

Meeting Minutes

Special Meeting of the Board of Directors of the Rocky Ridge Properties Owners Association

Meeting Date: November 24, 2019

Location: Telephonic

Scheduled Meeting Time: 2:00 pm

Notice of Meeting: Bill (Yates) Bauder confirmed that he provided notice to the property owners of the board meeting in accordance with the requirements of the Association's Bylaws (e.g., by the means permitted by the Bylaws and with sufficient advance notice to comply with the Bylaws).

Quorum: Steve Dohrmann, Bob Schuchardt, Laura Bertone, Frank Pagliaro, Nick Farwell and Bruce Shepherd were in attendance (each participating by dial-in to the teleconference call); accordingly, a quorum of directors was present. Yates also attended the meeting from the Rocky Ridge office in the building behind the real estate office (the building near the Rocky Ridge entrance gate). Director Curtis Sproul did not participate in the meeting.

President Steve Dohrmann called the meeting to order at 2:05.

1. **Approval of Minutes of 11-19-19 Board Meeting.** The minutes for said board meeting, in the form circulated to the directors, were approved. Nick motion; Frank second; 6-0 vote.
2. **Fire Insurance Update / 2020 Budget Approval:**
 - Yates reported that he heard from Chuck Ott of Heffernan (the Association's insurance broker of record) on Friday night. Chuck had not received additional offers from insurers with respect to the Association's 2020 fire insurance coverage; at present, the best offer is from Lloyds (for \$5,000,000 of coverage at a premium of \$225,000). If the Association selects such coverage, it also will want to procure \$45 million in secondary layer fire coverage. Chuck has not yet received offers for the secondary layer fire coverage, but he anticipates such coverage should be available for a premium not to exceed an additional \$100,000.
 - Chuck also is working with an insurer out of Texas ("Tech"?) which has suggested that it may be able to provide fire coverage for a lower premium. Chuck anticipates that he will get a more definitive answer from Tech by Wednesday. Frank cautioned that before jumping into coverage from Tech, the board should work with Chuck to better understand the background and capability of Tech (e.g., whether Tech is an admitted insurer in the State of California). Frank offered to look at background materials once they are made available through Chuck.
 - In the meantime, the board needs to adopt its annual operating budget and set the quarterly regular assessment amount to be charged to homeowners/members. Since insurance is a meaningful part of the operating budget, it is difficult to establish a budget, and to calculate a fixed assessment amount, in advance of finalization of the fire insurance premiums. Nonetheless, the board needs to be in a position to pay premiums so it can establish fire insurance effective January 1, 2020 (the Association's prior coverage expires 12-31-19). The situation is further complicated by the fact that an increase in regular assessments that is greater than 20% is subject to approval of a majority vote of a quorum

of the homeowners. The procurement of fire insurance for an aggregate premium of \$325,000 will lead to an increase in the regular assessment greater than 20%. So... the board determined that it is appropriate to proceed immediately with an election to confirm whether the homeowners/members will approve a potential increase in the regular assessments. This will permit the voting to be completed before 12-31-19 (which in turn will put the Association in a position to procure fire insurance effective 1-1-20, if the homeowners/members vote to approve the potential increase in regular assessments). More specifically, the board adopted the following motion (motion by Bruce; second by Laura; 6-0 vote):

- i. The board approved a budget for the 2020 calendar year in the form attached. The budget assumes aggregate fire insurance premiums of \$325,000. The resulting annual costs will require an increase in the regular assessment charged to homeowners/members to \$12,660 per year (\$3,165 per calendar quarter).
- ii. The board confirmed with Yates that it and he have scrutinized the operating budget for 2020 and have eliminated or reduced any expenditures which Yates and the board believe to be reasonably deferrable without material adverse impact to the Association. The board and Yates also continue to scrutinize the Association's proposed capital expenditures, and the board will work with Yates to reduce or defer capital expenditures so long as the same does not threaten to result in meaningful greater long-term expense to the Association. The board has taken these steps with an eye upon mitigating the effect of the increase in fire insurance premiums.
- iii. The board approved the holding of an election authorizing the above-described increase in the periodic regular assessments charged to homeowners/members. The board will send out ballots to homeowners/members by 11-26-19. The deadline for return of ballots will be 12-26-19. The ballots will be counted at a board meeting on 12-27-19. Ray O'Neal will serve as the Inspector for the election.
- iv. Separately, Steve and Yates will send out to homeowners/members a notice (or email) describing the practical challenges which the board is facing this November in dealing with the fire insurance market chaos. The notice will note, among other things, that:
 1. The board has scrutinized the operating and capital expenditures planned for 2020 so as to mitigate, to the extent reasonably possible, the effect of the increase in fire insurance premiums (and the resulting increase in the regular assessments to be charged to homeowners/members). Yates and the board do not see other cost savings that reasonably can be enacted so as to mitigate the increase in fire insurance premiums.
 2. The board will continue to pursue other fire insurance quotes. The board anticipates that it will receive additional quotes during the first few weeks of December. If the board can find coverage which it views as "better" (including most importantly in terms of premium amounts), then the board will consider procuring insurance through the better quote (rather than through the Lloyds quote).

3. The board is proceeding with the vote on the increase in regular assessments so as to assure that the Association is not left with an uninsured time gap (i.e., after 12-31-19) with respect to fire insurance. In a sense, should the homeowners/members approve the increase in regular assessments through the vote mechanism, then the vote will provide practical comfort that the Association will be able to procure fire insurance, even in a “worst case” scenario (i.e., even if the Association does not receive more favorable fire coverage quotes).
 4. If the homeowners/members do not vote to approve the potential increase in regular assessments, then the Association may not have the resources to procure fire coverage which the board views as minimally adequate (e.g., with at least \$50,000,000 in aggregate coverage).
- The board members were unanimous in commenting that if more favorable fire coverage can be obtained, then any premium savings should be passed along to the homeowners/members through a reduction in subsequent 2020 regular assessments. Board members also noted that our insurance broker anticipated that the increase in 2020 fire insurance premiums will prove to be transitory – as competition works its way through the market place, the broker is optimistic that the premiums will come back down (at least to some extent) in future years. The board members commented that they would hope to pass along any such savings through reductions in future regular assessments. Of course, predictions as to future fire insurance premiums are speculative, and we cannot rely upon them. That is a major reason why the board has gone ahead and proposed the current increase in the regular assessment – while no one wants to pay higher periodic charges, the board feels it is important to maintain the Association’s history of maintaining appropriate and conservative fire insurance for the development, even though that can cause our regular assessments to spike periodically.
3. **Short Term Rentals.** The board noted that the Placer County Board of Supervisors adopted a new ordinance applicable to short term rentals. Briefly, the ordinance precludes owners of units in the Tahoe City area from renting their units for period less than 30 days unless, among other things, (i) the owners both obtain a permit from the County and pay any associated transient occupancy taxes and (ii) the owners have a local property representative that is available of a 24/7 basis to address problems arising with respect to the short term rental. There is an exception to the permit requirements for owners whose rental units are within homeowner associations meeting certain minimum requirements. The board determined to assess how other developments within the Tahoe City area are dealing with the new ordinance. The board will discuss the issue in greater detail at its February 18, 2020 board meeting.
 4. **Suggestions by Board Members for other future Agenda topics (subject to change).**
 - December 10, 2019 Meeting: Consideration of quotes received from potential insurers for 2020 fire insurance coverage.
 - December 27, 2010 Meeting: Tabulation of the ballots from the election pertaining to a potential increase in regular assessments
 - February 18, 2020 Meeting: Consideration of charges for boat owners for buoys in Summer 2020.

- February 18, 2020 Meeting: Consideration of election rules.
- February 18, 2020 Meeting: Consideration of the manner in which the Association should respond to the new Placer County Short Term Rental Ordinance.

5. **Adjournment.** The board meeting was adjourned at 2:49 pm.

ANTICIPATED SCHEDULE FOR FUTURE BOARD MEETINGS (subject to change):

- December 10, 2019 at 9:00 am (Location: Telephonic)
- December 27, 2019 at 9:00 am (Location: Telephonic)
- February 18, 2020 at 9:00 am (Location: Telephonic)
- April 14, 2020 at 9:00 am (Location: Telephonic)
- May 19, 2020 at 9:00 am (Location: Telephonic)
- July 7, 2020 at 9:00 am (Location: Telephonic)
- September 5, 2020 at 9:00 am (Location: Rocky Ridge Beach Clubhouse)

Rocky Ridge Properties Owners Association

11/25/19

2:48 PM

BUDGET FOR 2020

(with prior year comparison)

	2019	2020	Delta \$	Delta %
\$				
Operating Budget				
Revenue				
Assessments	\$ 1,050,600	\$ 1,291,320	\$ 240,720	22.9%
To Reserves	(148,920)	(157,080)	(8,160)	5.5%
Buoy Fees	39,200	43,400	4,200	10.7%
Other Income	1,560	1,560	-	0.0%
Net Revenue	942,440	1,179,200	236,760	25.1%
Expenses				
Administration	198,048	405,479	207,431	104.7%
Utilities	66,602	70,006	3,404	5.1%
Labor	608,478	633,454	24,976	4.1%
Supplies	36,950	39,650	2,700	7.3%
Vehicle & Equipment	31,691	40,500	8,809	27.8%
Other Maintenance	32,390	33,090	700	2.2%
Depreciation	30,192	29,664	(528)	-1.7%
Taxes, Income	-	-	-	
Total Expenses	1,004,351	1,251,843	247,492	24.6%
Excess of Revenue (Expenses)	\$ (61,911)	\$ (72,643)	\$ (10,732)	17.3%
Real Property Budget				
Revenue (Rent)	\$ 54,014	\$ 59,662	\$ 5,648	10.5%
Expenses				
Depreciation	8,136	4,680	(3,456)	-42.5%
Property Taxes	1,782	1,888	106	5.9%
Maintenance & Other	6,694	11,526	4,832	72.2%
Taxes, Income	9,807	9,807	-	0.0%
Total Expenses	26,419	27,901	1,482	5.6%
Excess of Revenue	\$ 27,595	\$ 31,761	\$ 4,166	15.1%
Combined Budget & Cash Flow				
Excess of Revenue (Expenses)				
Operating Fund	\$ (61,911)	\$ (72,643)		
Real Property Fund	27,595	31,761		
Combined	(34,316)	(40,882)		
Expenses not requiring cash:				
Depreciation	38,328	34,344		
Cash Flow from Operations	4,012	(6,538)		
Cash Flow	\$ 4,012	\$ (6,538)		
Property Dues per Quarter				
	\$ 2,210	\$ 2,780	\$ 570	25.8%
Reserves per Quarter				
	365	385	20	5.5%
Assessment per Quarter				
	\$ 2,575	\$ 3,165	\$ 590	22.9%

Note: A copy of the pro-forma budget is available to any member by writing to the Association office at P. O. Box 432, Tahoe City, CA 96145