

LANDMARK MEWS COMMUNITY ASSOCIATION MINUTES

Board Meeting September 12, 2005

The September LMCA Board Meeting was called to order at 7:30 P.M. by Board President Lou Wagner at his home. Members present: Simon Bennett, Suzann Evinger, Dan Ferezan, Eve Holtzman and Bruce Wood. Officers/Committee Members present: Roger Casalengo, Bill Evinger, Marty McDonald and Carole Trimble. Other homeowners present: Bill Evans and Suzanne Lucas.

1. Minutes

Minutes of the August 10, 2005, meeting were approved unanimously on a motion by Simon Bennett that was seconded by Dan Ferezan.

2. Financial Report – See report filed with minutes.

Treasurer Marty McDonald reported to the Board on the results of his consultation with the LMCA auditor about the amount of reserves the association has. At the August meeting, Marty said that he thought the auditor had made a \$30,000 error when adjusting the year-end financial reports, a mistake that would have dropped the operating reserves from about \$138,000 to \$105,000. After consulting with the auditor, Marty said that the operating reserve fund does contain about \$138,000. The discrepancy he thought he had discovered was due to an accounting error in the way he was booking funds dedicated to the special reserve fund for major infrastructure repairs.

Marty also reported that he had learned from the auditor that the Board has been neglecting a legally required year-end accounting procedure. According to Marty, the Board is supposed to provide the auditor with a letter directing him as to how to account for various monies, such as bills paid in advance, homeowner fees paid in advance and funds to be dedicated to reserves. In the absence of such direction, the auditor has been using his own judgment as to how to account for funds, specifically by crediting any funds not booked against general operating accounts to unrestricted reserves. Marty said he planned to rectify this oversight by preparing a draft instruction letter to the auditor for the Board to review and discuss at the December meeting.

Discussion then moved on to consider budget balances in each of the three operating funds and whether there would be surplus funds at year-end in any of them. Marty provided projected year-end balances, but there was some confusion with reconciling those balance projections with the monthly financial report because Marty based the year-end balance projections on numbers current as of September 12 whereas the monthly financial statements were as of August 31. Lou directed Marty to prepare all future financial reports to be presented to the Board with numbers consistent with end of the month balances. After considerable discussion, the consensus reached was that there mostly likely would be slightly more money left in operating funds at the end of the year than was previously anticipated. The primary reason for the expected surplus is the deferment of some capital improvement projects by the property manager.

The Board also reviewed the proposed budget for 2006. Specific line items discussed included the following.

- Insurance – Bruce Wood asked Marty to call LMCA’s insurance agent to see if any rate increase was anticipated for 2006.
- Landscaping – Marty explained that he had adjusted the monthly landscaping fee up to \$5,165 from \$5,033 in 2005 to spread the cost of the spring and fall flower rotations over the whole year rather than incurring large bills once in the spring and again in the fall. Marty reminded the Board that this line item could increase again in 2006 because the contract with Pine Ridge is due to expire and a new contract will have to be negotiated.
- Trash removal – Marty said he increased this line item by \$150 per month, from \$2,454 to \$2,602, to cover anticipated fee increases due to rising gasoline prices. The Board then discussed whether that was enough of an increase since fuel prices were escalating significantly. Roger Castalengo said that the AAA contract has an annual escalator clause allowing the contractor to increase fees in July in correspondence with any increases in the CPI up to 3.3 percent. Bill Evinger pointed out that the contract also allows AAA to pass through any diesel fuel increases over \$1.50 per gallon. Because fuel prices already are well above that rate, the Board directed Marty to increase the monthly trash removal fee by another \$150.
- Production of homeowner association documents – Marty reported that he had in stock 25 of the homeowner packets of association documents that must be provided to buyers prior to closure of a home sale. He said he would need to produce new packets in February with updated documents, including Board resolutions for 2005 and the audited 2005 financial report. He budgeted \$350 to cover that cost. Estella Laguna offered to provide copying services in the future to save the association the 3 cents per page Marty is now paying to have the documents reproduced.
- Office supplies – Marty said he had reduced the amount budgeted for this line item from the \$1,800 previously proposed to \$1,350. He said he intended to try to better manage this line item to control costs.
- Printing and duplicating – Marty explained that he was proposing no increase in that line item and that costs may actually decline because he does not intend to produce hard copies of the homeowners’ directory since that is now available on the web site.
- Snow removal – Marty also said he was proposing no increase in this line item because the Farmer’s Almanac is predicting a mild winter.
- Fees and subscriptions – Marty said he is proposing an increase of \$4,000 in this line item to cover the cost of an engineering survey to assess infrastructure maintenance and repair needs that LMCA must commission in 2006 according to Virginia law.
- Other Maintenance and Services – Marty projected that approximately \$22,000 could be budgeted for major landscaping projects, electrical maintenance, sprinkler system maintenance, other maintenance and other capital improvements after deducting the budgeted amounts for Contract Expenses and Mandatory Supplies and Services and monies dedicated for capital reserve funds from anticipated income of \$229,240 for 2006. Roger said he was not yet ready to propose specific projects to be undertaken in 2006 that would fall into this category of the budget.
- Electricity – Suzann Evinger queried whether the Board should consider increasing the budget for electricity in 2006 because of rising fuel prices. The consensus was to leave the budget at the proposed \$4,500 for the year.

Following this review, the Board concluded that the budget is now ready for presentation at the October annual meeting.

3. Budget Resolution

Bruce opened the discussion by reminding Board members that a budget resolution circulated for review prior to the meeting was the result of a financial review conducted by a special committee appointed by Lou at the August meeting. Lou asked the committee to work with Roger and Marty to review the budgets and expenditures of the past few years and make a recommendation of what the appropriate level of operating reserves should be. Committee members were Bruce, Dan Ferezan, Suzann, Roger and Marty.

Bruce said that the committee concluded that the Board has been spending down reserves for at least the last three years and that action was required to begin replenishing those reserves to a level of at least \$150,000 in unrestricted reserves. He explained that it was the committee's recommendation that the Board demonstrate its commitment to increasing LMCA's savings by adopting a resolution mandating annual savings for unrestricted reserves. He said that Dan had proposed an annual savings formula of two times the amount of interest earned on LMCA investments each year until the goal of \$150,000 in unrestricted reserves was reached. Bruce said that formula would equal about \$11,000 invested in unrestricted reserves every year for four years to reach the \$150,000 target.

Some Board members, committee chairs and other officials participating in the discussion expressed concern about the impact this mandatory savings plan would have on the ambience of Landmark Mews since it would restrict the amount of money available for major landscaping projects. Bruce responded that unrestricted reserves had been drawn down in recent years in order to improve the ambience of the community and resolve infrastructure problems. However, he said, it was now time to protect the community against unanticipated risks by building back up the unrestricted reserves fund. He also explained that the budget resolution gives the Board the right to override the mandatory savings plan with a super majority vote. He said adopting this provision would be a clear signal to the community that if and when the Board did need to override the mandatory savings plan, it did so only after careful consideration.

The Board then engaged in a lengthy conversation as to whether the names of the reserve funds should be changed to better reflect their purpose. Marty maintained that the funds have always been called "unrestricted reserves" and "restricted reserves" and to change the names now would only confuse homeowners. Simon Bennett said that changing the terminology to "operating reserves" and "major infrastructure repair reserve" clarifies the purpose of each of the two reserve funds.

The Board also discussed the items covered in the "major infrastructure repair reserve". Dan said that when the Board determined in 2002 that homeowner fees would have to be increased to cover anticipated infrastructure repair costs, based on the findings of an engineering study conducted in 2001, only five items were included in that assessment – sidewalks, gutters, streets, curbs and the brick wall. He said brick walkways and retaining walls were not part of that consideration. Therefore, he said maintenance and repair of those items should not be included

under the major infrastructure repair reserve fund that the Board created with the \$25 per month homeowner fee increase effective January 2003. Lou asked Simon to prepare a report regarding the infrastructure items that should be included in the engineering review to be conducted in 2006 and covered in the future under the major infrastructure repair reserve fund.

Dan pointed out that neither of these two matters – the fund names and items covered under the major infrastructure repair reserve – were relevant to discussion of whether the Board was going to adopt the proposed budget resolution. The Board then returned to a discussion of whether the resolution was necessary.

Suzann expressed concern about what would happen if a need to override the mandatory savings plan occurred, but not enough Board members agreed on the need to achieve the super majority required to alter the plan. Bruce pointed out that the purpose of the resolution was to impose some spending discipline on the Board and that, with a seven member board, just five people would have to vote in favor of overriding the plan to do so, a difference of one vote between a simple majority and a super majority. Dan and Bruce made the point that, as a general policy, no Board should routinely be spending more money than is taken in during a year and that at least once a year, every Board should have a conversation about the status of reserve funds.

Suzann and Eve Holtzman queried whether the budget resolution really was needed. Dan, Bruce and Simon responded that it was because the Board had been spending down reserves for the past several years. They reiterated that the spending was for much needed projects and for good reasons, but that it was now time to impose spending discipline again and rebuild reserves. Bill Evinger said that the Board should not view LMCA as an investment club. Bruce responded that the association is not an investment club, but that the Board should be responsible and save for unknown emergencies. Bill said that by passing the resolution, the Board could be setting up a situation where a dues increase would be needed because the Board would not spend money on necessary repairs and improvements.

Bruce said that unrestricted reserves have declined by \$16,000 over the past three years because the Board has been drawing down the fund to cover budget overruns for special projects. He added that the resolution would put the Board on course again to save money for unanticipated expenses, such as a jump in the projected cost of replacing streets due to increased costs of asphalt resulting from oil price hikes. He also said that unless the Board demonstrates its commitment to prudent fiscal management by rebuilding savings, he would not be comfortable defending any potential homeowner fee increase or special assessment required to cover the cost of unanticipated expenses because there was not enough money in savings to do so. He reminded the Board that in 1996, then President Bill McGuth was concerned about reserves dropping below \$200,000 dollars. Bruce said that in constant dollars, LMCA's reserve funds are now well below that amount.

The Board then returned to the discussion of what to call the funds. Marty said establishment of the restricted reserve fund dated back to the 1980s when the Board decided to dedicate 7 percent of income each year to reserves to fund major capital improvements. He said the term "unrestricted reserves" always had been used to describe the fund maintained to support

maintenance and repair needs not covered in the annual budget. Board members then decided to retain the traditional names of the reserve funds.

Bruce made a motion that the Board approve the budget resolution mandating annual savings to unrestricted reserves. Simon seconded the motion. The motion passed with five Board members (Simon Bennett, Dan Ferezan, Eve Holtzman, Lou Wagner and Bruce Wood) voting in favor and one (Suzann Evinger) against. Virginia Addison was not present at the meeting. (*See the resolution filed with the minutes.*)

4. Property Manager Report

Roger submitted written reports summarizing capital improvement, landscaping, electrical maintenance and other maintenance and repair projects conducted in 2005 along with the corresponding costs of each project. (See the reports filed with the minutes.) Suzann asked if it would be worthwhile to ask homeowners to share the cost of keeping the alleys between rows of home clean and in good repair since the area behind each house is private property. Lou and Roger responded that this work should be viewed the same as other common maintenance issues such as mowing and street cleaning.

Among the other items reported by Roger were the following.

- He has identified a plumber willing to work at a rate of \$35 per hour.
- Accent lighting is going to be installed on Manchester Way. Roger estimates the project will take about 10 hours to complete for a total cost of about \$350.
- Roger is planning to purchase cedar trees that currently are on sale to replace dead ones on Stevenson Avenue and plant them himself to save money.
- Roger's current recommendation is not to proceed at this time with the drainage repair project on the Chaucer View Circle berm. He said the area is dry now, but warned the Board that the issue may have to be revisited in the future.

Dan asked whether it would be worthwhile to have an electrician evaluate the LMCA system to determine whether any existing problems with the 20-year-old system can be addressed on an as-needed basis by the \$35 per hour electrician Roger now employs or whether the system needs a more comprehensive overhaul. Roger responded that the electrician he is employing now has said that all 13 transformer boxes on LMCA property are in good shape and that the only maintenance required currently is painting and rust proofing.

Roger also reported that he had contacted Dominion Virginia Power about checking the accuracy of a community map illustrating where power lines run and supposedly have been replaced. The company was supposed to send a representative to check, but no one had come yet. Additionally, he said the power company still owes LMCA replacement landscaping for the area dug up in August on Chaucer View Circle.

Roger then provided an update on proposals to repair the brick wall surrounding Landmark Mews. One company, that had submitted a bid of \$30,000 a year ago, asked to review the project again and submit a new bid. The new bid was \$40,000, just \$2,000 less than the bid submitted by

T.D. Fraley & Sons, Inc., the brick preservation masons recommended by the City of Alexandria. Roger recommended that the Board accept the bid submitted by T.D. Fraley & Sons and that the work be done this year. In response to questions from the Board, Roger explained the differences between the two top bids as follows.

- Both firms proposed using the same sealant, but Fraley would seal only the top while the other firm would seal the entire wall.
- Fraley uses all union labor; the other firm does not.
- Fraley comes with a strong recommendation from the City of Alexandria and the projects done by the firm that Roger inspected were top quality.
- The other firm proposed power washing the wall, which can drive mold and dirt into the brick. Fraley planned to hand clean the wall with acid. Bruce reminded Board members that a decision on proceeding with the work on the wall needed to be made at this meeting in order to have the work completed this year before winter weather arrives. Otherwise, the work would have to be delayed until spring. Eve and Suzann queried whether it would be possible to negotiate a lower price with Fraley. Carole Trimble reminded members that Clarence Stone, the head of the firm, had said that his company does not usually work with homeowners associations because of the challenges involved in working with volunteers and therefore it was unlikely that he would be willing to negotiate on price.

Marty said that the work to be done on the wall primarily was cosmetic and that the Board might want to delay this work until after the engineering study is completed in 2006. His concern is that the rising cost of oil will significantly increase the cost of asphalt and thus the cost of repairing LMCA streets and that if the Board proceeds with repair work on the wall this year, there might not be enough money in reserves to cover the cost of street repair if the engineering study finds next year that the streets are in need of immediate repair. Roger responded that the wall work is more than cosmetic; that the rusted support bars can expand and crack the brick if they are not cleaned and properly sealed with mortar. Marty recommended that the Board wait for an updated engineering study and then set major infrastructure repair priorities, reminding members that the Board had received a great deal of criticism last year for proceeding with projects without proper engineering reviews.

Bruce said that he was most comfortable with the Fraley bid because of the recommendation from the City of Alexandria and Roger's inspection of the firm's work. He acknowledged that the Board would be spending a lot of money to repair the wall, but that it would be a lot of money spent to do the job correctly. He then made a motion to accept the proposal from Fraley and proceed with the repair work. Simon seconded the motion. It was agreed to unanimously.

The final item reported by Roger involved a tree cut down on Chaucer View Circle by a homeowner that Roger thought might be a tree owned by the association. The stump and sections of the tree had been lying on the sidewalk for several weeks. Roger said he had asked the Covenants Committee to check on whether the homeowner had requested permission to cut down the tree. Lou asked Roger to prepare a letter for him to sign, asking the homeowner to remove the debris.

5. Covenants Committee

Covenants Committee Co-Chair Bill Evinger reported that letters regarding the fall follow-up inspections to the spring inspection reports had gone out. He also said that the committee needs a new member. According to Bill, the two-year terms of all committee members have now expired and one member does not want to renew a term of service.

6. Other Business

Lou reminded Board members that the LMCA annual meeting would be held from 8 to 10 p.m. on the third Thursday of October, October 20, as specified by the by-laws, at the Samuel Tucker Elementary School in Cameron Station. He said Dennis Flynn, the head of the Election Committee, has been talking to people about running for the three open seats on the Board. He encouraged anyone who knew of anyone else interested in running for the Board to contact Dennis.

7. Executive Session

The Board moved into Executive Session at approximately 9:55 p.m. and reconvened in open session at approximately 10:30 p.m.

Bruce moved to adjourn the meeting at approximately 10:30 p.m. Dan seconded the motion.

Respectfully submitted,

Carole Trimble
LMCA Secretary