

NCOA Special Meeting Minutes  
October 26, 2010

Attendees:

<u>Board</u>	<u>Guests</u>	<u>Membership</u>
Ben Wickham	Darcy Vincent, GRES	Abigail Webb Steve Pickering
Caren Cox	Trevor Calton, HAP	Misha Beck Janis Khorsi
Tom Brenneke	Chris Tingey, Vial Fotheringham	Jen Langer Pam Granger
	Yang Thao, Schwindt & Co.	Chris Bonner Sharon Huffman
	Carrie Elgin, Schwindt & Co.	Kacey Huffman Coley Lehman
	Steve Rudman, HAP	Megan Derrick Ben Langer
		Brianne Pickett Shirley Arnold
		Larry Whitacre Dorine Nafziger
		Meike Niederhausen
		Kristine Kulcich
		Jan Hemelstrand
		Carni Hutchinson
		Julie Newhouse
		Marcia Knutson
		Heather Hall-Lewis

**The Meeting was called to order at 5:37PM by Tom B.**

Tom B. explained this was the second special session of the Board of Directors to discuss the Reserve Account for the New Columbia Owner's Association. Yang Thao and Carrie Elgin with Schwindt and Company were introduced and invited to participate in the Executive Session. Tom B. acknowledged that the agenda had been set so there would be one hour for Executive Session and an additional hour for the Special Board meeting open to all owners. Caren C. motioned that the Board commence with the Executive Session to consult with counsel and accountants on the matter of the unfunded reserves. Ben W. seconded.

**Action: Approved Unanimously**

The Board members met privately with Accountants and Legal Counsel.

**The open meeting was called to order at 6:41PM**

Tom B. thanked the membership for their attendance. Yang T. and Carrie E. were introduced to the membership. Steve Rudman, Executive Director and Trevor Calton, Assistant Director of Asset Management for the Housing Authority of Portland (HAP) were also introduced. Tom B. reviewed the Board materials which included minutes from the September 16<sup>th</sup> Special Board Meeting, NCOA Reserve History, Legal Opinion from Vial Fotheringham regarding accounting formula applicable to reserve assessment for multi-family units, and the Updated Reserve Study by Schwindt and Company. Ben W. Motioned to accept the September 16<sup>th</sup> meeting minutes, Caren C. seconded.

**Action: Approved Unanimously**

After researching, Darcy V. answered questions posed at the September 16<sup>th</sup> meeting:

- The negative \$17K line item on the June 30, 2010 Balance Sheet which was under a Reserve subtitle represented Retained Earnings which were an accumulation of the income of the Ownership Association which was retained, rather than distributed for the purposes of reinvesting it back into the NCOA operations. The number was negative as a result of writing off \$31K of bad debt in the first quarter of 2010.
- The membership had also requested a legal opinion regarding the funding of the Reserve Account by multi-family units. Chris T. clarified that although the funding of membership operational dues is on a 2:1 basis for multi-family units, that for the purposes of funding the reserves, each multi-family unit pays the same amount as each single family dwelling OR 1:1. Caren C. asked if the legal opinion could be posted on the web.

**Action: Darcy V. will post the legal opinion regarding dues funding on the website.**

Tom B. reminded the membership that Schwindt and Company had been engaged to perform an update of the 2007 Reserve Study and an analysis of the current balance that should have been funded year to date. Yang T. explained the methodology used to develop the updated 2011 study and highlighted the major components that had changed from the 2007 analysis which included, irrigation improvements, increased life of hard surfaces and lower cost to repair (asphalt) and increased cost for sidewalk repairs (concrete).

Additional assumptions included an inflation factor of 2.5% per annum, dues assessment increase of 3.5% per annum and interest on Reserve Deposit of .10%. They also assumed a beginning balance of \$80,919, which included the amount that all entities were forecasted to pay on the approved budgets for years 2005, 2006 and 2007. She pointed out that the annual contributions allow for all forecasted property improvements with a 30 year low balance of \$62,385 occurring in 2031. Carrie E. then explained the Executive Summary which included analysis of the total reserve assessments that would have been collected using the information provided to support the 2011 Reserve Study and deflating the current costs by 2.50% per annum to develop the current cost per year (current costs deflated by 2.5% six times to come up with 2005 costs). The analysis demonstrated with current knowledge the total amount of potential reserve dues accumulation from inception through 2010 is \$326,710.

Tom B. pointed out that the initial reserve study was not conducted until November 2006 to affect the 2007 budget. He also confirmed there were assumptions for reserve funding made in the Board approved budgets in 2005 for \$8,500, in 2006 for \$8,882 and in 2007 for \$63,537 totaling \$80,919.

Tom B. said that he had instructed Schwindt and Company to use this number as the starting balance for the purpose of funding reserves.

Steve Rudman spoke to the membership. He offered his apologies for the current funding situation. He said that the Housing Authority acknowledges that they had some responsibility in overseeing previous management and that he wanted to "make it right". He offered to have HAP pay \$80,919 to replace the reserve funds that were budgeted and collected from the membership but not deposited into the

reserve account. He said that it is “a new day”. There is new Board Leadership, new management on site and that he hopes that this can be a fresh start with regard to relations between the NCOA and HAP.

Tom B. pointed out that there had been costs associated investigation of this situation including legal fees from Vial Fotheringham and the engagement of Schwindt and Company to perform the study update and accounting analysis. He also said that the Board had received advice from counsel there might be a gesture made on behalf of the HAP to “offer some good will” that acknowledged the time and stress that the funding issue had caused the membership. In consideration of these factors, Tom B. suggested a settlement of \$100,000. \$80,919 of which would fund reserves, the balance would be deposited into the operating account to offset expenses. Tom B. asked the other Board members if they agreed.

Steve R. reminded the owners that HAP makes a considerable investment to enhance livability at New Columbia on an ongoing basis a great expense to them. This has included resident services, community policing and irrigation repairs. He said that he would agree to the settlement if it would ensure that this could start a new chapter for the NCOA. Caren C. motioned that Board authorize Chris T. to work with HAP attorneys to draft a settlement agreement that was in the best interest of the Association and release of further obligation in exchange for a contribution of \$100,000. Ben W. seconded.

**Action: Approved unanimously.**

Membership questions included:

Q : Does the \$80,919 include the amounts that should have been paid by HAP as the declarant?

A: It includes the budgeted amount to paid by all parties including the declarant, single family owners and multifamily owners.

Q: It seems suspicious that the membership was told that the required reserve number might go down and then it did. This seems rigged.

A: The only contact was between Tom B. and Schwindt and Company. The third party was hired expressly to be impartial. Chris T. offered that if Schwindt and Company’s assumptions turn out to be incorrect that they are culpable.

Q: Was the property physically inspected to update the study?

A: No. We project that the study will be updated annually going forward and that a physical inspection will be included every four-five years.