

HACIENDA CARMEL COMMUNITY ASSOCIATION
MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS
Thursday, June 27, 2024
Casa Fiesta

PRESENT:

Mr. Art Sutton, President & Director
Ms. Jackie Graham, Treasurer & Director
Ms. Niki Tugwell, Corporate Secretary & Director
Ms. Mary Pat Adams, Director
Mr. Bill Bennett, Director
Mr. Brendan Kelly, Director
Mr. Robert Hedberg, General Manager
Ms. Jeanne Mileti, Recording Secretary

ABSENT:

Ms. Fran Baca, Vice-President & Director
Ms. Rochelle Blank-Zimmer, Director
Mr. Paul Carriere, Director

Thirty-two members attended the open meeting in Casa Fiesta.

1. **CALL TO ORDER:** The open meeting was called to order at 10:10 a.m. by Art Sutton, President.
2. **REVISION OF AGENDA:** None
3. **MEMBER COMMENTS ON AGENDA ITEMS:** None
4. **CONSENT AGENDA:**
 - a. **Approval of Minutes:**
Regular Board Meeting of May 23, 2024
Organizational Meeting of June 4, 2024
 - b. **Occupancy Approvals:**

Shelly & John Jemison	Authorized Occupants, #241
Phyllis Theroux	Authorized Occupant, Leasing #124
Barbara & Oswaldo Mino	Authorized Occupants, Purchasing #202
JoAnn Davis & Gordan Tiltie	Authorized Occupants – Leasing #163
 - c. **Sales Activity & Rental Report**
9 units currently listed for sale. 3 units sold since May 1, 2024. The current number of rentals is 42.
 - d. **Financial Report:**
 - i. Approval of Reserve Fund expenditures for May 2024.
 - ii. Verification of bank reconciliation & check register review for May 2024.

CONSENT CALENDAR, continued

Ms. Adams made a motion to approve the Consent Agenda. Ms. Graham seconded the motion which carried unanimously.

5. PRESIDENT’S REPORT: President Art Sutton, reported:

- a. Report of discussion in Executive Session and any items requiring Board action:
 - Mr. Sutton reported that the Board has received a letter of resignation from the General Manager. Mr. Hedberg will be pursuing other opportunities and will work until August 31st. Mr. Sutton extended a heartfelt thank you for all the work the General Manager has done and noted that the Board will be working diligently over the next two months to make a smooth transition.
 - The Board held two hearings over the past month to deal with violations that involved dogs off leash. Mr. Sutton reminded everyone that dogs have to be on leash and under control of the owner at all times while outside their units, unless you are in the dog park.
 - The Board approved renewal of the lease agreement with Central Coast Senior Services, for the Residential Care Facility. The lease is for a three-year period with increases in the lease amount this year and next.
 - The Board approved spreading of wood chips by the tree service that delivered them, on the west end of the property.
 - The Board additionally discussed several ongoing legal issues: The MOU with Quail, the legal description changes, the evacuation plan, and the CC&R revisions. It was also determined that Verizon acknowledged cancellation of the cell tower site.
 - The Board also received a report from the Audit Committee (Fran Baca, Jackie Graham, and Art Sutton) following their meeting with the auditors.
- b. Correspondence from or to Residents or others.
 - There was a letter received with suggestions for changes in the west end garden area.
 - There was another letter regarding the request for insurance information. (There will be changes made to the insurance limits in the CC&Rs.)
- c. Announcements

Mr. Sutton noted there are vacancies on two committees. We need an alternate for the Architectural Review Committee, and a committee member on the Fire-risk Assessment & Mitigation Committee. Anyone interested should contact Art Sutton or Niki Tugwell.

6. GENERAL MANAGER’S REPORT:

Announcement of Leaving: Mr. Hedberg explained that his decision to leave does not come lightly. After thirteen years there was a lot of thought and consideration put into the decision. He is looking forward to some new opportunities.

GENERAL MANAGER’S REPORT, continued

- **Circuit Breaker Project:** We now have a target date for when PG&E will do the electrical switch-over to Casa Amigos. It will be done on July 16th, and the power will be cut off to Casa Amigos and Casa Fiesta for about 4 hours on that day.
- **Pool Project:** Last month the Board approved a contract with Burkett Pools to refurbish the swimming pool. We are in the process of scheduling that work now, which will most likely be done starting in October and run until late December. The process should take about eight weeks to complete.
- **Car Week Guest House Rates:** Before the price increases suggested by the Finance Committee, and enacted by the Board at the May Board meeting, (from \$130 to \$275 per night for the ten regular rooms, and from \$165 to \$400 per night for the one apartment room with the kitchen) there was a total of 61 room nights reserved along with a wait list for several of the nights during Classic Car Week.

Subsequent to the price increase, so far there have been 36 room nights cancelled due to the price increase, and there is no longer a wait list after those people were contacted and chose not to pay the higher price either.

In comparing revenue that would have been received at the regular pricing, the 61 room nights would have generated a total of \$8,210 (at the old rates). However, as of today, with the cancellation of the 36 room nights so far, the total revenue that will be generated with the increased rates will be \$7,700, which means there will be a net loss in revenue of \$ 510 due to the rate increase. Mr. Hedberg noted that as of now, there are a few more people trying to rearrange their schedules so that they can cancel their reservations. He thinks we may want to reconsider the increases.

7. **COMMITTEE REPORTS:** The following committees either presented and/or submitted reports:

- **Finance:** Jackie Graham, Treasurer and Committee Member, reported that the Finance Committee met on June 10th. Ms. Graham noted that both the April and May financial statements will be revised after the audit for the fiscal year is completed.

Ms. Graham reviewed the Reserve Fund expenses for the month of May 2024. Details follow:

\$ 2,870.00	Premo Roofing for Building Surfaces repair.
\$ 200.02	M.J. Murphy for Fence repair.
\$ 7,515.00	Mora Adrian Landscape for Fire Mitigation – grading of area on west end.
\$ 1,640.00	DV Electric for repair of the main Generator .
\$ 2,186.49	Monterey Sanitary for In-ground Garbage Can replacements.
\$ 1,739.15	Three different vendors for Landscape replacement.
\$ 684.21	Built in Distributors for Dryer replacement in a laundry room.
<u>\$16,834.87</u>	Total Reserve Fund Expenditures for May 2024.

COMMITTEE REPORTS, Finance, continued

This is the last year that we need to purchase two utility carts (in this replacement cycle) to fill out our fleet of ten. The Reserve Study allocation is \$22,050 for two. The quote from Total Material Handling is \$20,790, which includes tax and delivery. Normally we put 50% of the purchase price down when we order them, with the balance due on delivery. The committee recommends purchase. Mary Pat Adams made a motion to approve replacement of the final two utility carts for an amount not to exceed \$23,000, from the Reserve Fund. Mr. Kelly seconded the motion which carried unanimously.

The Finance Committee is looking for Board approval of a sub-committee (of the Finance Committee) to explore implementation of a property management and accounting software system. This is just asking for authorization to proceed with studying and reviewing, and taking a look at what we have now and what we can have potentially in the future. We are looking to identify upgrades or to streamline what we have now. Potential upgrades include such things as point-of-sale systems, guest suite reservations, maintenance requests, payroll, etc. Work will begin by interviewing our existing administrative staff, talking to our current provider to see if we can upgrade what we have. Final options will be vetted by the Finance Committee, and then presented to the Board. The sub-committee will provide updates on the process along the way. Committee members will be Holly Carlin, Fran Baca, Jackie Graham, and Dayna Irvine. Ms. Adams made a motion to approve the sub-committee to explore software. Mr. Bennett seconded the motion which carried unanimously.

The committee additionally discussed change of the fiscal year: “At the May 23, 2024 Board of Director’s meeting, the Board passed a motion to delay repayments and transfers from the Operating Fund to the Reserve Fund for the months of May and June. This action was taken pursuant to an item added to the agenda at the meeting. The item added to the agenda was a proposal to delay repayments and transfers due to the Reserve Fund from the Operating Fund until after the bridge and flood insurance policies are paid in November. Because this item was not on the posted agenda giving proper notice to the Membership, the Board could not, and did not, take action and the item was tabled to the June 27, 2024 meeting.

“In conjunction with the proposal to delay repayments and transfers from the Operating Fund to the Reserve Fund until after the bridge and flood policies are paid in November, the Finance Committee recommends changing the fiscal year end from 4/30 to 12/31. Most HOA’s have a calendar year and we believe it is in the best interests of HCCA to also have a calendar year. The change will simplify much of the quarterly reporting that is summarized and reconciled on a calendar year basis, payroll tax returns and 401(k) plan reporting, for example.

“Even more important, however, is how the change will affect cash flow, especially now in the face of our significant property (including fire) & liability policies and the flood policy premiums. Currently, our property & liability policy premiums are due May 15th, just fifteen days after our fiscal year begins. We have had to borrow the funds (either from our Reserve Fund or by financing) because we have not had time to collect the HOA fees needed to pay the premiums which are due at the onset of the policies. Our flood policy is due on November 6th, six months into our fiscal year. Again, we have had to borrow the funds to pay the premium.

COMMITTEE REPORTS, Finance, continued

“If we change the fiscal year to the calendar year, when the property & liability policies are due in May, we will have collected almost five months of HOA fees, and when the flood policy is due in November, we will have collected ten months of HOA fees. This change will provide a significant improvement in cash flow and will keep borrowing to a minimum.

“The General Manager has been advised by our attorneys that changing our fiscal year end from April 30 to December 31 will require approval of the Membership by secret ballot.” Mr. Kelly made a motion to send out the change of the fiscal year as a ballot measure to the membership. Ms. Tugwell seconded the motion which carried unanimously.

The Finance Committee recommends that the open forum be scheduled. “In order to give the Membership an opportunity to ask questions prior to sending out the required notice followed by the ballot, we therefore recommend that the Secretary schedule a forum under Article 4, Section 4.5 of our Bylaws.” The Corporate Secretary, Niki Tugwell, called for an open forum on Monday, July 8, 2024, 1 pm to 3 pm. in Casa Fiesta, for the purpose of discussing the change in the fiscal year and the change to the CC&Rs regarding insurance carried by members. Mr. Sutton noted that this does not require a vote of the Board and asked the Secretary to prepare notices of the forum.

- **Architectural Review:** Sara Harnish, Chair, reported: “The Architectural Review Committee met on June 20, 2024 with members Mary Pat Adams, Ken Rothstein, David Mills, Lynn Knoop, and Chair Sara Harnish present, as well as Board Liaison Bill Bennett and Robert Hedberg [General Manager] and Catherine Robinette [Recording Secretary]. The committee thanked the prior ARC members and expressed special thanks to Connie Winners for her hard work over the past year.

“Manager’s Report: Robert noted that there is \$50K in the Reserve Fund allocated for asphalt replacement that may not be needed, although some seal coating may be needed. Recent maintenance staff activity has involved fence replacement work, including at the West End and units 240, 241, and 196. The grounds crew has been doing a lot of tree trimming. The committee discussed the status of the zero to five rulemaking which has now been extended to January, 2025.

“Member Requests for Changes: The committee reviewed 7 member requests, none of which required a variance. One request regarding input on new plantings was referred to the Landscape Subcommittee. The applications are described fully in the minutes carefully prepared by Catherine and are in the Board’s packet.

“After completing the items on the agenda, the committee began a discussion of planting policy and whether the planting moratorium can now be lifted in light of the approved plant list developed in the landscape plan. The committee discussed potential efficiencies in allowing the gardening staff to replace individual plants after removal of a failing plant without requiring Landscape subcommittee and ARC review. This would not impact the need for the development of a design for larger areas where there has been extensive removal due to fire mitigation needs. More discussion is needed and input from the grounds staff, directors, and subcommittee members is planned.”

COMMITTEE REPORTS, continued

- **Fire-risk Assessment & Mitigation**: Brendan Kelly, Chair, reported: “The FRAM committee convened on 12 June 2024 at 2:00 pm. Present were: Brendan Kelly, Chair, David Delwiche, Robert Hedberg, Pat Ostrom, and Art Sutton.

“Mary Molle communicated by email that she will not be able to serve, and the committee **recommends** that the HCCA Board of Directors solicit nominations and appoint an additional FRAM committee member no later than 27 July 2024

“The committee reviewed the December 2023 FRAM report on short and long-term goals, and agreed that the **focus in this board year should be on long-term goals and maintaining the areas in which we have reduced fuels.**

“The committee discussed the **need to improve our secondary evacuation route** over the easement referred to as the “Ranch Road.” Two deficiencies in that route were discussed; substantial overgrowth along the right of way and a surface that probably would not support vehicles during wet weather. Quail Properties owns the property of that road, and Mr. Hedberg was prepared to provide an update on discussions with them on possible improvements, but that discussion was postponed by the chair. The committee also discussed the need to further explore **Cal Fire’s offer to clear the right of way** and whether they or other first responders might have an **interest in upgrading the right of way surface.** The committee discussed fuel reduction efforts that might be proposed for the grant:

- **Grass mowing (twice in the year)**
- **Pruning any canopies connecting across the berm**
- **Removing dead plant matter (down or standing) along the north side of the berm**
- **Removal of junipers that are up against buildings**

“The committee also laid plans for submitting a new application by 30 June for a **matching fuel reduction grant.** The committee agreed to accept the kind offer of resident **Cheryl Einsele to prepare the grant application and subsequent reporting.**

“Also discussed was how to value the importance of Hacienda **vegetation as wildlife habitat.** Ms. Ostrom is researching approaches used elsewhere and will share in a future meeting.

Pre-grant application consultation with Captain Ascarie

On 20 June, Captain Ascarie walked the Hacienda property with Brendan Kelly, David Delwiche, and Art Sutton to discuss fuel reductions that might be suitable for matching funds. Mr. Hedberg joined the latter part of that tour. The conclusions of those discussions were:

“Grass mowing remains the most important ongoing fuel reduction for the community, and [Captain] **Ascarie recommends that two mowings per year be in our grant application.** We discussed whether a third mowing might be advisable and agreed to monitor the height and dryness of the grasses through this summer to determine whether a third mowing is needed in which case we would add it to future grant applications.

COMMITTEE REPORTS, Fire-risk Assessment & Mitigation, continued

“[Captain] Ascarie **does not support removing dead plant matter along the north side of the berm** primarily because we have more than sufficient defensible space between that vegetation and community structures. He also cited concerns about the permitting constraints of disrupting vegetation stabilizing the riverbank.

“At the **northeast corner of our property**, however, there is a fairly flat area extending southward for considerable distance from the riverbank. The area has thick understory growth and many large trees. Committee members considered the area might be more conducive to removal of understory growth and limbing up of trees. Ascarie pointed out that there too the existing **defensible space was more than adequate** and such clearing would not warrant matching funds. The committee members present pondered whether such clearing might be desirable not in terms of fuel reduction but in aesthetic terms. They also discussed the challenge of ongoing maintenance expense the community would incur to subsequently maintain the clearing.

“Two locations where tree **canopies touch or nearly touch over the berm** were discussed with Ascarie. In neither case did he believe pruning of those trees was worthy for matching funds.

“While [Captain] Ascarie approved match for **removal junipers that were growing** against unit 185, he considered that a one-time approval and is **not inclined to see match** spent on other such instances. Nonetheless, the **committee members present recommend their removal** as part of our landscaping activities.

“Independent of the fuel reduction grant program, Ascarie did reiterate that he would support a request to clear vegetation along Ranch Road evacuation route using a remotely operated plant masticator. Cal Fire would not charge the community for that work as it would be in their interest to see the evacuation route maintained. Once the right of way is cleared, it may be possible to employ our staff to limb up trees in the area and include that work as match in future grant applications.

“That Cal Fire is inclined to fund without match the clearing of the evacuation route raises the question of whether they or other first responders might be interested in supporting upgrades to the surface of the Ranch Road.

“The committee members on the tour discussed Hacienda’s ever growing green waste pile with Mr. Hedberg and the need for a long-range plan to ensure that the pile does not encroach on neighboring property. Such a plan should consider some schedule for periodically removing some of that material from our grounds.”

- **Events & Entertainment:** Bill Bennett reported: “E&E has had a busy month since the May Board meeting. E&E’s goal is to get residents out of their units for community activity.

“Our annual Memorial Day Barbecue drew about 130 residents and guests despite the lack of sun. We received a lot of positive feedback about the event. We sponsored a patio tour on May 18th which was well attended, especially after the sun came out. Another well received event was the female singing group performance on June 9th in which approximately forty residents attended.

COMMITTEE REPORTS, Events & Entertainment, continued

“Future events include a performance on June 30th by renown pianist Gustavo Romero. An ice cream social to celebrate July 4th is currently in the planning stage by the committee.”

- **Ad Hoc Fire Alarm:** Art Sutton reported that there was no committee meeting this month. The committee is planning some in-service training of our staff to perform routine maintenance on the system, and the stocking of parts to streamline service calls. More information will be coming in the months ahead.

8. **UNFINISHED BUSINESS:**

- **Revisions to CC&R’s Section 10.6:** Jackie Graham read the report from Fran Baca on the requirement of members to submit their HO6 policies for a compliance check. “Of the 300 unit owners, we have not heard from 136. Of the 164 we have heard from, there are 54 outstanding requests for additional information – increase in loss assessment coverage, for example.

“110 members are in full compliance with the CC&Rs as written. Of the 110 members in full compliance, 106 have some amount of coverage for “building, building items, dwelling” in addition to the \$70,000 coverage for personal property per the CC&Rs. I kept track of this in anticipation of the CC&Rs being amended to delete personal property coverage, and add building/dwelling coverage. (That number will go up as many of the 54 members from whom we’ve requested additional information also have building/dwelling coverage.)

“When we resume this work, that is, what we need to do to follow up with the 136 members who haven’t responded, we will have to have a different procedure for obtaining the rental info, especially for the non-resident owners. We’ve received very little info re: the rentals.” **[At the subsequent Open Forum on July 8th, the Board announced that the Evidence of Coverage Requirement is put on hold until the CC&Rs can be corrected.]**

- **Proposal to Delay Loan Repayment/Transfer to Reserves:** Jackie Graham read the proposal from Fran Baca:
Facts
 1. On October 26, 2023, the Board levied a special assessment of \$235,000 and suspended two transfers from the Operating Fund to the Reserve Fund of \$48,048 each. This was done in order to make up for the shortfall in cash needed to pay the flood insurance policy of \$784,130.38 due on November 6, 2023.
 2. On May 15, 2024, during our first month of the current fiscal year we paid our package and liability insurance policies in full in the amounts of \$493,921.56 and \$47,085.77, respectively. We made the cash payments in full and will collect the revenue ratably over the next 12 months.
 3. As of 5/31/24, the general operating fund owes \$450,000 to the Reserve Fund and \$200,000 to the Solar Fund.
 4. Attached is a spreadsheet showing the estimated cash requirements for the payments of the bridge and flood insurance policies in November.

UNFINISHED BUSINESS, Proposal to Delay Payments, continued

“Proposal – delay repayments and transfers due to the Reserve Fund from the Operating Fund until after the bridge and flood policies are paid in November. (We have the authority to do this under Civil Code Section 5200(a)(3) which allows us to prepare our interim financial statements on the modified accrual accounting basis and Civil Code Section 5515(d), Temporary Transfer of Reserve Funds).

“Purpose – the purpose for this proposal is to get ahead of this never-ending borrowing curve and accrue the funds in the operating fund for payment of insurance premiums when they come due with little or no need for borrowing.

“Benefits to the Membership

Civil Code Section 5515(d) reads as follows:

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, after giving the same notice required for considering a transfer, and upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration.”

“Over the next two years, we can slowly restore the amounts due to the reserve fund and the solar account with minimal future borrowing. This will result in:

1. Larger cash balances in the reserve fund and solar account available for investment and earning interest. (Lost interest revenue on \$650,000 is estimated between \$20,000 to \$35,000 per year).
2. Reduced risk of special assessments.”

Mary Pat Adams made a motion to delay the monthly transfers and loan repayment from the Operating Fund to the Reserve Fund, until after the bridge and flood policies are paid in November. Ms. Tugwell seconded the motion which carried unanimously.

9. NEW BUSINESS:

- **Proposed Revision to Annual Board Procedures – Appointment of Finance Committee:** In order to comply with the recently approved change to committee appointments, approved by the Board, in which the committees will be appointed at the Organizational Meeting of the Board, held on the Thursday following the Annual Meeting, the Annual Board Procedures must also be updated to accommodate individual committees. Mr. Bennett made a motion to revise the Annual Board Procedures to accommodate appointment of the Finance Committee at the Organizational Meeting. Ms. Graham seconded the motion which carried unanimously.
- **Proposed Revision to Annual Board Procedures – Appointment of Investment Committee:** Ms. Adams made a motion to revise the Annual Board Procedures to accommodate appointment of the Investment Committee at the Organizational Meeting. Mr. Kelly seconded the motion which carried unanimously.

UNFINISHED BUSINESS, Proposal to Delay Payments, continued

- **Proposed Revision to Annual Board Procedures – Appointment of Events & Entertainment Committee:** Ms. Adams made a motion to revise the Annual Board Procedures to accommodate appointment of the Events & Entertainment Committee, and the Monthly Review of Accounts at the Organizational Meeting. Ms. Graham seconded the motion which carried unanimously.
- **Revision to Ground Rule 10, “Carport Parking”:** Mr. Sutton explained that last year the Board made changes to the Ground Rules to allow only one carport per unit. It is now time to review the Ground Rule to reassess the changes made. Mr. Kelly made a motion to institute a study to find a fair and equitable solution to the carport parking Ground Rule. Ms. Graham seconded the motion which carried unanimously. Mr. Sutton asked that discussion of the study be tabled until next month, when a committee to take on the subject can be appointed. The Board concurred.

10. COMMENT PERIOD FOR MEMBERS:

- Mary Lou Donegan, unit 291, requested that the generator be restored to Casa Fiesta.

Mr. Hedberg explained that for each building attached to the main generator, there is a switch. The switch for Casa Fiesta was defective and has been replaced, so the generator is working fine.

- Dale Agron, unit 297, is looking for a missing Toyota key.

- 11. ADJOURNMENT:** The meeting adjourned at 11:10 a.m. The next Regular Board Meeting will be held on Thursday, July 25th at 10:00 a.m. in Casa Fiesta. The Board will meet at 8:30 a.m. in the Durr Room prior to the open meeting.