

Date: January 20, 2011

To: Herefordshire Condominium Unit Owners

Re: Notice of a Special Meeting on Tuesday, February 8, 2011

A **Special Meeting** is being called by the Board of Directors of Herefordshire Condominium Association on **Tuesday, February 8, 2011 at 6:30 pm** at the Roy Library. If you are unable to attend, a Proxy form is enclosed for your use.

The subjects for consideration at the Special Meeting are limited to:

1. Report on an audit of the 2009 Association financial records (as requested and paid for by Ray Kimber).
2. Approval of the minutes of the Special Meeting of May 25, 2010 and the minutes of the Annual Meeting of June 24, 2010.
3. Hiring of a Property Management company in view of the resignation of our bookkeeper, Jessie Swenson, and the lack of Owners willing to serve on the Board.
4. Current status of the amended CC&Rs.

The audit review portion of the meeting will **not** be under the direction of the Board, and will be under the direction of Ray Kimber. Instead of being held after Association business is completed, it is being held at the beginning of the meeting for the convenience of the 2 members of the audit firm who will be here to explain the audit and answer questions, and so they can leave after the audit review is completed.

Herefordshire Condominium Board of Directors

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Brent Greenwood

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Jerry Walters

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Doug Zollinger

**HEREFORDSHIRE CONDOMINIUM ASSOCIATION  
SPECIAL OWNERS MEETING  
February 8, 2011**

**Notes on Ray Kimber's Audit Report**

An Audit Report (which was not part of the Special Owners Meeting) began at 6:30 pm. Ray Kimber introduced two members of the firm of Wood, Richards & Associates, Ryan Child and Cody Cardon, who presented their report on the audit of the 2009 financial records of Herefordshire Condominium Association (which was requested and paid for by Ray Kimber). Jessie Swenson, the Association's bookkeeper since January 2010, was also in attendance.

All Owners present were given a 6-page Independent Auditors' Report for the year 2009. Ryan Child explained that there are 4 categories of findings by the auditors: 1) unqualified (best), 2) qualified opinion (other than this area of the audit everything was okay) 3) adverse opinion (everything was bad), and 4) disclaimer of opinion (no opinion of the audit was given). Ryan said the audit findings on Herefordshire Condominium Association fell into the 4<sup>th</sup> (lowest) category because Brent Greenwood would not sign a certification letter sent to him by Wood/Richards stating that our bookkeeper, Sharm Christensen, had used acceptable accounting practices. Brent had been advised by both attorneys Richard Jones and John Romney not to sign the certification letter. However, Brent verbally advised Wood/Richards that he would sign a letter stating that the Board had provided all of the financial records of which he was aware of, but that was not acceptable to Wood/Richards. In view of that, Wood/Richards stated "the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements."

Cody Cardon then briefly reviewed 10 audit findings or issues that were set forth in the 6 page Auditors' Report. At the end of Cody's presentation Bud Carnahan asked Cody to give us his opinion on the 2008 law passed by the Utah State Legislature regarding additional reserves for condo associations (i.e., roofs, asphalt, water and sewer lines. He stated it was up to the individual Associations whether the funds to be put into these reserves would be paid monthly, by special assessment or a combination thereof. He also stated that money could be transferred from one fund to another by a majority vote of the owners.

Following the Audit Report, Ray Kimber asked the owners to join him in a round of applause for Jessie for her accurate bookkeeping since she became our bookkeeper in January 2010 since she is resigning effective March 1, 2011.

**Minutes of Special Owners Meeting**

Jerry Walters, president of the Board of Directors, opened the Special Owners Meeting at 7:12 pm. Other Board members present were Geoff Cox and Doug Zollinger. Owners from 19 units were present, plus the son of one owner, and 8 units were represented by Proxy.

**Approval of Minutes:**

Ann Walters moved to approve the minutes of the Special Owners Meeting of May 25, 2010, as amended. Bud Carnahan seconded. The vote was unanimous. Ed Hahn moved to approve the minutes of the Annual Meeting of June 24, 2010. Karren Petteys seconded. The vote was unanimous.

**Hiring of a Property Management Company:**

(All Owners present were given a copy of a 2-page HOA Management Contract and Contract Comparison Sheet.) Jerry Walters stated in view of the resignation of our bookkeeper, Jessie

Swenson effective March 1, 2011, the Board began looking at management options. Jerry Walters and Geoff Cox checked into 2 firms that had been previously recommended by other association members: Welch-Randall and Alliance Property Management, and Jan Carnahan got good references from HOAs managed by both companies. Then Jerry went through and made comparisons between the two companies. Welch-Randall is larger and has been in business longer (since 1972) than Alliance (since 1999). The contract term is 1 year. Welch-Randall has a 30-day cancellation policy and Alliance has a 3-month cancellation policy. Alliance has a \$250 set-up fee but Welch-Randall agreed to wave their fee. The minimum monthly fee for Welch-Randall is \$450 (\$11.25 per unit) and Alliance's is \$600 (\$15 per unit). Welch-Randall agree to include management of the RV Lot in their contract, Alliance would charge extra. Welch-Randall will email invoices to the Board for approval prior to issuing any checks. Board members will no longer sign checks. Alliances policy is to independently pay any invoice that is under a specified amount. Welch-Randall has a website owners can use to access association documents and reports. They also have a separate accounting portal for individual account statements and the payment of monthly maintenance fees, and an association portal for access to the association's financial records and reports. Both portals are only accessible with individual user name and password authorization. Alliance does not offer this feature. Welch-Randall also is working with 2 CPAs and has open access to legal counsel. Alliance has no CPA but does have a business relationship with a legal counsel. Welch-Randall has 2 full-time maintenance men plus a part-time handyman. Alliance only has a part-time contractor.

Jerry said in view of the comparisons, the Board has decided to go with Welch-Randall effective March 1<sup>st</sup>. Ray Kimber stated that he has also checked into Welch-Randall and was satisfied with their service, and made a motion to confirm the Board's decision to hire them effective March 1<sup>st</sup>. Clint Ward seconded. The vote was unanimous

Owners will be notified of where to send their monthly maintenance fee payments, direct deposits, etc. (Welch-Randall is "paperless" so will email monthly maintenance fee notices and monthly financial reports (or put them online). The owner's will be responsible for a minimal additional charge to send hard copies to those without Internet access. Owners will also be notified to call Welch-Randall with all maintenance requests, and will be given the phone number (plus their 24-hour emergency number). Welch-Randall will coordinate with the Board on any maintenance concerns and do bi-weekly property inspections. The Association will continue to use our snow removal company for the present, but will compare services and fees with other contractors including those that Welch-Randall currently uses.

#### **Current Status of Rewriting the CC&Rs:**

(All Owners present were given a 2-page summary on the CC&Rs.) Bud Carnahan gave the following update. At the unofficial discussion on January 11 (after the cancelled Special Meeting) 6 Owners either volunteered, or were volunteered, to serve on a committee. One could not serve but the following are on the committee: Bud Carnahan, Ray Kimber, Carlene George, Janice Hansen and Diana Miller Walker.

Bud explained the following. The 2001 Declaration to the CC&Rs is not legal. Despite prior legal counsel's advice it is unlawful to attempt to change from a Condo to a PRUD, and it has caused confusion regarding ownership and insurance coverage. The CC&Rs committee proposes to solve the problem by rescinding the 2001 Declaration and the 2009 Amendment (which refers to the 2001 Amendment) and create an Amendment to the original 1973 Declaration. This would assure compliance with Utah state law, the Condominium Act and Non-

Profit Corporation Act. The language will also be simplified to make it more understandable for owners, realtors and buyers, and would eliminate confusion. They would also reduce the volume of the document and facilitate future amendments as well as creating a separate Bylaws document. The committee review is about 75-80% complete, and hopefully the draft Amendment and Bylaws will be finalized and ready for review by owners by April 1<sup>st</sup>. Then there will be a complete legal review by a different attorney before obtaining the required approval of 2/3 (27) of the owners before the documents can be recorded with Weber County.

Bud asked for owner input on the Restriction on Rentals. At the May 2010 Special Meeting the owners approved Bylaws with a limit on rental units of 15% (6 units) with a maximum lease term of 18 months and a 6 month vacancy between leases (to discourage people from buying units as “rentals”). Bud said the committee proposes increasing the maximum lease term to 24 months with a 6-month vacancy between leases. They also propose that units occupied by owners for over 3-5 years be grandfathered in to allow for up to 2 back-to-back 2-year leases followed by a 6-month vacancy period. They also propose adding a clause that a caregiver, related or non-related, can reside in the unit while the owner is present. They also propose adding a “special hardship clause” should there be an emergency reason for the owner to have to rent their unit, and that a unanimous decision by the Board could approve a deviation from the approved Bylaws to increase the numbers of units for rental or deviate from the other stated requirements.

Bud also discussed the 2008 law passed by the Utah Legislature that makes it mandatory that by 2012 all condo associations are to have a reserve plan and additional reserve funds for: 1) roofing, 2) asphalt, 3) sewer and 4) water. This is separate and in addition to our emergency Reserve Fund of \$40,000. The Association needs to approve a plan for meeting this legal requirement, and determine how much money will be put into each of the 4 above maintenance/repair reserves. The estimated cost is \$120,000-\$150,000, and would require \$50-\$62.50 per month in additional maintenance fees for the next 5 years, a special assessment, or a combination thereof. In case of an emergency, the money in these reserve funds could be shifted from one fund to another with approval of a majority of the owners. Since this reserve plan needs to be incorporated into the Bylaws, Bud asked the owners for their input on how to fund these reserves. Only 8 owners indicated they wanted to pay it monthly. The status of these reserve funds must be disclosed to all owners, realtors and prospective buyers.

Bud said owners are welcome to come to the CC&Rs committee meetings, which are held on Tuesday, and Friday evenings.

**Adjournment:**

Ann Walters moved to adjourn. Janice Hansen seconded. The meeting adjourned at 8:20 pm.

# Herefordshire Condominium HOA Management Contract Comparison

February 8, 2011

	Welch-Randall	Alliance Property Mgmt
<b>Business</b>		
Realtor/Broker	since 1972	Realtor 5 years - Broker 2 years
Property Mgmt	since 1972	Since 1999
HOA Mgmt	since 2006	Since 2007
Professional Associations	Utah Apartment Ass. (UAA)	National Ass. of Realtors (NAR)
National Ass. of Realtors (NAR)	National Apartment Ass. (NAA)	National Apartment Ass. (NAA)
Utah Association Realtors (UAR)	National Ass. Residential PM (NARPM)	Community Associations Institute (CAI)
	Northern Wasatch Ass. Realtors (NWAR)	
Licensed, Insured & Bonded	Yes & Construction Mgmt Liscence	Licensed/ Insured bonding @ HOA expense
Professional Staff	5 - Property Mgrs. 1 - service rep 3 - full time accountants + part time	1 - Property Manager 1 full time office staff & 2 part time
<b>Clients</b>		
HOA Associations	11	4
References	5 - Recommend to highly recommend	2 - Recommended
<b>Contract</b>		
Term	Annual	Annual
Cancellation	30 - days	3 - months
Account set up fee	No - depending upon time window	\$250
Monthly Fee	\$450.00 or \$11.25 per door	\$600.00 or \$15.00 per door
RV Lot Mgmt	Included - depending effort	Not included
<b>Financial Management</b>		
Mailing address	PO Box	Business Address
Web site	<a href="http://WelchRandall.com">WelchRandall.com</a>	<a href="http://www.apmutah.com">www.apmutah.com</a>
Web site document storage	Yes	No
Accounting Software	<a href="http://apfolio.com">apfolio.com</a>	Property Ware
Online access	Residents - Personal accounts	No
Online access	Board - Association Accounts	No
Business communications	Paperless	Email & hardcopy
Monthly reports	Email & online	Hardcopy at additional cost
Other reports, invoices, etc	Hardcopy at additional cost	Hardcopy at additional cost
Maintenance Fee Payment	Online, direct banking or check	Direct banking or check
Invoice payment	Bi-monthly review w/30-day terms	Bi-monthly review w/30-day terms
Invoice approval	Email	None if under specified amount
CPA - Primary	Wisn, Smith & Prescott - SLC	None
CPA - Secondary	Adams & Peterson - Layton	None
Bank	Chase Bank	Key Bank
<b>Legal Counsel</b>		
	(with open access to legal counsel)	
Primary	Walt, Merrill & Garn @ \$175/hr	Walt, Merrill & Garn
Secondary	Rich Jones/consultant	None
<b>Maintenance</b>		
Staff	2 - Full time facilities maintenance men	None
Hourly Rate	\$42.50/hour	
Contractor	Part-time handy man	Part-time general contractor
Hourly Rate	\$45.00/hour	\$25.00/hour
Grounds Maintenance and Snow Removal	Will work with existing contractors Ben Lomand Landscaping TRM Landscaping	Will work with existing contractors Will not share contractor information
	or will provide competitive bids	or will provide competitive bids
Specialty contractors	Will provide competitive bids depending on level of urgency	Will provide competitive bids depending on level of urgency
<b>Property Management</b>		
Meeting attendance	Quarterly	Monthly
Develop management plan	Yes	No
Professional training	Yes	No
Budget/cash flow projections	Yes	Yes
Property inspections	Yes bi-weekly	Yes bi-weekly
Develop emergency plan	Yes	No

# Herefordshire Condominium CC&Rs Status Report

February 8, 2010

## Problem

- The 2001 Declaration to the CC&Rs is not legal
  - Declaration instead of an Amendment as required by the original Declaration
  - Resulted in unlawful attempt to change from Condo to PRUD
    - Confused ownership
    - Confused insurance coverage
  - 2009 Amendment referred to 2001 Declaration

## Objectives

- Rescind the 2001 Declaration and the 2009 Amendment
- Create an Amendment to the original 1973 Declaration
- Assure compliance with Utah State law
  - Condominium Act
  - None-Profit Corporation Act
- Simplify language to make it more understandable
- Eliminate confusion
- Reduce volume of document
- Facilitate future amendments

## Plan

- Restructure CC&Rs to create three separate documents
  1. Amendment to rescind 2001 Declaration and 2009 Amendment
  2. Amendment to CC&Rs
    - Define governing requirements
    - Reduce volume to improve understanding for owners, realtors and buyers
    - Requires 2/3 majority to amend
  3. Create separate Bi-Law document
    - Define operational requirements
    - Changes can be made independently with simple majority approval
- All three documents are to be recorded with the county at the same time

## Status

- Committee review 75 – 80% complete

## Schedule

- Draft amendment to finalized for owner review by April 1
- Complete legal review
- Obtain owners signatures
- Record the documents with the county

## Discussion

### 1. Restriction on Rental

- Finance companies restrict loans to HOA associations with rental occupancy above 20% (8 units)
- Bi-Law approved at May 2010 special meeting
  - Limit rental units to 15% – or 6 units
  - Maximum lease term – 18 months with 6 month vacancy between leases
    - Queue restarts at end of each lease
  - Existing rentals grand fathered for 2 years
- Proposed Bi-Law
  - Increase maximum lease term to 24 months with 6 month vacancy between leases
  - Units occupied by owner for over 5 years
    - Grand fathered to allow for up to two back to back 2-year leases followed by 6 month vacancy
    - Queue starts over after second 2-year lease
    - Qualified to increase rental limit to 20% - 8 units
  - Units occupied by owner for less than five years
    - Rental limited to 24 month lease followed by 6 month vacancy
    - Queue starts over after 2-year lease
    - Rental units limited to 15% - or 6 units
  - Additional clauses
    - Unanimous decision by board required to approve special hardship deviation from approved bi-law
    - “Nothing herein shall prohibit an Owner from permitting a caregiver, related or non-related, from residing in his or her Unit, while the owner is present.”

### 2. Reserve Plan

- 2008 State Law effective 2012
  - Requires specific categories of reserves for maintenance and repairs
    - Roofing
    - Asphalt
    - Sewer
    - Water
  - Separate from Emergency Funds
    - Deductibles
    - Non-routine maintenance
- Reserve Plan Options:
  - 1) Full funded cash account
    - Estimated cost \$120,000 to \$150,000
      - Requires \$50.00 to \$62.50 per month in additional maintenance fees for 5 years
  - 2) Agreement by owners to fund with Special Assessment as required
- Document approved plan in Bi-Laws
- Special Reserve Fund status must be disclosed to all unit owners, realtors and prospective buyers