

**Virginia City Highlands Property Owners' Association
Minutes - Monthly Meeting – Tuesday, August 13, 2013
V.C. Highlands Fire Station Training Room**

Present: Dave Thomas, Patrick Flanagan, Jack McGuffey, and Jim Watson

Absent: Karlyn McPartlin

I. Call to Order, Declaration of a Quorum, and Approval of Meeting

Agenda

President Thomas called the meeting to order at 7:01 pm and declared a quorum present. Approval of the August 3 Annual Meeting minutes was added to the agenda.

II. Approve Minutes July Meetings

A. July 9, 2013 Monthly Meeting

B. July 12, 2013 Emergency Meeting

C. August 3, 2013 Annual Meeting

Two corrections were offered for the annual meeting minutes.

A motion by Flanagan, seconded by Watson, to approve the July 9 and 12 minutes as submitted, and the August 3 minutes as corrected was approved unanimously.

III. Comments by Association Members (NRS 116.31083.5)

James Russell said that they were not able to attend the annual meeting and asked if there were any expected change in the special assessments in the next year. Thomas reviewed the highlights of the annual meeting financial report and stated that no new assessment is anticipated.

IV. Review of Financial Statements

A. July Financial Report

B. Thomas reviewed the financial statements for the month of July. Total expenses were \$20,725; income was \$51,845, which included the first installment of \$50,000 from the sale of the fire station to Storey County. The cash balance at the end of July was \$316,391.

The complete financial statements are available on the association web site at <http://www.vchpoa.org/Financials.shtml>

The expenses for the month of August will be higher than normal and include the payment of Federal Income tax, purchase of a supply of culverts for repairs, and administrative and mailing costs for the second election of board members.

An estimated cost of materials to pave Cartwright from Saddleback to Lousetown was received from Storey County Public Works and will be

approximately \$343,600, including materials, trucking and fuel. The cost would have to be shared by the HRPOA. If number of houses in each subdivision is the basis for cost sharing, VCHPOA would have to pay about 70% of the cost. Watson would like to know what the County's share of the cost would be. The commissioners had stated at the annual meeting that the County would provide labor and equipment.

Jason Van Havel asked if chip sealing is an alternative. Thomas explained that it is possible to do a crack seal and chip seal, but paving is overdue.

Flanagan wants to challenge the commissioners on the maintenance of Cartwright since they had agreed to take over maintenance in the past. A search needs to be done to find a record of that agreement. Flanagan also suggested that the board look at alternative methods of maintaining Cartwright.

Thomas stated that the decision on road paving will be made by the future board. In light of the need for equipment replacement and other regular costs, the cost of paving could be prohibitive.

A motion by Flanagan, seconded by Watson to accept the financial statement was approved unanimously.

C. Bank of America Account Balances

All of the association's funds are currently on deposit in the Bank of America and the amount exceeds that insured by the FDIC.

Thomas stated that he had contacted several banks about the possibility of the association purchasing Certificates of Deposit and was told that they do not sell CD's to corporations. He suggested that a portion of the funds be transferred to Wells Fargo.

Flanagan related that Bank of America has recently lost a lawsuit filed by the government. He would like to move all money out of BofA. He said that he filed two complaints with the FDIC and Federal Comptroller based on information he acquired from BofA employees and thinks they will investigate. He fears if there is a bank failure the money might be tied up for some period of time. He is concerned about

stability. Would like the board to move all money from BofA and use two or three other banks.

Thomas said the legal settlement is a very small portion of BofA's assets. McGuffey said that all the big banks are having their own difficulties. He agrees that no more than \$250,000 be kept in any one bank.

Most credit unions have restricted memberships and that since we are not located in Washoe County we probably can't use them.

A motion by McGuffey, seconded by Watson, to move \$75,000 to an alternate financial institution was approved unanimously.

V. Committee Reports

A. Architectural Committee

Rita Lumos reported that applications for one new residence, one addition, one paint color change, and one temporary dog run were approved at the August meeting.

A motion by Flanagan, seconded by McGuffey to accept the committee report was approved unanimously.

B. Road Report

Rick Draper said that there is work to be done to repair and possibly add base to Sazarac. Silverado will get base from contractor who has damaged the road while hauling in large quantities of fill material for a project on Palomino. Empire Road needs to be repaired in the area of the big dip. He said that they need a different kind of rippers on the grader to rip some parts of the roads.

Flanagan reported on the inspection by NDOT engineers of the association roads. All roads were toured. The NDOT engineers are preparing a report to be presented to the board regarding the findings of the inspection.

A motion by Watson, seconded by McGuffey to approve the road report was approved unanimously.

VI. New Business

A. Rescind "Motion on Policy Regarding the Sales Proceeds from Real Property" Approved at the March 9, 2010 Monthly Meeting.

The 2010 motion said that if the association sells real property the money is to go into a permanent endowment fund, the principal of which shall never be touched unless approved by 2/3 of the owners.

Thomas talked to Miles Hampton, Esq., the association's attorney, about the requirements of the governing documents regarding the sale of real property. There are no such requirements in the VCHPOA documents. The board does not have the authority to restrict the use of the money unless the governing documents are revised accordingly.

The fire station has been a rental property from nearly the time of its construction. It is not a common area of the association.

Thomas feels that the money should go into the Reserve Fund.

Flanagan said that a number of meetings of the previous board discussed this motion prior to adopting it. He wants more opinions from outside attorneys and a CPA. Flanagan maintains that if the money from the sale can't be spent it would have a positive impact on the Reserve Study and would defer the need for a raise in the special assessments.

Flanagan thinks the governing documents allow the motion that was passed in 2010 and questioned the information from Hampton and Hampton. He thinks the matter should be tabled until more information is available.

McGuffey stated that he had looked into the history of the motion. It was a simple motion that can be rescinded by any future board. He finds it hard to understand why a board can hold a future board and the association hostage with a simple motion. The association does not own the asset any longer, but has money instead. It is the fiduciary responsibility of the board to administer the association funds in a prudent manner. He also believes the money should be kept in the reserve fund.

Jim Watson said that he has lived in the Highlands for over 20 years and was at one time president of the board. As times and circumstances change, the operations of the association has to change. He thinks the 2010 motion should be rescinded. He stated that the association's attorneys represent over 1500 Common Interest Communities and are expert in this field.

A motion by Watson, seconded by McGuffey to rescind the March 9, 2010 motion was approved with Flanagan opposed. Flanagan again stated that he feels more information should be gathered before taking this action.

Watson asked the owners present to indicate whether they think the board is acting responsibly and most indicated approval. Jason Van Havel said that with the limited information at his disposal it appears that the board is acting responsibly. Ray McPartlin stated that the

board had to rescind the 2010 motion since the previous board did not have authority to pass it originally.

Flanagan asked the board to approve the expenditure of funds to hire an independent attorney to review the matter. The request was denied.

VII. Any Other Matters which the Board Members Wish to Discuss

No further matters were discussed.

VIII. Comments by Association Members (NRS 116.3108.3(c))

No comments were offered by members at this time.

IX. Executive Session to Discuss Possible Violations of the CC&R's, if Necessary

The regular meeting was recessed at 8:49 pm and the board went into executive session.

In accordance with Nevada Revised Statutes the proceedings of executive sessions are kept confidential. Full minutes of the executive session are available upon request.

X. Adjourn

There being no further business, the meeting was adjourned at 9:12 pm.

Respectfully Submitted,
Rita Lumos, Recording Secretary