

## > HSV THA WORKING MEETING February 15, 2023

> The meeting was called to order at 2:34p.m. Dennis Simpson, President, led the Pledge of Allegiance and gave the Invocation.

> Board members present - Dennis Simpson, Paul Merritt, O. J. Miles, Virginia Pinkley, Diana Gilbert, Jean Roberts, Bill Foulk. Todd Woodward was present through a Zoom call. Kevin Meacham, General Manager and Gayle Annis, Administrative Assistant were also in attendance. There were 32 people in the audience.

> Dennis Simpson started the meeting and wanted to make very clear this was a working meeting and nothing would or could be voted on in this meeting. He went on to explain that the THA Bylaw's state working sessions are voluntary. Bylaws also state the voting meetings start in January and are every other month and in December. Simpson went on to say he did not see where bylaws excluded Voting Meetings every month if the Board chooses. The Board members then introduced themselves along with Kevin Meacham, GM, and Administrative Assistant, Gayle Annis.

> O. J. Miles spoke about the THA buying CD's in July of 2022. The CD's were purchased to help THA Court Reserve account funds earn better interest than just letting the dollars sit in very low interest savings accounts. Paul Merritt, Treasurer, said he was checking on how these earnings would be taxed. Explanation of how interest earnings would be divided up and put back in the courts' accounts. The amount of dollars in each courts' account varies, due to the number of homes in each court .

> Paul Merritt talked about the THA Courts Reserve and Operating Accounts. The Operating Accounts are used to pay maintenance fees that regularly occur month to month. The Finance Committee reviews the cost of maintenance contracts in each court and anticipated occasional maintenance such as tree removal, sprinkler repair etc. and sets a budget for the court. The Reserve Account amounts are set when Reserve Studies are done on the courts. The last study was done in 2011. A reserve study is a long-term capital budget planning tool which identifies the current status of the reserve funds and a stable and equitable funding plan to offset on-going deterioration, resulting in sufficient funds when those anticipated major common area expenditures actually occur. Merritt gave examples of cracked sidewalks, replacing entire sprinkler systems and pumps, retaining walls, parking areas, stairs, hand railings, etc. Merritt also talked about these dollars sitting in accounts and could be earning dollars. That is when the Board decided to use some of these dollars to purchase CD's that earn money. The last one rolled over to 4.3% and anticipate the next one to get 4.75%.

> Merritt went on to explain that the THA cannot borrow monies on behalf of any court. The objective is to not have any court in a negative position because it is not right to ask another court to help that court cover their maintenance and improvements when a court did not vote a raise in their dues. The dues vary greatly between courts.

> Discussion continued on looking in the future to put one-third of our funds in a longer investment.

> Bill Foulk spoke about tax free municipal bonds that have dividends that are paid monthly. While CD's may earn \$20,000, municipal bonds could earn double that or more. He checked and said rates now are 2.3% to 4.7% and are tax free.

> Dennis Simpson spoke about today's economy and the current inflation rates. He thinks this will force the Finance Committee to reevaluate 90% of the Courts in the THA and increase their budgets. He reminded everyone that all members of the THA vote on all courts increases. The last increase passed because of the cumulative vote of all THA members. A few courts voted no to increases, but they had to increase their dues because of the way voting is required in the THA By-laws.

> Simpson also touched on excess dollars left in operating accounts at the end of each month. At this time any excess is moved to the Capital Reserve account every month. He suggested we start leaving those dollars in Operating Account due to inflation in our economy now. This could help cover over budget maintenance that occurs.

> Dennis Simpson presented a PowerPoint presentation giving a timeline of Cooper Corporation and Divino Courts. Divino Courts was developed in 1999 . The surrounding property belongs to THA. Cooper is the developer and still owns

development rights. Cooper declared all Courts would be managed by the THA. No paperwork can be found, but a newspaper article in August 2000 said the THA would no longer provide service to Divino Courts. Cooper then instructed Divino residents to send payments to The Villa's that were already servicing Isabella, Pacifica and Maderas Gardens.

> In 2017 a lawsuit was brought against The Villa's. An owner in Divino sued because one owner was using the townhome as a short-term rental. The owner that sued thought this was violating the covenants of Divino. The owners' lawyer found in research that The Villas had no association with Divino Courts; they were assigned to the THA. The suit was dropped. The Divino owners continued to send their HOA payments to the Villas. In the last 18-24 months some of the Divino owners quit paying dues to The Villas. In early 2022 the Villas notified the Divino owners and told them they would quit managing Divino Courts, giving the ending date as December 31, 2022. In 2022 some members of the THA board were approached by Cooper and told of a possible lawsuit if the THA did not take in Divino Courts. At one point the Board decided to ask Cooper for \$15,000. Cooper has not gotten back with an answer as of now.

> Simpson presented 2 options the THA could take.

> One option is let them sue us and be tied up for 2-3 years in court. This will be costly in legal fees. Potentially THA would lose and still have to take Divino Courts into the THA.

> The second option is the THA takes Divino in after a majority of the owners except a budget and special assessment plan to build a Reserve Account. The budget and Reserve Account balance will be developed after a Reserve Study is done on the Divino properties.

> Simpson stated the Board is trying to develop a budget that will make Divino Court whole in a reasonable period of time. This may be initially painful, but the Board cannot do anything that will endanger the fidelity of the entire THA. He showed a proposed budget(see attachment) that he discussed with Ralph Haynes, a Divino resident, a few days ago. Mr. Haynes said proposed budget was not acceptable to the residents he had shared it with.

> Simpson said he sees this could be resolved in weeks to months. Neff, the Cooper representative Simpson has been talking with about Divino, told him Cooper wanted to resolve this soon, not this week, but soon. Simpson said IF the THA excepted a check from Cooper, it would release Cooper from some obligations. Simpson has not gotten any paperwork from Cooper, so he has no idea what those obligations would be.

> An audience member questioned Cooper taking Divino's dues for 20 years and then when they saw a problem, they dropped them. She referred to legal term "waiver and estoppel ". She did not think Cooper could just walk away.

> A discussion ensued about the current problems with budgets for several courts in the THA that are going to be in trouble in 2023 because of foreseen increase in all services due to the inflation costs in our current economy. Kevin Meacham told about one court that had a mowing contractor quit due to health issues. The bids to get another contractor in place were 2 to 3 times the amount of the previous contractor. The bids were \$24,000 to \$48,000 dollars. They are using a week-to-week contractor at this time until a bid can be accepted.

> Mr. Haynes, a homeowner in Divino gave a timeline on how he thinks we have gotten to this point. When homeowners bought homes in Divino , the title company gave instructions to pay POA and Townhouse dues. The Villas then sent welcome letter to owner and instructed Townhome dues be sent to the Villas. Over the last 18-24 months several owners quit paying dues. The Villas did not have authority to pursue the homeowners for nonpayment. He said some of the owners were sending their dues to the THA to be held until this was resolved. Simpson stated the checks were not being cashed but was doing this to keep the owners in good standing.

> Discussion ensued again about Cooper doing business this way for 20 years set a precedent.

> Simpson went on to say if this turns into a legal situation, it could take 3 years. Simpson stated at the end of that 3 years the property around Divino Courts is still declared to the THA.

> Mr. Haynes then presented a budget he had developed for Divino Courts

(see attached). His budget included not raising Divino dues or supplemental dues to build Reserve Account. He offered other ways to acquire dollars. See attachment. He also stated Divino would stay with POA sanitation. They did not want to switch to the THA services.

> Another Divino owner, Michael Shannon, was in the audience and said Mr. Haynes was incorrect and Mr. Haynes did not represent all of the Divino owners. He told the Board no one in Divino was delinquent. He said when the owners found out the Villas had no authority over Divino, they became a voluntary association. He continued to pay his dues to the Villas, but he quit due to lousy service that the Villas provided. He said he then took his dues and found his own contractors to do his landscaping. He said since it was a voluntary HOA the Villas did not come after the owners for dues because they had no authority to do so. He reiterated he thinks there are no delinquent homeowners because they spent their dollars to get their own landscapers. He hasn't been paying the THA because the THA is not cashing checks because they do not currently have authority. Therefore, he isn't delinquent with THA. Dennis Simpson said he thinks the THA has authority but has not acted on the authority. Mr. Shannon, then said when he gets a document saying the THA is taking over the Divino Courts, he will pay his dues.

> Paul Merritt, then asked Mr. Haynes questions about his proposed budget. He questioned sanitation not being in the budget. Mr. Haynes stated Divino would stay with the POA for sanitation. Mr. Haynes also said the best bid he had gotten for landscape service was \$26,000.

> Dennis Simpson said there are 928 units in the THA. In Reserve, there is approximately \$746 for each and every unit in the THA. The THA's duty is not to be arbitrary and capricious. Simpson said our attorney will make it very clear what Divino Courts plan will be. Divino will be treated the same way all other courts are treated.

> Bill Foulk asked Mr. Shannon if the other owners that have not been paying would become compliant when they became members of the THA. Shannon guaranteed he would, and he thought a few others would too. Shannon also said when the THA is a legal provider of Divino, they have the ability to make the others pay where the Voluntary HOA did not. Dennis Simpson stated he thought the THA has authority. Bill Foulk said it stands to reason the need to basically cross off \$11,000 off of Haynes proposed budget because those are imaginary dollars that cannot be recovered. Foulk also pointed out \$124 times 16 units doesn't cover the bid for landscape services. Virginia Pinkley pointed out the Villas continued to service Divino with 6 owners not paying.

> Valarie Derryberry said if we voluntarily take Divino into the THA, this opens the THA to take everything else Cooper decides to give to the THA. Dennis Simpson disagreed. He said Divino was a part of the THA from 1999 to 2000.

> Simpson said the Board would need to have another private discussion on this. Divino must come into the THA financially sound. Simpson said he sees the rules as the Board developing a budget for Divino. Divino is given the THA proposed budget and they vote it up or down. It must be a majority of owners to except this budget. A question about where any dollars Cooper offered the THA would go. Simpson said those dollars would go to Divino. Paul Merritt said it will be established later which account those dollars would go in.

> Simpson spoke on how budgets are voted on. At this point all owners vote on every court's budget.

> There are several courts at this time that need to revisit the budget because of increase in costs.

> There was a discussion on CPI. Bill Foulk reminded everyone we are working off budgets that were established 3 years ago. Everything is increasing because of inflation, and this is why contractors or walking away from the job. He said every court is looking at an increase. Simpson said if CPI had been built in, this year would have earned \$73,349. That amount would have offset some courts being in a deficit.

> A member from Arista explained why Arista voted down the last increase. He said people felt the Reserve was where it should be, and they did not want to keep putting more dollars in Reserve.

- > Paul Merritt, Treasurer, said in 2022, Arista put a total of \$61 in Reserve account. In order to cover the results of 2022 costs in Arista, the 20 units need their dues to be \$110 a month to break even.
- > There is an ongoing discussion on what Reserve account pays for. Merritt thinks Reserve is to be used to replace existing infrastructure such as sidewalks, sprinkler systems, pools, gazebos, garbage corrals, etc. Dennis Simpson said all owners could get Court financial information by calling the THA office.
- > Simpson asked Virginia Pinkley to review the Rules of the THA. There are many conflicting rules on the books at this time. Simpson wants the Board to review these and get them updated as soon as possible.
- > Simpson discussed when the Board meetings will be held. He doesn't want the By-laws changed. He wants over the next 5-6 months, to have meetings on whatever date and then go back to every other month.
- > Simpson spoke on the new technology in the room. He explained how Zoom will be utilized to share the THA meetings with members remotely.
- > The next discussion was THA voting. Postage has increased outrageously over the last years. Simpson suggested voting by email. Todd Woodward suggested using a company called , Verify, third party that would do this. We would need to find out cost of those services, but it should be less than postage. Paul Merritt asked about alternatives for people that do not use email. That would be in the discussion.
- > A THA member asked Dennis Simpson about a property he purchased behind her Court.
- > At 4:46 p.m. Virginia Pinkley made a motion to adjourn, and O.J. Miles seconded the motion.
- > NOTES SUBMITTED BY
- > Virginia Pinkley, HSV THA Board Secretary.