

**Highlands Board of Directors Special Meeting
December 1st, 2021, at 6:30 PM Zoom Conference Call
Minutes**

1. Call to order at 6:30 pm
 - a. Board Members Present (Quorum): Wayne, Claudia, Sue, Elizabeth, Lisa

Units present: 155, 208, 109, 427, 424, 308, 426, 117, 118, 224

- b. Proof of Notice of Meeting or Waiver of Notice
2. 2022 Budget

Since the last meeting, two owners provided written comments; one owner previously provided written comments. Budget increases were driven by capital improvements (CI), the need to boost our reserves, and revenue and costs. The CI/reserves committee recommended a 7-8% fee increase. Wayne opened the floor for questions and comments:

- Ellie noted that the laundry revenue is down, potentially due to the coin shortage.
 - Wayne reported that he deposited quarters last week and anticipates another deposit this year of approximately \$2000. Currently, our laundry income is just over \$12,000.
- Ellie noted that the utilities increase of 3% seems reasonable.
 - Mark contacted EWEB. We have a residential account for electricity with a projected increase of 3.7%. We have a commercial water and sewage account with a projected increase of 5%.
- Ken questioned the projected insurance increase of 10%.
 - Wayne contacted the insurance carrier to ask about anticipated increases. Final rates will be determined in February and should not increase more than 10%.
 - Ken stated that insurance payments are around \$7000. Claudia mentioned that in Jan, Feb and Apr, payments were just over \$7900, and in May-Sep payments were around \$8340. The switch from Cincinnati to Nationwide resulted in a premium increase.
 - Lisa said that insurance costs could also go down.
 - Wayne indicated that any unspent funds can be reallocated.
- Lisa wondered if laundry room maintenance could be done by another company to save money.
 - Wayne indicated that \$0 is allocated to laundry room maintenance since Kirk took over the task. Ellie questioned if Kirk is able to repair and replace the machines. Mark assured that Kirk is quickly building his skills

There was consensus that Kirk and Mark are doing an excellent job and deserve major Kudos!!

- MarkE wondered why no COLA is allocated to staff given their outstanding performance.
 - Wayne explained that neither Mark nor Kirk requested or accepted COLAs. Upon request, Kirk was given 5 paid vacation days, which was budget neutral. If Mark and Kirk would request COLA, we can include it in the budget. We can also give bonuses for excellent performance in special circumstances (e.g. weather-related problems).
- MarkE inquired about ways to increase interest income.
 - We did look into investment opportunity for the reserve account. Generally, interest is low and the risk/penalty is high if we need to access those funds. We can revisit this issue next year.
- MarkE wondered about the range of dues increases.
 - Mark explained that an 8% increase would provide \$180,000 to CI, the amount necessary to keep up with the planned projects.
 - Wayne explained that based on a previous reserve study we do not have adequate reserves. To have adequate reserves, we need to take in \$250,000-300,000/year. The last time we considered adequately funding reserves, it called for a 28% dues increase. We are currently funding our reserves at 3% and are working with an internal CI plan. If the association wants to increase reserves, we need to revisit the issue next year. Edgewood fees are about the same as our dues, but add \$100/mo for reserves.
 - Wayne explained that the Western Urban CPI is 6% in October and might be 7.4% by the end of the year.
 - MarkC explained that COLA is calibrated on the cost of groceries. We, however, are maintaining structures, and construction costs have gone up tremendously. The plan is to replace catwalks at 4 buildings/year (replace all cedar boards and tread stringers as needed). Because of cedar costs stairs are being replaced first (treated wood). By January, every stair tread will have new brackets. Lisa wondered if staining the wood would increase its lifespan. MarkC said that it would; however, removing and replacing the tarpaper and labor costs would offset any savings.
- Claudia expressed concern about board members' responsibility to represent owners' interests without many owners indicating what their interests are.
 - Ellie remarked that about 50% of our residents are not owners and therefore do not get the minutes. Lisa mentioned that even owners don't participate in decision-making processes. Sue offered to go door-to-door to solicit feedback. Elizabeth hoped for greater participation next year.
- MarkE wondered why there is no line item for a structural engineer to investigate noise issues.
 - Wayne: encouraged MarkE to join the board and look into reserves to allocate funds to structural reviews. Noise issues are separate from structural issues.
 - Lisa mentioned that a structural engineer is responsible for foundations.
- Ellie asked if the garage increase is within the parameters of the fees for flats.
 - MarkC stated that we are not overcharging for garages.

Wayne asked that we move forward to adopt the budget.

Motion (Lisa): Motion to increase fees by 5%.

Second (Elizabeth)

Debate:

- Elizabeth stated that there might be grant opportunities in the future.
- Lisa said that we do not need to rebuild reserves more quickly.
- Wayne reminded that we have two accounts: checking and savings. Savings are only for CI expenses.
- MarkC cautioned that a 5% increase has long term effects on keeping up with projects.
- Sue felt that we won't be able to catch up.
- Claudia indicated that the proposed increase provides no fiscal safety net.
- MarkC stated that a potential special assessment will likely lower property values.

Vote: Sue: no, Lisa: yes, Claudia: no, Elizabeth: yes.

Wayne abstained from breaking the tie and sent the issue back to the Board for motioning.

Motion (Sue): Motion to increase fees by 5.5%.

Second (Elizabeth)

Vote: Sue: yes, Lisa: yes, Elizabeth: yes, Claudia: yes

Wayne will notify Eric of the fee increase. Kirk will be notified that he has 5 paid vacation days.

MarkC suggested that we have again financial, reserves, and insurance committees
Wayne said that after a new board is seated, a new chair and new officers can set up committees.

3. Next Board Monthly Meeting (December 8th, 6:30 pm)

4. Adjournment at 7:30pm