

Lake Linganore Association, Inc.
January 7, 2008
Board of Directors Meeting Minutes

CALL TO ORDER

The meeting was called to order at 7 p.m. at the LLA Coldstream Drive office.

Board members present: John Allemang, Robert Charles, Jim DiMeglio, Brandon Frazier, Brian Jacobs, Mark Paxton.

BoD absent: Stephen Hembree (hospital).

Staff in attendance: GM Edwards, CRM Gurley, finance administrator Gary Jenkins.

APPROVAL of December 3, 2007 BoD MINUTES

The minutes of the December 3, 2007 regular board meeting were reviewed and approved as written.

NEW BUSINESS

Covenant Compliance Violation Hearings

Lot# 150014/Summerfield- Violation: Unkempt yard-failure to keep property clean of animal feces and displaying holiday lights on house beyond time limit established in ECC guidelines/rules and regulations. Fine: \$250. GM Edwards noted that the history on the case began in June 2007. Director Frazier gave Mr. Brian Beard the opportunity to address the board. Mr. Beard said that the violation had been corrected but that he was told he had to come to the board for this hearing. He said he cleaned up the dog waste in his yard on an every other day basis and that the string of lights was being used at the back door in an effort to avoid attracting insects, as happens with the regular outdoor lighting. He said he did not know why he had to come to the board because he always dealt with compliance issues promptly. GM Edwards said that once the violation process was in play it has to be completed. Mr. Beard said he was confused as to why he was inspected because the area in question is not in public. Mr. Edwards explained that usually a neighbor complains to the Lake Linganore Association (LLA) compliance administrator and that sets the process in motion.

MOTION: Director Charles made a motion to decline the fine and withdraw the violation. Director Allemang seconded the motion. **VOTE:** six directors voted in favor of the motion; none of the directors voted against the motion.

Lot#011333/Aspen— Violation: unkempt lot, storing inappropriate materials on property. Fine: \$100. Lot owner Charles Packan told the board that the materials in question were dumped on his lot by someone other than himself in October 2007. He said that Craftmark, a builder building homes in that village, demolished two porches on homes under construction at the time and he said workers for the builder dumped the materials on his lot. He said he contacted the LLA compliance office but was told that without eyewitnesses staff could do nothing but place the violation on him. He read an email from the Craftmark project manager who stated that the materials dumped on the Packan lot were inconsistent with those used by Craftmark. Mr. Packan showed the board photos and other items that indicated the materials were consistent with the material used by Craftmark. GM Edwards said that staff talked to the Craftmark onsite superintendent, spoke to another builder in the area and checked that builder's materials and spoke to others but was unable to come up with anything conclusive. After reviewing the photos and items submitted by Mr. Packan, Director Frazier said that he was not inclined to enforce the fine. Director Charles agreed. GM Edwards said that after seeing the photos Mr. Packan presented that he agreed.

MOTION: Director Charles made a motion to decline the fine and withdraw the violation. Director Allemang seconded the motion. **VOTE:** six of the directors voted in favor of the motion; none of the directors voted against the motion.

OLD BUSINESS

FY'09 Dues Assessment Rate— Director Frazier said that he believed the previous vote on the assessment rate was premature and wanted the board to reopen the discussion.

MOTION: Director Paxton made a motion to rescind the previous decision approving the 33-cent per \$100 assessment rate and reopen the discussion. Director Allemang seconded the motion. **DISCUSSION:** Director Charles asked if the assessment invoice had been sent out. GM Edwards said the invoices normally are mailed at the end of January. Director Jacobs said he agreed that the previous vote may have been premature but he believed the board should wait until the end of the discussion to rescind the vote. Director DiMeglio said that the rate had been set at 33-cents for the past three years and saw no reason to change it. **VOTE:** three of the directors (Allemang, Frazier, Paxton) voted in favor of the motion; three of the directors (Charles, DiMeglio, Jacobs) voted against the motion.

Director Frazier introduced Sue Young, chairperson of the LLA Finance Committee, to speak on the matter. Mrs. Young said that traditionally the finance committee recommends a budget and assessment rate to the board but this year that input got off track. She said the board should decide if it needs the finance committee. Director

Charles said that the directors had a sense that the budget and rate needed to be set that night. Director Jacobs agreed and said that the sense was that the board had the only information that night that it needed to make a decision.

Director Frazier asked Mrs. Young what the committee would recommend regarding the FY'09 rate. She said that committee looks at the entire financial picture of the association before making a recommendation. She said that a 20 percent increase in the assessment amount in one year was significant. She added that the board did not need to set a rate that made the amount so high that the association could end up running into collection problems, which she said was costly. At this time the LLA has a delinquency rate that is below standard, she said, but added that the LLA had worked hard to get it to that level and she did not want the LLA to lose the results of that hard work.

It was noted that a new reserve study was underway and that figures from that study would impact the budget. Resident Katherine Hembree asked whether items in that study needed to be included in the budget considerations. GM Edwards said that was true which was why he tripled the numbers from the 2002 reserve report he reworked and emailed to the board to look at for its budget deliberations.

Director Frazier said that he reviewed the 33-cent budget and that he believed the bottom line was that a 28-cent rate gives the LLA sufficient operating funds and allows a \$400,000+ deposit to the reserve account. He noted that the reserve deposits are currently driven by the 2002 reserve study plus separate reserve accounts for various assets, including trails and village amenities. Director Jacobs said his concern was how money the association had compared to what it needs. Director Frazier discussed several other funding avenues that the LLA has developed to cover costs and noted that the total reserve funds for the association at this time is \$2.3 million.

Director Jacobs said that he felt the LLA has a \$475,000 shortfall this year for the reserve deposit. Director Frazier disagreed. GM Edwards said that in 2000, the LLA had nothing in reserves and that it was well on schedule to properly establish the reserve accounts. He also said the \$400,000 deposit in the 28-cent rate budget was a good model deposit.

Westwinds resident and former LLA director Andrew Twillman said that he was the one who proposed the 33-cent rate in the past because the board was looking at numerous special assessments to take care of three major projects. He said the rate was only to be for a short time until property values increased in the community. He said that looking at the reserve accounts at this time he believed the association was in good shape. He also noted that dues for Westwinds residents under a 33-cent rate would increase to \$1700 for the year. Mr. Twillman encouraged the board to consider the speed at which the assessment amount is increasing. He noted that the national economy is in a downturn and that he believed the 33-cent rate would cause a large backlash from residents.

Director Jacobs said that the discussion needed to be more about where the LLA should be. He shared an Excel spreadsheet presentation on how he saw the reserve accounts and

again said that the accounts would suffer a \$475,000 shortfall but with a 33-cent rate would have that amount and more.

Following Director Jacobs' presentation GM Edwards said that the board needed to be careful not to price the "product" out of reach. He urged caution as to the pace at which assessment amounts increase year to year due to state property assessments. Director Jacobs emphasized what the property owners and community lose if the eastern section of Lake Linganore is lost to siltation. GM Edwards said that he is preparing a report that will help him go to the state with information that may create an opportunity to get financial assistance from the city of Frederick for the dredging project. Director Frazier said the association cannot handle the finances of the lake project alone and will have to find a partner. Director Charles said that even with that assistance the association would have to set aside some funds for such a project, which he estimated to be at least \$4 million. Director Frazier said the dredging project may have to go to referendum and the board would in the meantime have to decide what its reserve priorities are and how to fund them.

Director Paxton said that his concern was that in dealing with what the association needs, he could absorb the cost but did not know how many people could do the same. Director Allemang said he believed that the association could adjust the rate in the future as the LLA had to deal with projects such as the lake dredging.

Director Frazier said the 28-cent rate does not drop the income of the LLA. He added that when property values decrease the assessment rate will likely have to increase to meet budgetary needs.

Resident Greg Johnson of Meadows said he understood the board had a tough job but was "appalled" that it had voted without all the information it needed. He said he could support an increase if the board had done so with the proper information. Resident and former board member Tom Roland said that he thought the LLA was in great shape today but that he believed it to be disastrous that the finance committee did not have input.

Resident Sherry Ward of Meadows said that as HOA fees creep up each year it makes it hard for people to sell their homes. She mentioned stream erosion in the back of her property, which Director Frazier said that he would see to it that staff looked into the problem. Resident Kirk Smedley of Coldstream agreed that if the assessment amount continues to increase it will scare people away.

Resident Katherine Hembree asked how much money was in the budget for the Community Development Authority (CDA) project for Pinehurst and Nightingale. Director Frazier said the LLA did not yet know if or what the shortage would be because the project had yet to be bid but noted that any debt service on the amount could be budgeted in the future. Mrs. Hembree asked about budgeting for repairs to Eaglehead Drive. GM Edwards said that repairs would be done as needed but with the major construction ongoing in Aspen it would not be fiscally responsible to do it until that construction was completed. He also said that Land Stewards was discussing with LLA

staff the possibility of assisting with the rebuilding of the road when home construction was in final stages. Mrs. Hembree commented that the LLA was at a crossroads and that it has come a long way in recent years but she said the LLA also has the propensity to underspend and she believed it was still underfunded and asked the board to be careful about its financial decision.

Resident Eton Yellin of Coldstream said that with the state property assessment and the LLA assessment that homeowners are getting hammered and that he needed to have confidence that the directors were considering this. He asked the board to lower the rate. Director Frazier reminded him that the amount paid by the homeowners was not being lowered with the 28-cent rates but with this amount property owners would pay an amount similar to what they had in the past year.

Resident Larry Dusold of Meadows, who also is president of the Lake Linganore Conservation Society (LLCS), said the board should decide whether it would take what people were willing to pay or what the LLA needed. Director Paxton said the board could not expect people to pay for everything it wants.

The dredging project was briefly discussed again. Resident and former board member Jim Reed of Coldstream, who has chaired the dredging committee for the past few years, said that if the project attempts to do more than the originally proposed 75 square acre-foot project, the cost would be upwards of \$30 million. He also noted that very few lakes the size of Linganore ever get dredged.

Director Paxton said that he believed the board did proceed at the previous meeting without all the information it needed to make a decision on the assessment rate.

MOTION: Director Paxton made a motion to rescind the 33-cent assessment rate. Director Allemang seconded the motion. **DISCUSSION:** Director Jacobs asked if the board was satisfied that it had examined all that it needed. Director Paxton said the board needed more information than it had at the December meeting. Director Charles said none of the directors had that comfort level at the time, it was lowball it or keep it current. Director Frazier said the 28-cent rate kept the assessment amount nearly the same as the current level but with a modest increase. GM Edwards said that future planning has been difficult up to now because it was unknown until a few months ago whether or not the CDA would actually get underway. Now that it has, he said, the association can confidently undertake a five-year plan that will be of greater help in deciding what to do. In the meantime he said the board will have to decide as best it can whether to go high or the same on the assessment amount that property owners will pay. He recommended the board set the FY'09 rate at 28-cents.

Director Paxton said that he believed the board had an obligation at this time to not take a high amount of money from property owners just to put in reserves. He said he believed the GM knows what money the association needs and that he would trust the GM's recommendation first. Director Allemang said that he would change his vote because those with the most knowledge are recommending the 28-cent rate.

Director Jacobs said he hears contradictory complaints regarding both high dues and not enough amenities in the community. He said he hears echoes of past boards saying "we'll deal with this next year." Director Frazier assured residents in the audience that what they were hearing was not confusion or that the directors did not know what they were doing because all directors spend a lot of time looking at these matters but rather an honest difference of opinion among the directors. Director Jacobs asked whether the board felt it was missing information it needed to take a vote. Director Frazier said not enough information that the board could not reasonably proceed with making a decision about the matter. **VOTE:** three of the directors (Allemang, Frazier, Paxton) voted in favor of the motion; three of the directors (Charles, DiMeglio, Jacobs) voted against the motion.

The board decided to continue the discussion on the assessment rate to the January 21 meeting. Director Paxton asked to have the finance committee at the meeting to make a recommendation.

ADJOURNMENT

Director Paxton made a motion to adjourn the meeting. Director Charles seconded the motion. The meeting was adjourned at 10:30 p.m.