

**Riverbend on the Willamette Board of Directors Meeting Minutes  
December 18, 2014**

**Location:** Lobby of Building 1

**Board members present:** Augie Gallego, Bill Eklund and Carl Neun by telephone conference.

**Homeowners in attendance:** Chris Chillberg, Gil and Kim Castro, Mike and Alma Jackson, Vidya Kale, Donna Larson, Gary Grandmiason

**CA Partners representative:** Britton Powell

The meeting was called to order at 9:05 am by Augie Gallego.

Augie explained the purpose of the meeting was to be a work session for the Board in their preparation for development of a 2015 budget. The requirement of the Board to provide appropriate notification to the homeowners of the meeting and the meeting being open to all homeowners was described. All business would be conducted between board members and the CAP representative. Homeowners would have an opportunity for questions and comments at the conclusion of the meeting. Augie explained the HOA is a quasi-public organization and that there are only three provisions under the HOA bylaws and according to state law that allow for the HOA Board to meet in executive session with no homeowner attendance:

From BYLAWS OF THE ASSOCIATION OF UNIT OWNERS OF  
RIVERBEND ON THE WILLAMETTE CONDOMINIUM

*3 .13 In the discretion of the board of directors, the following matters may be considered in executive session:*

*3 .13 .1 Consultation with legal counsel concerning the rights and duties of the*

*Association regarding existing or potential litigation, or criminal matters;*

*3 .13 .2 Personnel matters, including salary negotiations and employee discipline; and*

*3 .13 .3 The negotiation of contracts with third parties.*

**Augie announced the primary topics for this meeting.**

(See Attachment 1)

1. Information requested from CAP in preparation for today's meeting
2. 2015 Budget issues
3. Risk management issues
4. Matters relating to a **"Proposal to Modify Riverbend HOA Fee Allocations"**  
(see attachment 2)

**Britton discussed HOA expenses and their impact on reserves, then four alternative budgets, reflecting changes in the monthly dues, (See Attachment No. 3)**

The association has had several unexpected and higher than expected expenses that have combined to reduce our reserves by about \$62,000.

Augie stressed the importance of disaggregating the \$62,000 reserve short fall in order to better understand specific costs as we consider budget revisions for 2015. We need a clear understanding of each item in order to know how we got to where we are. The HOA will require 2015 budget plan options to restore approximately \$62,000 to the contingency reserve. We need to address risk management issues. Homeowners need to know how board decisions are made and what supports actions taken by the board.

Among these unanticipated expenses are:

- Repair of deck coatings
- Detection of dry rot during the recent painting of buildings 1 and 2 that required repairs earlier than budgeted. These expenses will be offset in the future with these earlier repairs.
- Painting costs of buildings 1 and 2 were slightly over budget. Efforts are underway to lower these costs for buildings 3 and 4, scheduled for 2015. This will be the major anticipated expense for the HOA in 2015.
- Carl expressed concerns regarding an approximate 1/3 increase in our insurance premium to \$27,700 (approximately a \$5,000 increase). He recommended, and Britton agreed to obtain competitive bids for our insurance, including options for changing deductibles to reduce costs. Chris commented that our current deductible is \$10,000, the maximum allowable deduction under the current law. Our commercial insurance package, including flood insurance, is due the end of January.
- Electricity and Water rates are expected to increase significantly in 2015. Britton estimates a 5% to 7% increase in utility rates. This will be offset by a modest reduction in water use through the recent irrigation modifications made with the landscaping changes.

**Potential areas for saving:**

Britton described the following areas for potential saving:

- General building maintenance - \$2000
- Insurance – 10%
- Accounting and tax review - \$1000

Carl asked Britton to seek a goal of less than \$300,000 for operating expenses. Carl supports an increase in our operating reserves of between \$76,000 and \$80,000.

Other anticipated near future expenses will include:

- Resealing of two remaining decks (time will be based on inspection findings)
- Elevator upgrades in 2017, estimated to be \$6,000.

### **Risk management issues**

Augie presented, as an example, the major window modification at the owner's request (approved by the board), in the Penthouse of Building 3. Any damage to the building, resulting from such owner modifications becomes the owner's responsibility. Who is responsible for notifying a future buyer that that responsibility transfers to the new owner? Britton will seek legal counsel regarding this liability responsibility and will discuss with Augie. Augie will review this matter with the board. If there is agreement, Britton was asked to draft a policy, to be shared with all homeowners, indicating their respective responsibilities for notifying buyers of their property of such responsibility.

### **Matter regarding proposal for dues modification (Attachment 2)**

Augie discussed the recent proposal, submitted by five homeowners, for "a change in the way Riverbend HOA assigns Fees and assessments to be paid to the association." Additional data will be required to make any recommendations for change. Carl noted that the only significant item of differentiation was the window cleaning. The need to change bylaws, the current bylaws provision regarding the percentage of homeowners to initiate a bylaws change, timeline to develop a formal proposal and who would hold responsibility for legal cost to develop and execute such a change were mentioned.

The HOA board and CAP will review, discuss and respond to the authors of the proposal for change.

The business of the board was concluded at 10:35 am.

Guest homeowners were invited to offer questions and comments.

1. Gary asked, as a hypothetical question, whether he would pay a one or two unit fee were he to purchase the unit below his unit and convert the two into a single residence. There was no clear answer at this time.
2. Vidya asked what the cost was for repair to the McPeak Deck. Britton stated it was approximately \$18,000. Chris commented that the original deck coatings were faulty. Recent repairs have revealed that the coatings were also improperly applied.
3. Chris reminded the board and homeowners of his long history with the Riverbend condominiums, his extensive construction experience and knowledge about the construction of our units. He stated his willingness to share his knowledge and experience with any who asked.

**The meeting was adjourned at 10:52 am.**

Respectively submitted by

---

Bill Eklund, Secretary

Riverbend on the Willamette Homeowners Association

Date

## **ATTACHMENTS**

### **ATTACHMENT No. 1**

To be Included in December 19, 2014 Meeting Minutes (per request of Augie Gallego) v

In preparation for Thursday, December 18 HOA Board work session I have several questions and requests for information that should be readily available.

The information requested will better prepare me for the budget discussion and provide a better understanding of the 2015 operating budget's specific line items, required reserves and status of the Reserve Study currently underway or completed by this time

#### **2013 and 2014 Information requested:**

*A) Scheduled, non-scheduled, emergency repairs, documented cost and status of projects for which the HOA is responsible.*

- 1) Buildings 1 and 2 adjoining limited common area repairs
  - 2) Water intrusion Building 1 and Building 4 Penthouses
  - 3) Landscape Improvement
  - 4) Scheduled and unscheduled siding, paint and gutter replacement
  - 5) Building 2 Roof repair; cost, status, year project completed
- B) Other projects, please detail size, scope and cost.

#### **Risk Management:**

Building 3 Penthouse remodel included an HOA Architectural committee approval of modifications including exterior wall/window modification and replace with "floor to ceiling window".

- a) Request minutes of project's approval to include required conditions and future responsibility for repairs etc;
- b) Should exterior wall be compromised in any manner, occurrence(s) of water intrusion, other structural failures, Who is responsible for repairs/replacement, HOA, current Owner, future owner, contractor?
- c) Building 3 Penthouse is on the market, who is responsible for disclosing exterior building modifications, HOA board of directors, CAP, Realtor, owner?

Building 3 limited common area deck is tiled with a ceramic tile; deck spans a large portion of condominiums below. I believe the same deck situation exists in the Building 4 penthouse.

Given the history of the limited common area decks, that have been modified and later required repair, in some cases the HOA has been obligated to make the repairs and in other instances, the new buyer has made the required repairs. With respect to required repairs and party(s) responsible, I believe the HOA has a policy or approved procedure; do the procedures/requirements need clarification to ensure that requirements have been consistently applied?

If/when water seepage occurs and tile subsurface is compromised requiring repairs, again, whose is responsible to pay for repairs, HOA, Owner, Buyer?  
Responsibility for disclosures, seller, (Realtor should be aware or be informed) HOA, buyer beware, "purchase as is".

### **Dues modification Proposal**

#### **Questions, Suggestions and Observations:**

To ensure complete understanding by all homeowners current and new, clearly define all "common areas" enjoyed by all homeowners;

Define or revisit explanation and responsibility for maintenance and upkeep of "limited common areas" when same are modified by individual homeowners;

Recognize differences among and between condominiums, scope of related specified/required maintenance costs and building insurance consideration, for example project scope for paint, repairs, siding, window maintenance, gutters, decks, rails etc.

As your newest of your board members, I cannot make any observations or enter into any discussion in a meaningful way, unless I have some data from which to start. There is much more information I am certain that I will need and can use. Thank you. augie gallego

## ATTACHMENT No. 2

22 November 2014

### Proposal to Modify Riverbend HOA Fee Allocations

Directors of Riverbend HOA  
CA Partners

Dear Sirs,

This is intended to propose a change in the way Riverbend HOA assigns Fees and assessments to be paid to the association to cover ongoing expenditures and required reserves as well as other charges incurred by the association on behalf of the homeowners. Currently the monthly fee as well as occasional assessments are equally distributed among the 32 homeowners so that they are the same regardless of the size of the condominium, market value and external patios and decks which are designed for private enjoyment of the homeowners. No other known condominium development has such a uniform fee structure. The following table illustrates the fee structure at 555 Second Street building in Lake Oswego.

#### HOA dues for various condominiums at 555 Second Street Lake Oswego (2007 Data)

Description	Sq Ft	% over baseline	Price	% over baseline	HOA Dues	% over baseline
Third Floor 2+2	1459	Baseline	\$595000	Baseline	\$414	Baseline
Second Floor 2+2	1529	4.8%	\$559000	-6.6%	\$431	4.1%
Third Floor 2+2.1	1748	19.8%	\$645000	8.4%	491	18.6%
Third Floor 2+2.1	1748	19.8%	\$649000	9.1%	494	19.3%
Second Floor 2+2.1	1816	24.4%	\$649000	9,1%	509	22.9%
Penthouse 2+2.1	2147	47.1%	\$999000	67.9%	634	53.1%
Penthouse	2371	62.5%	949000	54.4%	697	68.3%

Data herein is from a 2007 brochure and most likely the fees have increased but the trend is clear. There is a close relationship between the area of the condominium and the HOA dues. Two very large buildings at the Pearl on which we have more recent data exhibit the same size to dues relationship. Riverbend should follow similar guidelines to make the fees and assessments fair and equitable.

We are not suggesting that Riverbend should use a formula so that the fees are exactly proportional to any single variable. We simply would like to see a fair

allocation that takes into account the size of the interior and exterior spaces privately enjoyed by the homeowners. It is noted that the maintenance and long term replacement costs of such spaces vary according to the size and nature of such spaces. On the other hand many amenities such as the exterior landscape, the elevators and lobbies are for the use of all owners equally.

We request that the board of directors and CA Partners take appropriate steps to establish a fair allocation of fees and assessments based on existing and anticipated expenditures related to the areas of condominiums and other parameters. This is especially urgent since the board and CA partners are currently doing a study to determine the adequacy of our reserves. Clearly this is not an exact science. In fact there are small differences between seemingly identical condos. Our intention is not to suggest a fee structure that is onerous to some owners.

An examination of our association bylaws and the laws of the state of Oregon would be necessary to determine the process required to initiate such a change and have it implemented if approved. We therefore request the Riverbend board of directors and CA partners to proceed with the appropriate steps including engagement of legal counsel if necessary in order to develop a resolution and hold a vote to seek approval of the homeowners. We also request not to make any changes in HOA fees or assessment until this issue is resolved.

Thank you and best regards,

Vidyadhar Kale	115 Furnace St
Henry Smit	127 Furnace St
Alma Jackson	173 Furnace St
Donna Larson	147 Furnace St
Marcia Watt	125 Furnace St

**ATTACHMENT NO. 3** (email received from Britton Powell, December 17, 2014)

Dear Board of Directors,

As Riverbend enters 2015 with a Reserve Deficit of roughly \$622,000, compared to what was previously estimated by the Reserve Study (please see attached for reference), we have developed a few options for consideration.

Attached you will find four (4) budgets prepared (in both Excel and PDF formats) to illustrate various levels of budgeting and funding:

1. Carrying over the 2014 budget, while increasing the Reserve Contribution in line with what was developed by the Reserve Study – in the long run, this option would likely lead

to a Special Assessment, and an operating deficiency, and is being provided as a reference point.

By carrying over the 2014 budget figures and increasing the Reserve Contribution, the per unit monthly assessment would be roughly \$926.

2. By carrying over the 2014 budget, while increasing the Reserve Contribution in line with what was developed by the Reserve Study, plus an additional \$10,000 allocated to refund the reserves, we should be able to refund the reserves in roughly 6-years – mitigating circumstances aside.

This option would lead to a per unit monthly assessment of roughly \$953.

3. By underwriting the Operating Budget in line with projected cost increases for 2015, while increasing the Reserve Contribution in line with what was developed by the Reserve Study, the Association should avoid an operating deficiency.

This option would lead to a per unit monthly assessment of roughly \$985.

4. By underwriting the Operating Budget in line with projected cost increases for 2015, while increasing the Reserve Contribution in line with what was developed by the Reserve Study, plus an additional \$10,000 allocated to refund the reserves, we should be able to refund the reserves in roughly 6-years – again, mitigating circumstances aside.

This fully funded model will best help avoid a Special Assessment, and a Budget Deficit, and leads to a per unit monthly assessment of roughly \$1,010 – or an increase of \$100.

These are simply options developed by management by using the reserve study currently in place, along with the maintenance calendar. All four options can be amended as the Board sees fit – I anticipate an amalgamation of all four will lead to a result that best prepares the Association for the future, while keeping an eye on the present.

Additionally, I have included for reference a Balance Sheet current as of 12-01-14, and an Actual-Budget Analysis that includes all budgeted and reserve expenses by Line Item – Please note that the Actual-Budget figures for July were the YTD figures provided by prior management. Additionally, the “Revised Total” estimates on this Analysis include expenses for all months, except December – I have included these estimates on the (4) attached Budget Proposals.

I look forward to meeting with you all to discuss this tomorrow morning.

Sincerely,

Britton T.S. Powell  
Community Manager, CMCA  
Community Association Partners, LLC  
*"A Partnership for better living"*