

MINUTES OF THE NOVEMBER 14, 2020 ANNUAL MEETING

AGENDA

- Emergency provisions by State of Virginia
- Virtual Meeting Instructions
- Proof of Quorum
- Welcome & Opening of Meeting
- Real Estate Updates
- 2019 Minutes Approval
- New Business – Term Limits for Board
- Road and Well Reports
- Finance Issue – Valley Bookkeeping Services (VBS)
- Financial Report
- 2021 Budget
- New Business - Code of Conduct/Ethics
- New Business – Conflict of Interest Policy
- Bylaws and CCR Update
- Nominations and Vote for Board Vacancies
- Close of Meeting

The President announced emergency provisions for HOA meetings by the laws of the State of VA allowing virtual access to member meetings. The Meeting Facilitator gave instructions to attendees on the use of ZOOM and teleconferencing

A proof of quorum was obtained with a total of 27 members' votes represented.

The President welcomed members and opened the meeting

Real estate update: We've had several cabins purchased this year and some on the market.

-The 2019 minutes were presented, and [A MOTION WAS MADE TO APPROVE, SECONDED AND PASSED.](#)

NEW BUSINESS

TERM LIMITS. Discussion was opened regarding Board member term limits, which was identified as a key issue on the announcement for the annual meeting. Al Herman requested to lead this discussion.

DISCUSSION. This proposal sent to the entire membership in November received over 16 members in agreement and only one against. Current bylaws provide unlimited terms for Board members. The proposers stressed new Board members should be turned over frequently as property is turned over with new homeowners. This ensures new and fresh ideas, adding that unlimited terms is not a good thing for any business or association.

Al made a motion to make the following change to the bylaw Section 5, subsection c, subsection 2. The motion was for the terms of office of shall be modified such that a board member can serve no more than 2 two-year terms and then must leave the board for a two-year period. The result of this change would simply be that new

member of a board can serve for a maximum of four years then must sit out for two years; discussion followed after which,

A MOTION WAS MADE BY MEMBER AL HERMAN TO ESTABLISH TERM LIMITS FOR BOARD MEMBERS, GIVING NOTICE THAT IT WOULD REQUIRE A CHANGE IN SECTION 5, SUB C SECTION 2 OF THE BYLAWS AS FOLLOWS:

Current Bylaws with existing text struck out and proposed changes added:

Each succeeding director shall be elected to serve a term of two (2) years. Director shall hold office until their successors have been elected and qualified and may ~~serve more than one term so long as duly elected for each term.~~ may serve no more than two consecutive two-year terms if so elected. After two years have elapsed after such director leaves the Board, he or she may be nominated and if elected, serve as a director for another two terms, if so elected. A director may resign at any time.

THE MOTION WAS PRE-STATED, AND THE VOTE WAS 22 FOR AND 4 AGAINST; MOTION GOES INTO EFFECT IMMEDIATELY AFTER PASSING.

ROADS AND WELLS

WELLS: Michele Thomas provided the status of the roads and wells, as Steve Smith, (SRS) was not in attendance. (The information presented had previously been presented by SRS at a board meeting held on September 19, 2020 with additional updates). All wells tested good and UV bulbs have been replaced. Well 14 pressure tank was replaced. Total plumbing dollars for the year were \$3,692 – a bit higher than last year. Well 37 has more costs than it has had in the last 2.5 years.

A request was made to have the well water analysis sheets from the laboratory placed on the community web site and that all original receipts for the well work should be sent to owners and or published on the website, so they can understand what type of work was completed and the description of the repairs to include parts and labor.

Michele stated that a copy of the original plumbing receipts was already being sent to members when being invoiced.

ROADS: Three gravel deliveries totaled \$7,917.44 in July 2020. Gravel was spread and the road graded. Culverts and ditches have been marked for clearing. SRS previously estimated that renting a plow takes 3 days at \$300 a day plus labor of \$200 for a skip loader amounting to about a week of work. Most culverts need to be taken care of (to be discussed in budget). **It was suggested to possibly contact fire dept to blow them out - with a donation. The Board will look into as well as other methods for clearing.**

FINANCE: The 2020 Expense Sheet (Attached) was provided showing the budgeted amount of \$22,126 and \$19,148.69 expended. There The HOA, through Valley Bookkeeping, continues to work with residents who have delinquent dues and well repair costs. The new approval process of paying HOA bills as required by VBS was referred to; 2 to 3 board members must approve an invoice prior to Valley Bookkeeping paying the (contractor) invoice. *See VBS Section further below.*

DISCUSSION:

QUESTION: Whether we can expect VBS expenses to go down or remain the same in 2021. **BOARD:** Numbers should become consistent but higher than 2020 expenses as they were underestimated this year. In January, an increase is expected due to tax preparation services and other end of year expenses.

QUESTION: On how oversight done. **BOARD:** VBS handles all the books as Treasurer, taking invoices, billing members, etc. They ask for 2 board members (minimum; 3 may be needed in certain circumstances) to provide approval. While we do not have a Treasurer *per se* we have oversight for approval for any dollar paid out.

QUESTION: Did any of the 2020 deposits include any restitution amounts? **BOARD:** Yes; *Restitution from the 2019 embezzlement case is \$500.00/month paid to SMSA HOA. At this time, the HOA has received \$4000 in restitution payments from a \$31,000 settlement, in the HOA embezzlement case.*

Valley Bookkeeping Services (VBS) / LETTER

Michele provided an overview of VBS invoicing procedures; the invoicing procedures are with our business partners are that they are sending invoices directly to VBS; VBS then sends the bill or the invoice over to the point of contact on the board that can verify or validate the work and determine if the invoice should be paid. In the case of the shared well repair work, the invoice is divided by the number of owners on the shared well and the now divided bill is sent either by email or through the U.S. postal system to the owners for reimbursement. There was a discussion regarding VBS sound billing practices as recently a bill situation has come up that VBS has pointed out does not follow good accounting and bookkeeping practices. VBS is willing to send electronic monthly or quarterly reports of the HOA's finances to anyone owner who requests them. Concern in particular mentioned were delays in receiving invoices as well as receipts for road maintenance labor.

DISCUSSION

Since VBS asks for 2-3 Board members to authorized payment, concern was voiced over workflow, the speed of payments and validation of bills, plus the possibility of not getting service if bills are not paid in a timely manner. The Board responded that the HOA will be working with contractors and VBS to streamline processes and it is expected that VBS will attend to urgencies or emergencies accordingly.

QUESTION: It was asked if invoices can be sent directly to VBS. **BOARD:** (MT) Yes; this is currently being worked. Upon receipt of bills, VBS will make copies and mail to SMSA's Point of Contact to validate & approve.

Asked why VBS is not getting receipts, the Board explained that in July – Sept, VBS was in the process of setting up our accounting system. VBS further recommends that charges for work for homeowners be billed directly to them – not to the HOA which keeps VBS and the HOA out of personal matters

Concern was voiced about how this will affect our relationship with Fizz.

The Board assured members that the HOA will maintain a good relationship with Fizz, since they have been doing the well work for years with no problems. The Board commented that these issues do not arise often, so it appears that something can be worked out to everyone's satisfaction.

VBS AND SMSA FINANCIAL REPORT

VBS is working on SMSA reports adding budget tags. They can mail end of month or quarterly statements to all board members and any HOA member requesting. In addition, they will send end of month bank statements and profit/loss report with past month and YTD totals. VBS asks for meeting minutes be provided to them for their documentation to better understand their processes.

MOTION ASKED FOR TO ACCEPT VBS RECOMMENDATIONS ON SUPPORTING SOUND BUSINES/FINANCIAL PRACTICES AS LONG AS IT DOES NOT AFFECT OUR RELATIONSHIP WITH FIZZ AND HAS MINIMAL IMPACT TO HOA FUNDS. MOTION MADE, SECONDED AND ALL WERE IN FAVOR.

2021 BUDGET (2020 was \$22,126)

The Board presented the proposal for the 2021 Budget, adding they initially recommended moving \$5,000 from reserve and the restitution money to apply to the current \$15,000 road money for culvert cleaning. However, after talking to VBS – it was recommended that the restitution payments should not be considered as income. The HOA has received \$4,000 of \$31k settlement and VBS said that could change, so they advised SMSA not count on that money coming in. Another part of the Admin budget, liability and bookkeeping, is now overbudget; SMSA HOA needs to pay for this year and, discuss increasing the budget next year.

MOTION: TO INCREASE THE BUDGET TO \$27k, WHICH WOULD INCREASE FEES AND TREAT THE CULVERTS AS A “SPECIAL PROJECT”.

DISCUSSION

Comments were made that SMS must have backup money for the well work with surplus to cover it. It was suggested to use \$5,000 from overage – not restitution, stating that the restitution money should go into overage or any reserve. It was added that the \$5K would be used for culverts and roads. It was questioned that if bookkeeping dollars are expected need to be increased, should the \$5k be split between roads and admin? Some advised to keep the \$5k separate from roads, so expenses can be tracked.

The Board advised that to cover costs, we must increase dues, recommending it be a special project, allowing us to study the costs and adjust future budgets accordingly for culverts and ditch cleaning.

After consideration of several options A REVISED MOTION WAS MADE TO INCREASE THE ADMIN BUDGET BY \$3K PULLED FROM THE RESTITUTION MONEY FOR THIS YEAR ONLY AND TAKE \$5K FROM RESERVE TO APPLY TO ROADS FOR CULVERTS AND DITCHES; SECONDED AND PASSED.

NEW BUSINESS: VIRTUAL MEETINGS

MOTION WAS MADE TO CONTINUE TO OFFER VIRTUAL AND TELEPHONE ACCESS FOR ASSOCIATION MEETINGS.

DISCUSSION

One of the key issues that was sent out with the Annual Meeting announcement was an option for a virtual meeting at all annual meetings, as we have many owners that are either out-of-state and out of the regional area and would like to attend the meeting via phone or internet. Board Member Gail Carter made a motion to offer virtual meetings for the annual meeting, as well as board meetings, especially during this pandemic period.

When the membership can meet safely again, we would have in person meetings, but would also provide the option of video conferencing or a phone call-in line. It was further recommended to have outdoor meetings, but several agreed that outdoor meetings would not be conducive to virtual meetings, due to noise and setup requirements.

A motion was made to vote to provide virtual access to annual and board meetings.

MOTION RESTATED: TO ENSURE VIRTUAL/PHONE ACCESS FOR ALL FUTURE MEETINGS. ONLY 3 OPPOSED. MOTION PASSED.

NEW BUSINESS: CODE OF CONDUCT/ETHICS

A MOTION WAS INTRODUCED TO APPOINT A COMMITTEE TO PRESENT A CODES OF CONDUCT/ETHICS FOR SMSA BOARD

MEMBERS WHICH WOULD BE PRESENTED AT THE NEXT MEMBERSHIP MEETING FOR FURTHER DISCUSSION AND VOTE. The Code would set standard policies that most HOA have in place to ensure board members work ethically and legally. It would ensure that board members know how to better work to follow good business practices.

DISCUSSION: Most all present agreed it would be a good policy to discuss further, with only one objecting that it could add a layer to pay for in the HOA dues. After more discussion, the **MOTION WAS RESTATED TO PUT A COMMITTEE TOGETHER TO FURTHER DISCUSSION AND REVIEW AT A FUTURE MEETING. SECONDED AND PASSED.**

A LEAD FOR THE COMMITTEE WAS ESTABLISHED (DIANE GANNON).

BYLAWS & RCs

Background: Update of Restrictive Covenants

The primary purpose for updating the covenants is to be in line with the laws that govern Virginia HOAs. Overall, the new CCR's conform better to the applicable statutes, negating the need to resolve conflicts between the two; Also, the old CCRs provide for fixed assessments, which are inadequate. The HOA active Covenants today are from 1977, for the Shenandoah County, and for Rockingham County covenants the date on file is 1979. The Board recommended in September that we table the new HOA covenants and go back to the drawing board to rework them. There was a question of legal interpretation because as there is a precedence of documents clause in the current Bylaws supersede the original Restriction Covenants and you can do the billing on the basis of these annual budgets.

The Board announced that the current tally for the Ratification of the RCs was only 28 out of the ~45 required. Since this was tabled at the previous member meeting, the Board explained that the new CRs must be modified in order to issue liens for delinquencies, explaining that the old RCs have fixed assessments of \$100 per year; this is in conflict of the current DUEs.

Member Jim Albenesius proposed a solution is to make a simple clean revision to the restrictive covenants that indicates that the amounts you can charge for assessments and what you can recover for delinquency is going to be based on the current bylaws and not based on the original restrictive covenants. He stated that this was an important issue to work on the defaults of dues payments. A motion was made to take the Covenants and feedback from this meeting to HOA Counsel, saying that the Members are suggesting minimal changes, primarily affecting defaults and assessments. Also to evaluate if there's something in-the Bylaws that had to be updated to current state HOA requirements and then ensuring that the bylaws support the covenants and vice versa.

After much discussion, MOTION WAS MADE FOR MINIMAL CHANGES IN THE RC'S WITH ASSURANCES THAT FEES ARE SET FORTH AND ABIDE BY STATE LAWS AND REFER TO THE BYLAWS. SECONDED. VOTE PASSED. (3 PROXIES OPPOSED).

NEW BUSINESS - CONFLICT OF INTEREST (COI)

A MOTION WAS MADE TO ESTABLISH A COMMITTEE TO PRESENT A PROPOSAL FOR A CONFLICT OF INTEREST POLICY FOR SMSA BOARD MEMBERS, WHICH WOULD BE DISCUSSED AND VOTED ON AT THE NEXT MEMBER MEETING.

DISCUSSION. A brief history was given of how and why non-profit organizations have established a COI policy and IRS requirements in many cases. The COI basically ensures that people that sit on the board do not profit from sitting on the board. It is a standard document to have in place to make sure everything is above board and legal. It prevents someone sitting on the board and influencing the decision on money for which they may get compensation.

It was discussed that the Conflict of Interest policy statement would be drafted by the Committee for the Code of Conduct and Ethics and that the committee would draft two documents to be presented to the members for review.

CONSENSUS WAS TO ROLL THIS INTO THE OTHER COMMITTEE FOR CODE OF CONDUCT/ETHICS. VOTED AND APPROVED.

BOARD NOMINATIONS

There are 4 Board openings at this time. Members were reminded that Bylaws require 4 full time resident Board Members and 3 Non-fulltime resident Board Members – *unless there are not sufficient nominees to fill those slots* according to the Bylaws, in which case, either full time resident selections or Non-fulltime resident member selections are allowed.

EXISTING BOARD MEMBERS: 2 Non-Residents and 1 Resident.

NOMINATIONS Announced:

1. Heather Conely (Resident)
2. Al Herman (Non-Resident)
3. James Jahoda (Non-Resident)
4. Tom Gannon (Non-Resident)
5. Steve Smith (Resident)
6. Jack Lucky (Uncertain about his residency – TBD).

No further nominations were made.

Question on two of the nominees arose:

1. The eligibility of Steve Smith's nomination due to the passed Motion for Term Limits and when that becomes effective. The **Board** advised it would go to legal counsel for determination.
2. The question of whether Jack Lucky is a Resident or Non-Resident. A member present attempted to contact him with no success.

It was decided that voting would be conducted, and the winners would be determined based on 1st eligibility and 2nd on plurality.

VOTEING RESULTS:

JAMES JAHODA <u>Non-fulltime Resident</u>	HEATHER CONELY <u>Fulltime Resident</u>	AL HERMAN <u>Non-fulltime Resident</u>	TOM GANNON <u>Non-fulltime Resident</u>	JACK LUCKY Residency to be determined	STEVE SMITH <u>Res</u> Eligibility to be determined
24	23	14	14	7	8

RESULTS

- James Jahoda (Non-Resident) was elected.
- Heather Conely (Resident was elected)

UPDATED RESULTS AFTER RECEIVING LEGAL COUNSEL INPUT:

- *Jack Lucky was determined to be a Non-Resident with his voter registration in the state of Florida.*
- *Legal Counsel declared that the Motion made and approved on for Term Limits must take effect immediately, thus eliminating Steve Smith' nomination.*
- *Al Herman (Non-Resident) was a confirmed winner*
- *Tom Gannon (Non-Resident) was a confirmed winner*

2021 ANNUAL MEETING A meeting date for the 2021 Annual Meeting was discussed and several dates were presented. The date will be decided at another time although it was recommended to hold in October 2021.

After a long, but successful first virtual meeting, a motion was made to close the meeting.

MOTION TO ADJURN SECONDED AND PASSED.