

Approved Minutes of the Regular Meeting of February 21, 2009

BLUE LAKE SPRINGS HOMEOWNERS' ASSOCIATION
MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

DIRECTORS PRESENT: President Norm Friborg, Vice President Dave Ryniec, Treasurer Matt Salayko, Directors Dick Lawlor, Teresa Rossi-Clay and Doug Rischbieter, and by telephone conference Secretary Angela Logan.

General Manager: Tony Abila

President Friborg called the Regular Meeting of the Board of Directors to order at 9:00 a.m.

1. **Member/Guest Introduction:** Roy & Sheila Silcox, Lot 785, Unit 7; Luann Baugher, Lot 801, Unit 7; Frank & Alice Hengel, Lot 127, Unit 2; Don & Mary Peterson, Lot 151, Unit 11; Jim Evans, Lot 498, Unit 4; Michele Stahlberg, Lot 128, Unit 10; Inger Hammer, Lot 483, Unit 4; Ray Osborne, Lot 324, Unit 2; Barbara Guevara, Lot 206, Unit 2; Bill & Martha Votaw, Lot 205, Unit 2; Joe Morgan, Lot 282, Unit 2; Tom & Marie Jones, Lot 785, Unit 7; Jim Lantry, Lot 849, Unit 7; Sal & Cindy Culcasi, Lot 104, Unit 11. As a matter of record, Roy Silcox, Frank Hengel, Martha Votaw and Joe Morgan are past Presidents of Blue Lake Springs Homeowners' Association.

2. **Member/Guest Forum:** The above named members shared their concerns to the Board of Directors. These concerns are summarized as follows:

One of the changes made to the revised By Laws was to eliminate proxies. However the current By Laws under which this By Law election is being held includes the use of proxies and the opportunity for members to vote in person at the Special Meeting. Roy Silcox requested that the Board stop this election process, reissue instructions according to our By Laws, and include it in the general election to cut the cost of mailing.

There were no references in the revised By Laws that reflected the changes that were made to the existing By Laws.

The cost of having the By Law election separate from the yearly mailing and Election of Directors was an unnecessary expense.

The Board's response to the concerns stated above are summarized as follows:

Voting and Election Rules were revised to comply with the California law in January 2008. The revised rules were distributed to the entire membership. The three page document articulated clearly that proxies are not valid in any election of the Association. Also, during the June 2007 Annual Meeting, the membership was informed of the new laws including the elimination of members voting in person.

References to the principal revisions in the proposed By Laws were reviewed later during the Meeting and Management confirmed that a highlighted version will be posted on the BLS Website.

Blue Lake Springs Website.

3. Approval of Minutes: Director Rischbieter made a motion to approve the Minutes of the January 17, 2009, regular meeting with agreed changes. Treasurer Salayko seconded the motion. The motion passed unanimously.

4. President's Report:

- a) By Law Revision Election & Special Board Meeting: President Friborg commended those volunteers who came in to help with the By Law Revision mailing.
- b) Attorney's Communication: President Friborg stated that the Board asked the attorney to clarify Section 1366(b) regarding an increase of dues in excess of 20%. The attorney's response concluded that the board was within its authority in establishing the dues/assessments for 2009.

President Friborg discussed his authority to contact the attorney about exempt lots.

- c) March agenda items: President Friborg reminded the Directors to submit agenda items for the next board meeting to Vice President Ryniec.

Member Forum:

Member Sal Culcasi requested clarification on the basis for exempting certain lots.

Director Rischbieter responded that there is a FAQ sheet on this decision; it was provided to Mr. Culcasi. The basis for coming to that conclusion is that we are a tax exempt social recreational organization under the IRS Code. In order to maintain that tax exempt status one of the provisions was that all members have to pay the same fee. Further, owning a lot requires membership. The membership goes with the person, the member. It does not go with the property. The rationale was based on the scenario of one member that happens to own two parcels. They are paying two fees but are not gaining any additional benefits.

Member Tom Jones stated that buyers who purchase more than one lot for investment purposes, will not have to pay dues on the additional lots.

There was a request from several members to put this issue of exempting additional lots to a vote of the members. There was a suggestion that this could be done at the election for directors in June 2009.

5. General Manager's Report:

- a) Operations Review: General Manager Abila gave the following report:
The mailing of the By Laws was conducted on February 11th. The Certificate of Members Entitled To Vote will become part of the official minutes of the February 2009 meeting.

Repairs to Fly In Lake are complete. The lake valve is shut down and holding water.

- b) Fire Suppression System-Snack Bar: **Director Rischbieter made a motion to authorize Manager Abila to proceed with replacing the Fire Suppression System. Director Lawlor**

seconded the motion. The motion passed unanimously.

c) Policy #500 A-3, Use of Advertising in the Lodge Log and Website was presented. Use of email Service was included.

Director Rossi-Clay made a motion to accept Policy #500A-3 as revised. Director Lawlor seconded the motion. The motion passed unanimously.

d) The CC & R report reflects numerous dead tree violations within the subdivision. Management and Security are working on notifying owners to remedy these violations. President Friberg assured Manager Abila that he had the Board's backing to proceed.

Member Forum:

Member Frank Hengel read portions of a letter from Members Larry & Marilyn Larson, who could not attend the meeting. A summary is as follows:

The Larsons believe that each owner holds a tenant in common interest in the common areas such as the facilities and property of the association and that is a tangible attribute to every lot in the subdivision. As in any investment, there are maintenance costs and fees associated with this interest. To exempt any lot from fees relegates the subsidy of those common areas to all the payors.

The other concern is that the voting on this matter in the December 20th meeting appears to be circumspect. They feel a voting member should not personally benefit from the action of the Board.

Mr. Hengel went on to define 'conflict of interest' as interpreted by Davis Stirling. He stated that both votes were less than legal, because one Director stands to gain financially. He strongly urged the the Board to put this matter to a vote of the membership.

[Following conclusion of Member Forum below Director Rischbieter stated that his actions were neither illegal nor unethical.]

Member Mary Peterson requested to read portions of a letter from Bev Vasquez who could not attend the meeting. A summary of Bev Vasquez' letter is as follows:

Mrs. Vasquez believes Boards of Directors should operate in a fair and responsible manner but does not feel they did so. She believes exempting additional lots owned by a homeowner is not fair or equitable and that revenue from these exemptions could help pay for increases in employee's health costs or improve facilities making our investment even more valuable.

Her second concern is that Director Rischbieter has a conflict of interest and did not abstain on a vote taken to rescind these exempted lots from paying their 2009 dues. She feels that by not abstaining, Director Rischbieter monetarily gained as an owner of an additional lot and acted in an unethical manner.

Mrs. Vasquez asked that the Board reconsider the exemption of 139 lots for the two reasons

cited above.

Please note: The previous summarized letters are on file in the Administration Office.

Member Michele Stalberg requested that each Board Member who voted for the lot exemption explain the reasoning behind their vote.

In summary, Directors Logan, Rossi-Clay and Rischbieter in-turn recounted and reiterated their respective rationales for ensuring compliance with applicable laws and their respective deliberation of all the points of discussion that had been raised questioning the issue. It was reiterated that the current assessment structure, including the “second dues exemption” available to owners of additional undeveloped lots, was consistent with all of the Association’s governing documents.

There was further discussion and questions about what changes were made to the By laws; the legality of a board member voting on an issue in which a conflict of interest exists; why wasn’t there a forum of the membership on the revised By Laws.

Director Rischbieter stated for the record that none of his actions were illegal or unethical.

President Friborg stated that one of the main concerns of the members present seems to center on the exempted lot issue. He further explained that the revised By Laws do not include the issue of exempting lots. That issue will be reviewed by the Board of Directors and that issue will be on the agenda for the next board meeting.

6. Financial Report:

- a) Review January 2009 Financials: Treasurer Salayko gave the following report:
 - Total income for January 2009 was \$104,012.10.
 - Total expenses for January 2009 was \$93,728.27.
 - P/L for January 2009 was \$10,283.83.

The beginning balance in January 2009 in the Reserve Account was \$448,008.59. The ending Balance in January 2009 was \$451,946.57.

7. Committee Reports:

- A. Summer and Winter Recreation:** Vice President Ryniec reported that the Winter Recreation Committee wanted to keep the committee as a strictly volunteer group and continue with the Recreation Director, Judith Anderson as a liaison between the General Manager and the Winter Recreation Committee.

The committee is working on changes to the Guest Policy at Winter Recreation Functions.

B. Marketing:

- 1) Promotional Evaluation Committee: Secretary Logan reported that the goal of the Marketing Review Committee was to evaluate the marketing activities that have taken place over the last two years and their success rate. She will report their findings at the next board meeting.

C. **Human Resources:** No report.

D. **Architectural Review/CC & Rs:**

a) Status of ARC review: Director Rischbieter reported that reviews are essentially current, except for one recent submission where we are awaiting BLSMWC to review first.

E. **Facilities:**

a) Long Range Planning Committee: Vice President Ryniec gave the following report: Manager Abila made a list of all assets. They reviewed the Committee's mission. The assets were divided into five categories. Each member was assigned to a category. There will be an interim report at the next meeting.

F. **EPPOC:** Vice President Ryniec gave the following report: There was discussion about SPI Plans on Love Creek which does not affect BLS. There was also discussion about the Gene Miller and Brian Rowley waste disposal sites. These two sites will be charging \$5 per load in the off season. The service will continue to be free between April 15th and November 15th.

8. **Facilitator:** Director Lawlor will confer with Manager Abila about the need for a facilitator.

9. **Old Business:** No report.

10. **New Business:** To focus member comments and current issues for the purpose of formulating the March Agenda and upcoming Closed Session review (12e, below), Director Rischbieter summarized the concerns of the members present:
Stopping the current By Law vote.
Review the propriety of the exemptions of owners of second lots.
Review a conflict of interest that may exist.
Review the possibility of a re-vote.
The Board concurred that this list effectively encapsulated the issues.

11. **Adjournment:** President Friborg adjourned the regular meeting at 11:45 a.m.

12. **Closed Session:**

- a) Delinquent Account (foreclosure): **Treasurer Salayko made a motion to proceed with the initial step in foreclosure of a property in Unit 11. Director Rischbieter seconded the motion. The motion passed unanimously.**
- b) Board Member Concern: Closed Session Confidentiality.
- c) Employee Benefits: Tabled.
- d) Employee Organization: A revised flow chart was distributed.
- e) Discussion to obtain input from legal counsel.

Respectfully Submitted:
Recording Secretary Marsha Hampton
Approved for Posting: March 21, 2009

