense and not to cash. **The prepaid is being converted to an expense, and dues to cover it are being retained in the HOA’s bank account. That is two accounting transactions. While perhaps confusing to a layperson, this is pretty basic for anyone who understands accounting.**

4. Since the property insurance expense is paid in August or thereabouts, **should the Board set up an Insurance Reserve so that funds for this major item are set aside prior to the due date.** Approximated \$20K per month would need to be set aside so through March we should have 7 months or \$140,000 in this Insurance Reserve. Homeowners would then feel confident that the Board will have the funds available when needed without resorting to financing this item. **That idea being considered as it appears prepaying insurance is going to continue. The Finance committee, with the recommendation of the Treasurer, is that we increase our stated goal of \$300,000 minimum Consolidated Equity “Reserve” to \$400,000 to facilitate insurance payments. That is included in the current 5-year plan.**

5. At the end of 2019, there was a total of \$6 in the Replacement Reserve Fund, which is where funds are to be accumulated for future use as stated in the HOAs financial statements. **Please explain when in 2019 the Board decided to spend down all the funds in the Replacement Reserve Fund.** The policy of the HOA is to have a minimum of \$200,000 in reserves. **Explain this shortfall. I believe Tom was present in the Finance Committee meetings where our shortfall from 2019 was fully explained. The minutes to that meeting can be found on the website for any homeowner to read, so there is no point in rehashing it here.**