

# Cole Mill Townes Homeowners Association Board Meeting

## Meeting Minutes

Meeting Conducted Via Zoom on October 23, 2023

Present: Bruce Lewis, Sharon Terry, Angie Padgett

Topic: Preparation for Annual HOA Meeting

Bruce indicated that, based on the numerous emails from Brad Boswell recently concerning the HOA dues and a reserve study, he expected Brad to pose a number of questions on these topics at the annual HOA meeting on Wednesday 11/29/2023. Bruce suggested that, in preparation for the upcoming HOA meeting, the Board review/discuss the topics on the agenda for that meeting, so that the Board members would all “be on the same page” as Angie put it when she suggested this Board meeting.

On the agenda for the November HOA meeting, which was sent to the Board prior to this meeting, Bruce started with the 2023 budget. This budget sheet had also been sent to the Board before this meeting. Bruce noted that we would complete the roof replacement on the last CMT building (400) by the end of this year with 2023 funds and that the 800 building roof was done in July. He then turned to the 2023 operating budget.

Bruce noted that we have included a new line in the 2023 operating budget for tree trimming, which will be done annually going forward. Sharon asked why the allocation for the maintenance line in the 2023 operating budget was more (\$8500) than the allocation for that line in the past (\$6500). Bruce indicated that when he created this budget, he had parked \$2000 there to provide a cushion for inflation, both for the 800 & 400 building roofs and for other lines in the 2023 operating budget. He pointed out that inflation was making accurate budget estimates more difficult when the 2023 budget was created (in October 2022). Consequently, at that point he believed it was prudent to hedge our bet on the 2023 roof and operating budget allocations by including this \$2000 cushion, especially to ensure that we could afford to complete the last roof in 2023, as we had committed to do. He put it in the maintenance line of the operating budget because that was the most general (non-specific) line in the operating budget. This \$2000 cushion was clearly noted as being in the maintenance line of the operating budget on the 2023 budget sheet sent to homeowners prior to the 11/29/2022 annual HOA meeting and it was discussed in that meeting; it was also included with the posted minutes of that meeting. Bruce noted that now we know the cushion money will not be needed for the last building roof, but that we are already exceeding the allocations in several of the operating budget lines in 2023. So, some or all of that \$2000 cushion will be needed to fill those gaps. Right now we do not know how much, if any, will be left in the operating bank account at the end of 2023, and we won't know that amount until Arnold closes out the books at the end of the year and publishes the 2023 annual financial statement in January 2024.

Bruce then moved on to the 2024 Budget, which was likewise presented in the budget sheet sent out before the meeting. He noted that in 2024 (and 2025) we will be using reserve funds to address the long neglected deferred capital maintenance and preventive maintenance needs, which have been put off until we completed the roof replacements. For 2024 this includes replacing the awnings, and installing leaf guards on the gutters in preparation for renovating the underground drains at the end of the gutter downspouts. The drain renovation project has not been specifically budgeted for in 2024. Instead, we will approach this project in small increments and charge the costs against the maintenance line in the 2024 operating budget to the extent that is possible; additionally, there may be some available funds in the operating bank account at the end of 2023 for this drain renovation project. (This project will be continued in 2025 and may need to be explicitly budgeted for in that year.) Also, in 2024 we will include a new line in the operating budget for neighborhood-wide pressure washing, which will take place every other year starting in 2024. Bruce noted that the budget allocations in a number of lines in the 2024 operating budget needed to be increased because of rising prices (these were specifically noted on the 2024 budget sheet). The management fee from Allenton Management will go up \$100/month in 2024. Bruce pointed out this is the first increase since Arnold took on this account in 2002, and even with the increase this is a bargain. As a result of these increases in the 2024 operating budget, the monthly dues in 2024 will go up \$10 to \$375/month. The 2024 budget was unanimously approved by the Board.

Bruce addressed the 2025 budget next, although this actual budget has not been constructed yet. He indicated that we will have all units painted in 2025; this is a very expensive undertaking and will be funded from reserve funds carried over from 2024 and the funds budgeted for reserve in 2025, which in prior years have been targeted for roofs. Consequently, there will be no other capital maintenance projects this year. However, with the neighborhood-wide painting, we will have finished all of the known deferred capital maintenance projects.

Bruce also suggested that we have a reserve study done in mid-2025. He reported that a reserve study is a tool for an HOA to know what and when future capital maintenance needs to be done and how to adequately fund their reserve account for these expenses through annual reserve contributions. A professional engineering firm with expertise in this area would conduct the study. It is important for the accuracy and reliability of the recommendations in the study that the data upon which it is based be as up to date as possible. For this reason, we would have the study conducted in late summer of 2025 in order to use the results in creating the 2026 budget in October 2025. The Board agreed with this approach, as they had in previous communications, and officially accepted this suggestion.

At this point, the Board addressed Brad Boswell's request that the Board do this reserve study now. Bruce stated his opposition to doing the study before 2025, based on the following reasons:

- We don't need the info from the study now. We know what needs to be done over the next two years to catch up on the deferred capital maintenance that we've been putting off while we addressed the roofs. We have good estimates for these costs, which can be funded in 2024 and 2025 with monies previously budgeted for roofs in prior years.
- We will need the info from the reserve study for the 2026 budget because by then we will be caught up on capital maintenance and can start budgeting the reserve for the long term. The information from the study should be as fresh as possible. If we do the reserve study now, we will just have to have it redone in the summer of 2025, because the shelf life of these studies is about four years before they need to be updated; furthermore, the estimates become less reliable as time passes. Using a study that is two years old for future projections is not ideal, to say the least, and in our case not necessary. Again, if we have the reserve study done now, we would need to have it redone in 2025. It is a waste of money to do it twice.
- It is certain that we will not have the funds available to pay for the reserve study during 2023. And, since we won't know how much we *may* carry over from 2023 into 2024 until January (and Bruce suspects it would not be enough, \$2500, to fund the reserve study), we would have to explicitly budget for the reserve study in the 2024 budget to do it then. That would mean that we would need to raise the dues for 2024 by \$10/month. Bruce was adamant that he is not in favor of telling the CMT homeowners that this extra \$10 increase in dues is to fund a study we won't use for 2 years and will then have to pay again to have it updated when we use it.
- *If* we actually have any un-earmarked excess funds in the operating account at the end of 2023, the question becomes is a reserve study now the best use of those funds. Bruce would much rather use them for the drain renovations than spend them on a reserve study we don't need and will not be particularly useful in 2024 or 2025.

Bruce indicated that he had previously communicated his opposition and associated reasoning to Brad. Angie and Sharon agreed that we should not do a reserve study before 2025, but thought it would be diplomatic to allow homeowners to have a say on this issue.

Angie and Sharon suggested that Brad Boswell could make a motion in the upcoming annual HOA meeting to do a reserve study in early 2024, with the caveat that his motion must also include the stipulation that the 2024 dues go up by \$10/month to pay for it. The homeowners at the meeting could then vote on doing a reserve study soon with the accompanying 2024 dues increase. Bruce expressed his concern that this would deviate from the policy stated in the CMT Covenants that calls for the Board to develop the annual budget to present at the annual HOA meeting and that it stands unless rejected by at least a majority of all homeowners (12). He thus felt that the presented budget for 2023 must first be rejected before it could be modified to include a reserve study. Sharon pointed out that in the meeting where the 2021 budget was presented, Chris McLeod introduced a motion to add a line to that budget for

generic deferred maintenance to be funded by a \$29/month increase in dues to pay for it, and this motion passed. Bruce agreed that this had set a precedent, and he felt we should generalize it into a formal modification of the budgeting process. As a result, the Board decided to officially adopt the following amendment to the annual budget process specified in the CMT Covenants:

An annual budget prepared by the Board and presented at the annual HOA meeting can have items *added* to it via motions approved by a majority of the attendees at the meeting, as long as said motions include increases in dues sufficient to cover the cost of the new expenditure item(s) that are being proposed to be added to the budget. All other modifications to a Board-created-and-presented annual budget must follow the budget process stated in the CMT Covenants (the Board-created annual budget stands exactly as presented unless rejected by at least a majority of all the homeowners). In addition to other modifications, decreases to allocations in operating budget line items, reserve budget allocations and dues reductions must go through the regular budget process. In other words, only modifications that *add* items to the budget, accompanied by appropriate funding, may be proposed for consideration for approval by at least a majority of homeowners at the annual meeting in which the motion for such is made.

Based on this approved amendment, it was decided that Brad be invited to introduce a motion at the HOA meeting to add a reserve study, with an associated \$10/month dues increase to pay for it, to the 2024 budget. The homeowners at the meeting would then have an opportunity to vote on Brad's motion, with a majority required for the motion to pass. If the motion did not pass, it was agreed that Brad, and anyone else that wanted to join him, could pay for the reserve study. Bruce volunteered that he would schedule this study as soon as the funding was secured.

Bruce then turned to the 2026 budget. There was not much to say here, only that in 2026 we will continue using the incremental budgeting approach to construct the operating budget and associated dues component. Beginning in 2026 we will employ the recommendations from the reserve study for the reserve budget and associated dues component.

The strategic plan was the next item on the agenda for the November HOA meeting. Essentially, the 2024, 2025 and 2026 budget items discussed above are documented in the new version of the strategic plan. The Board unanimously approved the updated strategic plan.

The next topic addressed was Brad Boswell's repeated complaints about the CMT dues. He has maintained for the past six months that he thinks the size of the CMT dues is causing him to lose "top dollar" sales on his townhouse (303). In his most recent email, Brad asserted that CMT "dues are 200-300% of comparable townhouse/condo communities." When told this, Arnold Spell sent Bruce a comparison of the characteristics and dues of one of the other townhouse communities that he manages (Innisfree) that he felt is very comparable to CMT. Even though Innisfree has 41 homeowners versus 23 at CMT, the Innisfree dues are a bit more than CMT (\$367 vs \$365 now) and the Innisfree dues are going up by \$15 on January 1<sup>st</sup> versus a \$10

increase in CMT. Bruce had forwarded Arnold's email to Angie and Sharon prior to the meeting and now he noted that this comparison contradicts Brad's claim. Bruce also reported that Arnold said he has never seen the level of dues ruin the sale of a townhouse at the numerous properties he has managed over many years. Likewise, Bruce indicated that he disagrees with Brad's assertion that the CMT dues are the cause of him losing sales. Bruce thinks that other factors could very likely be in play, including the current level of mortgage interest rates. Angie suggested that she would send a copy of Arnold's comparative analysis of Innisfree versus CMT to Brad, since he had requested something along these lines in his last email. All agreed.

The last topic that Bruce took up on the agenda for the annual HOA meeting was the CMT policy on short-term rentals. Bruce noted that the CMT Policies and Procedures document, available on the CMT web page, forbids short term rentals ("The Lease must be for a period of at least six (6) months"). Furthermore, this policy document specifies that owners must inform the Board or Management immediately of any rental tenants. A complaint came to Bruce in late August that Brad Boswell was renting his unit through Airbnb, which was the first Bruce knew of it. Since Brad had not notified Arnold or Bruce, he was violating both of the aforementioned policies. Bruce took this matter to the Board on September 3, 2023 and it was resolved; at the Board's request, Brad ceased Airbnb rentals by the end of September. This incident is fully described in the minutes of September 3, 2023 Board meeting, which is available on the CMT page at the Allenton website. Bruce felt it is important to briefly address this issue in the November HOA meeting so that homeowners that knew about Brad's Airbnb rentals would know that the issue had now been successfully dealt with, and also that all homeowners would be aware of this policy and the Policy and Procedures document on the CMT page of the Allenton web site. Angie and Sharon concurred.