

QUADNA MOUNTAIN TOWNHOUSE ASSOCIATION
MINUTES OF
ANNUAL MEETING
JUNE 5, 2010

I. The meeting was called to order by President Bob Madsen at 10:00 a.m. The official sign-in list will be attached to the master copy of these minutes.

II. **Minutes of the Last Meeting**

Minutes of the last annual meeting were mailed to each owner following the meeting and are also available for review on-line at www.qmta.org. There were no corrections or additions. A motion was made, seconded, and passed to approve the minutes.

III. **Treasurer's Report**

Treasurer Nancy Deaton presented the financial report. Highlights included:

- 2009 Association Fee Revenue \$215,000, 2009 expenses \$233,000; cost per unit per month \$209, 2010 projected to be \$230 per unit
- 2009 Financial Results; Villas chargeback's decreased, property insurance premium increased substantially due to claims, sewer charge stable in 2009, jumped from \$29 per unit to \$45 in 2010. Treasurer Deaton stated that cost saving measures plus fee increases will be necessary.
- Accounts Receivable--current delinquencies are nearing 38K (33K from three properties)
- Discussion Items –
 - Fee changes will be effective August 2010
 - Variable costs will be reduced where we can – reduced work schedules of our maintenance staff; trash hauling will be limited; we may outsource some lawn care; etc.
 - The sewer increase is still being negotiated with the City – it is possible that the City will bill owners directly for sewer. Director Dupre discussed the City policies for sewer, the proposal that the Board is making, and commented this issue may have to have a legal ruling. If it is determined that the City will bill for sewer directly, some fees will be backed out of the QMTA monthly assessments.
 - Need to start funding common property reserve account. Member Sharon Hoium suggested using outside income as the reserve fund.

IV. **Excess Funds**

President Madsen discussed the need for a resolution transferring excess funds to the reserve account. The following motion was made, seconded and passed:

RESOLVED, that any amounts collected by or paid to the Association in excess of operating expenses for the year ended December 31, 2009, shall be set aside for future major repairs and replacements and allocated to capital components as provided by the guidelines established by Revenue Rulings 70-804, 75-370, and 75-371. Such amounts shall be deposited into insured interest-bearing accounts. Any amounts so added to replacement funds shall be allocated to the various components at the discretion of the Board of Directors.

V. **Board Elections**

Director Kelsey Gustafson represented the Nominating Committee. He stated that one member of the Board whose term was up (Nancy Deaton) had agreed to again be nominated for a 3-year term. He called for nominations from the floor before closing nominations. A motion was made, seconded and passed for a vote of acclamation of the nominee.

Director Gustafson also requested a new volunteer to replace Joanne Madsen as secretary. He stated a letter will go out shortly with the request.

All owners were encouraged to participate in Association activities.

VI. **Maintenance Report**

Vice President Dupre highlighted the following maintenance activities of the past year:

- Sidewalks replaced in Buildings 2 and 5
- Sewer pipe under sidewalk in Building 5 insulated against freeze-ups
- All out buildings, woodsheds, and dumpster surrounds are being painted to match new siding color
- Dead or nuisance trees are being removed or trimmed
- Tennis courts are scheduled for repair this summer
- New pool brought up to County, State and Federal requirements
- Old pool brought up to County and State requirements and scheduled to bring up to Federal requirements after closing this summer
- Maintenance cost cutting labor schedule to be implemented this winter
- Dave Ingwell planning retirement June 2012

VII. **Building Restoration**

Vice President Dupre discussed the renovation process and status. He stated that five buildings were selected for a fall 2010 renovation. These buildings are 3, 6, 7, 9, and 10. The Board hired an independent consultant, Gary McInerney, Wellson Group, Grand Rapids. The first task of the independent consultant was to update the building specifications.

The building specifications were issued to six contractors:

- All Star Construction, Maple Plain, MN
- JTR Roofing, Inc., Lake Elmo, MN
- North Country Quality Builders, Inc., Big Lake, MN
- Columbus Exteriors, Inc., East Bethel, MN
- Hetletvedt Homes Inc., Hill City, MN
- Graphic Custom Homes & Landscaping, Cohasset, MN

Each contractor was provided a tour of the facilities identifying work and options. Bids were received ranging from \$1,381,137 to \$693,275. Columbus Exteriors, Inc. was selected based on cost and qualifications. Their bid is \$798,596.

Unit assessments were calculated and mailed to each owner. The assessment was based on unit size and work required. An assessment due date of July 15, 2010 was set.

Vice President Dupre stated that work is expected to start after Labor Day and to take approximately 90 days.

There were some questions and discussion from members. The owner of 351/352 questioned an issue of two association fees for her 4-bedroom unit. The invoices will be reviewed and corrected as necessary. Member Len McLaughlin had some suggestions regarding decking materials. He stated the contractor should not put plastic under the decking since it is a mosquito breeding ground. He also suggested that better quality decking be used. Member Colleen Richards expressed concern about today's costs for renovation based on what Building 4 and 5 owners paid.

VIII. **Legal – Proposed New Legal Documents**

President Madsen briefly discussed the background of our current legal documents for the benefit of new owners:

Governing Documents

Our legal documents – Articles, Bylaws, and Declaration – are the governing documents. Governing documents can be thought of as the Associations Constitution. It is essential that these documents are

clear and unambiguous in their meaning, and comprehensive enough to address the many issues which can arise in a property such as QMTA. Without this sound foundation, policies and operating decisions can become subjective in nature and subject to challenge, fostering disputes and ill-will.

Current Documents

The Association's documents date back to 1974. We have seen dramatic changes in our community including demographics, migration from resort rental units to vacation homes and permanent residences and requirements for common property and townhouse renovation improvements. It has become increasingly difficult to manage the changing needs of our Association.

Minnesota Common Interest Ownership Act (MCIOA)

QMTA has not been alone among townhouse and condominium associations in their need for better governing documents. In 1994 the Minnesota Legislature enacted statute 515B, better known as the Minnesota Common Interest Ownership Act. This Act provided protection and benefits to both owners and management of Associations such as ours.

President Madsen suggested interested members Google MCIOA on-line to understand the statute and requirements/alternatives.

Decision to Update Legal Documents

In our Annual Meeting in May 2009, we announced that the Board would proceed with the task of updating our legal documents based on increasing challenges to manage the business of the Association, increasing legal costs, recommendation of our attorneys – Felhaber and Larson – and primarily the benefits for our Association and all of us as owners.

President Madsen next discussed the process bringing us where we are today:

Association Management Requirements

Association management requirements were reviewed, issues identified and requirements documented. Included was insurance, fire restoration, assessments, reserve funds, common properties/unit restoration, fee collections, foreclosures, rules and regulations, environmental control, financial requirements and other Association matters.

On-site Review

On-site review of our property and Association by Omega Management, Inc. Omega is our current financial accounting firm. They manage over 40 associations. Dave Stendal is the President and owner of Omega and is directly involved in handling our requirements of the legal document change personally. Review results were incorporated into the new legal documents.

Legal Support

There was review of requirements and discussions of MCIOA with our attorneys. We also reviewed with them the multiple legal opinions/actions and associated costs. Felhaber and Larson has represented our Association since 1981. Felhaber and Larson is premier Twin Cities law firm with expertise in townhouse association and condominium law.

With knowledge of MCIOA and the information documented in our study/review, Fred Krietzman, Felhaber and Larson, provided an update of our legal documents.

Board Review

A complete set of the updated documents included Articles, Declaration and Bylaws. Further review was done with the attorney and Omega Management (Dave Stendal).

At a Board meeting on May 1, the Board spent several hours reviewing the proposed documents and making suggested changes. A second complete version was updated and reviewed by the Board. Subsequently, multiple review meetings covering specific areas and adjustments were documented.

We had hoped to have a draft of the documents prior to this meeting. These documents are critical to QMTA. Therefore, with input from our attorney and Omega, it was determined to present the documents to owners at our September meeting. Our attorney, Fred Krietzman, and Dave Stendal from Omega Management plan to be available at this meeting.

Open Issues

Issues relative to implementation of MCIOA requirements

- Classes for maintenance/billing
- Legal issues regarding Lot descriptions (attorney proceeding to correct)
- Common Property Reserve Fund
- Building Reserve Fund (Following Restoration of ALL Buildings)

President Madsen went on to identify key benefits of new legal documents:

Protection under MCIOA

Designed to ensure the management of Associations in accordance with the law and preserve the rights and property of the owners.

Reserve and Renovation Plan for Common Properties

Required by MCIOA. Provides for a plan, schedule, costs, and implementation of Common Properties improvements.

Long-Term Building Reserve Plan

Required by MCIOA. Protects and identifies completed renovations and the process to assess pending renovations. A methodology for long term reserves is defined.

Collections, Liens/Foreclosures

Structured methodology to handle these under MCIOA. Includes automatic liens for unpaid assessments and six months of assessment lien priority over certain mortgage holders which foreclose mortgages. We have experienced significant losses in collections, lien/foreclosures in 315 and 303. Could total 30K.

Legal Fees

Legal Fees will be reduced substantially. Thousands of dollars have been spent on legal interpretation of old documents, foreclosures and collections.

Insurance

Owner/Association Requirements defined. Scope of coverage documented. Deductible requirements spelled out. Substantial potential savings for Association on insurance premium. Ability to allocate based on unit class.

Rules and Regulations

Policy and requirements clearly defined with remedy/resolution processes. Ensures fair and equitable treatment to all owners.

Maintenance and Repair Obligations of Association and Owners Defined

Clearly defined and incorporated into legal documents. Defines association and owner responsibilities for grounds, amenities, utilities, building exteriors, building interiors, and miscellaneous.

Assessments

Assessment criteria for buildings, common properties and operating expenses defined.

Treatment of Timeshares Defined

Current timeshare units would be grandfathered in. Further timesharing would not be allowed.

Rental Leasing Treatment Defined

Unit leasing, QMR rentals, RCI, policies and processes included.

Architectural Management and Control

Architectural control standards and the procedures owners must follow are clarified and documented.

FHA Provisions

Necessary language to support FHA is included. Those requirements should enhance the availability of loan financing on the units in the long term and particularly in weak financing markets.

Clarification of Board Policies, Procedures and Operating Requirements

Various requirements and processes Board must conform to, including annual reporting, open Board meetings and published minutes, matters of owner voting, number of Board members/terms, clear assessment procedures, Board member indemnification.

President Madsen discussed the action plan to complete the new legal documents:

- Open issues must be resolved by Board
- Drafts will be delivered to owners
- Owners will review, suggest changes
- Changes will be finalized
- There must be approval by 67% of the owners (63)
- Following approval by owners, there must be approval by 51% of lenders
- Finally, there will be filing and adoption of the new legal documents

In closing, President Madsen stated We Need Your Help!

We need your help and expertise to support this important effort. If you have experience in townhouse management, are a lawyer, an accountant, or have an overall or specific interest in this effort we welcome your involvement. Our target is to complete the approved draft for the owners in September.

In the question/answer period following, it was pointed out that the potential savings in insurance premiums alone indicate it is in the best interest of the membership to approve the new legal documents.

IX. **Old Business** –

President Madsen highlighted the accomplishments of the Board during the past year:

- Completing Building 8 fire restoration
- Completing Building 8 renovation
- Insurance Change – multiple bids, decreased cost from 40K to 20K
- New Sidewalks – Buildings 2, 5, and 8
- Renovation Project Underway – Buildings 3, 6, 7, 9, and 10
- Professional Management Study – 3 Bids
- Sewer Increase Issue
- Water Problems – Softeners, Etc.
- Maintenance Service Policy
- New Legal Documents Project
- All Regular Maintenance Projects and QMTA Operations Requirements

X. **Other Old Business**

Member Mike Laudise discussed progress he and Lenny Schultz had on a plan to expand dock space. He reported there had been some thievery at the dock. He recommended security signs and a solar security light at the dock. He stated after many conversations with the DNR, he had finally been successful in reaching the right

department – the Aquatic Plant Department – and had paid for and received a permit to cut some weeds on the land side of the dock, allowing boat parking on the back side. President Madsen told him he could be reimbursed for the \$35 out-of-pocket expense for the permit. There was other discussion from members indicating campers have been found to use our dock. A suggestion was made that all members have a Boat Parking Permit indicating the boat is authorized to be at the dock.

XI. **New Business**

A. Golf Carts – President Madsen stated that Joanne had talked with city officials and understood that the trail could be used by owners on their golf carts. She stated we could have this privilege as long as we behave ourselves. If the privilege is abused it will be taken away. Member Nancy Laudise stated they had been ticketed by the DNR while using the golf cart on the trail. Member Joanne Madsen agreed to check further with the city.

B. Energy – Water Supply/Waste Water

Director Dave Traut gave a report on water supply/waste water.

Water Supply: Wells and water supply system. All the wells and pressure tanks were checked in the spring of 2010. Several tanks were found to be bad in some of the pump houses. The bad tanks were replaced by Dave. One additional tank was found to be bad under the crawl space in Building #9 and still needs to be replaced.

Waste Water: The waste water is piped to Hill City. They have taken a huge increase in fees. Directors Traut and Dupre went to a city council meeting and discussed options of what can be done to lower and stabilize costs. The city allowed us to present our case (they had a proxy or fill in mayor for this meeting). They did not provide any favorable reply as to being able to give any reductions.

We offered to install meters on the remaining well buildings if we could get a volume break (as we are very seasonal). We got no reply on this item.

Director Dupre then explained that the city is getting a sweet deal (as QMTA is collecting fees from abandoned and unoccupied units and is paying for services that are not being used). Directors Dupre and Traut commented to the city that there is a value to the city by not needing to bill each unit separately. They also stated if we cannot get some relief that the city can bill each unit and try to collect from absent owners. This would be a negative for the city.

The current charges from the city are \$30.00 base charge and \$15.00 surcharge per month.

C. Energy – Electrical (Report from Director Dave Traut)

Dave Traut met with Jeff Sheldon from Lake Country Power (1-800-421-9959 or www.lakecountrypower.com). Dave provided a summary of energy saving opportunities based on his discussion with Jeff.

Electrical: Residential side:

Jeff commented that all owners should check into the “dual fuel rates”. We can be saving at least 50% on our electric heating costs.

Jeff indicated that all that is needed to qualify for dual fuel rates is a qualifying LP fire place or gas furnace which many owners already have. The next requirement is to have a qualified electrician install a “sub meter”. This cost will vary per unit based on the meter location, etc. Jeff stated the typical cost for a second meter is \$800.00. This should translate into about a two year payback based on some unit analysis he has done.

According to Jeff and published website data the “dual fuel “ rate is equal to paying between .96-to \$1.23 per gallon for LP.

If owners wish to contact Jeff with your specific account number he can pull up your account and give a very accurate analysis on paybacks, etc.

Electrical : Commercial side:

Dave checked into the changing of CFL bulb VS the standard bulbs in our common fixtures (yard lights). According to Jeff we can save about \$2500.00 per year with energy efficient CFL's. Additionally, we can file for the rebate. Estimated cost for each bulb is \$2.00 and Lake Country will rebate us \$4.00 per each (This is really a no brainer and Director Dupre will work with Dave Ingwell to get this done. It is money in our pocket).

Jeff indicated that he will come back later this summer and do a commercial account audit with Dave Ingwell, and see where we can save more money, Ideas Jeff threw out are pool covers, off peak pool heating security lights, speed controlled pool pump motors, etc.

In conclusion we may need to invest some money to save money in the energy department but one thing is for sure: costs of energy will keep going up.

D. Team Cleanup – Kelsey Gustafson

Kelsey Gustafson is coordinating some owner cleanup sessions. Ideas are for painting, clearing brush from woods, etc. Please contact him via e-mail (mailto:kelsey@gmail.com) or through our web site qmta@qmta.org to let him know of your interest.

- XII. The meeting was adjourned at 12:50 p.m. **Please note the Fall meeting is planned for Saturday, September 25, at 10:00 a.m.** We will be sending a meeting notice, however, wanted to give you this date for planning purposes now.

Joanne Madsen, Secretary