

Cathedral City HOA Council

Recap of Meeting April 19, 2012

HOA Members Represented

Aldea – the Vistas
Candelwood Villas II
Canyon Shores
Cathedral Canyon #1
Cathedral Canyon #2
Cathedral Canyon #5

Cathedral Canyon #17
Cathedral Canyon #18
La Pasada
Montage at Mission Hills
Rio del Sol – Las Casitas
Villages at Rio del Sol

Legal Counsel: Jennifer James, Attorney at Law – Epstein, Grinnell & Howell

Speakers Present

Tracie Blankenship – Merit Property Management
Isaiah Henry - Merit Property Management
Robert Simpson – Merit Property Management
Steve Shuey – Personalized Property Management

Welcome: Al Hallinan, Chair

Treasurer's Report – To be distributed

Guest Speaker – Tracie Blankenship – Merit Property Management – “RISK MANAGEMENT”

Isaiah Henry - Merit Property Management
Robert Simpson – Merit Property Management

Isaiah began with a brief overview of Merit Property Management.

Tracie distributed a flip chart booklet outlining their presentation. She and Isaiah then alternated in the presentation.

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events, or to maximize the realization of opportunities. Risks can come from uncertainty in financial markets, project failures (at any phase in design, development, production, or sustainment life-cycles), legal liabilities, credit risk, accident, natural causes and disasters as well as deliberate attack from an adversary, or events of uncertain or unpredictable root-cause.

Start the process with determining what risk you have in each of the following areas:

- Physical
- Natural Disaster
- Financial and Fiduciary
- Other risks as a Board Member

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Physical

Rely on experts to help you identify items you need to consider. When someone (HOA member, vendor, etc.) questions something, call an expert to provide a professional opinion as to the risk. Ask your vendors (gardener, pool company, roofer, etc.) for input.

A first step is understanding the Reserve Study. The Board should challenge the items in the study and make sure the analyst actually inspected the items or just relied on statistical estimates of useful life. . Also, understand that the document is a guideline, it is okay to move items around in the Reserve Study as events occur, circumstances or opportunities come up.

- Always handle life safety issues with utmost priority.
- Formulate a plan and strategy for how you handle any outstanding issues.
- Conduct frequent and periodic maintenance
- Complete visual assessments of all common areas
- Avoid postponing routine projects
- Plan for emergency repairs and have course of action
- Use checklist as the starting point
- Establish a course – develop a plan
 - Prepare and follow an annual maintenance calendar
 - Meet with vendors to assess and discuss any discovered issues
 - Know what the community is responsible for maintaining by reviewing the governing documents
- Service providers/vendors
 - Engage them in the process and use their knowledge and expertise
 - Investigate how your vendors respond to emergencies
 - Ask for a copy of your vendors safety manual/plan
 - Always have a back-up plan in case vendor is unable to accommodate an emergency

Audit maintenance records for items, e.g. look at fire extinguisher inspection tags as you walk around – don't just believe inspection are being done properly because you are paying someone. Board member(s) should inspect sprinklers monthly.

Natural Disaster

Assess what disasters your community may be affected by:

- Flood
- Fire
- Earthquake
- Tornado/Hurricane
- Rain/Wind/or other severe weather conditions

Prepare for Emergencies:

- Earthquake kit – available commercially
- Have an emergency contact list – How are you going to communicate with your residents?
- Exit plan – know what to do and how to evacuate if needed

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- Communications protocol
- NEVER wait for an emergency to happen BEFORE you prepare and plan!

Develop a community map and instructions on how the infrastructure works. Where the water shut-off valves are, what they control and how to operate them. Gardener has that information. Pool controls – to shut off a howling pool pump.

Talk to fire and police – they are very willing to provide free information to community meetings on how to be prepared for and respond to emergencies.

Develop a relationship to a restoration company – before an emergency – so you already know who to call at 3:00 Am Sunday morning to get the tree off the roof or water out of the unit.

Have a committee – for emergency planning

Financial and Fiduciary

“I didn’t know” is not a responsible answer in court – [Note: In my opinion, THE MOST IMPORTANT STATEMENT OF THE PRESENTATION].

Ignorance is NOT bliss:

- Always make sure that the bank accounts are with a federally insured banking institution
- Always make sure that the association has all deposits insured and under the federal limitations
- Always make sure that there is no co-mingling of funds
- Always make sure that the Board has visibility of all the accounting and financial records
- Always make sure to complete a full reconciliation of each bank account.

Insurance – the Board should review the insurance section of the governing documents to determine if their coverage meets what is defined.

What types of insurance are recommended/required?

- Director and Officers – coverage provides coverage in the event the Board Members of an Association make a decision that inadvertently causes personal injury to a third party.
- General Liability – coverage is designed to defend the Association in case they have been accused of being negligent in some way.
- Property – coverage is what it would cost to rebuild the structure, should it be damaged due to a covered loss (or damage).
- Fidelity Bond – coverage promises to make the Association whole should a Board Member or the Association Manager steal money from the Association.
- Workers Compensation – required by the State of California for companies with employees. This coverage provides medical services for employees that are injured while performing their jobs. IMPORTANT > if one of your vendors does not have WC insurance and an employee is injured – the Association is at fault.

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Other risks as a Board Member

Personal Liability – Good Business Judgment Rule - As a guideline for satisfaction of the business judgment rule, Directors should:

- Act in good faith;
- Act in the best interests of the corporation;
- Act on an informed basis;
- Not be wasteful;
- Not involve self-interest (duty of loyalty concept plays a role here).

How can you limit your risk as a Director?

- Contract with a reputable and professional management company
- Have all vendor contracts vetted and reviewed by your legal counsel
- When unsure about how to proceed on any association matter? Spend the money to get a written opinion from your counsel – and then FOLLOW IT
- Make sure you are familiar with the governing documents and rules and regulations
- Always consider the community (not your personal interest) first!

Question: Is a cactus a liability? – Jennifer: If it is in an area where someone could hurt themselves it would be. Probably would be best to ask your gardener their professional opinion.

Guest Speaker – Steve Shuey – Personal Property Management “THE IMPORTANCE OF A MAINTENANCE SCHEDULE

It is the responsibility of the Board to – maintain and enhance the value of the assets of the community.

A maintenance schedule is a list of maintenance tasks that need to be completed in a timely manner during the year. The Board should consult with experts to help develop a maintenance calendar:

- Property management company
- Landscaper
- Pool guy
- Reserve Study

Steve distributed a one page abbreviated copy of a sample maintenance schedule (PPM has a base, more complete, schedule that is 4 pages).

The Board should schedule a formal review and discussion on the Reserve Study once a year in a regular Board meeting – so members can observe the Board discussing its contents and gain an appreciation for its importance.

The maintenance schedule is a very important part of risk management. For instance, ask your landscaper when palm tree trimming should be done. If you do too late, you will be inundated with complaints about palm flowers. If you do too early, you may need

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to trim a second time to get rid of late flowers. Consult your landscaper and set a window for the trimming – not an exact date, because the situation changes every year.

The maintenance schedule needs also to take into account cash flow to make sure there are sufficient funds available to perform the planned maintenance as scheduled.

Steve suggests using a V shaped table for Board meetings. That way the Board members can address each other while conducting the business of the association and the members present can hear all discussion.

The Board should do maintenance tracking to determine systemic or recurring problems.

Put the maintenance schedule on each Board agenda so it is continually reviewed and discussed as necessary.

The discussions of the Reserve Study and maintenance schedules will demonstrate to members present that the Board is looking at the “big picture” of what needs to be done for the community. Maybe some of the petty violations will decrease as a result.

The Board should also develop a maintenance matrix for responsibilities of the HOA, Owners and Others (e.g. the gas company) for various items. This will avoid finger pointing when things happen. The maintenance matrix should be incorporated into the CC&Rs by your lawyer. [Jennifer – the CC&Rs are presumed to be reasonable requirements by the courts. Rules and Regulations must be proven to be reasonable by the HOA in court]

Steve is providing monthly Board education classes for PPM managed associations at Mission Hills Country Club. They are provided at no charge and non-PPM managed association individuals may attend.

There is a growing library of topics from the presentations available for viewing at www.hoa.me

Open Forum –

Question: Is nighttime pool lighting required, even after pool hours and the pool is locked?

Consensus answer: Again it is a matter of risk management; it is cheaper to leave the lights on.

Question: Does any HOA maintain a library? Take a book, leave a book

Answer: Understand that Desert Princess does, quite successfully. Others in La Quinta have failed, because books just disappeared. Remember if you build a structure to house the library, it needs to be added to the Reserve Study for maintenance.

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Statement: Understand Leisure World has a Neighbor-to-Neighbor volunteer program not associated with the HOA. It is run by volunteers within the community for the purpose of looking in on shut-ins, providing transportation to doctor and other appointments for non-driver, etc. There is a cost of \$50/household /year for participation that mainly funds liability insurance.

Question: Is everyone aware of the program offered by Desert Welcome? They provide, at no charge, tasteful packets of local coupons for new residents. The coupons are good ones. There is interest in requesting a future presentation to the group.

Handouts – in addition to those mentioned above:

Letter from Donald E Bradley, City Manager, Cathedral City March 29, 2012 – Open invitation to Community Leaders to community meeting to discuss the City's budget situation, significant cuts under consideration and to obtain community input.

The Desert Sun article by Blake Herzog "HOA chief: Palm trees likely will come down"

Website – <http://hoapresidentscouncil.com> , Click on "Cathedral City"

Next Meeting – Thursday, May 17, 2012 at the Cathedral City – City Hall

Tom Tousignant, Recorder