

FAIRFAX CLUB ESTATES
BOARD OF DIRECTORS MEETING
Wednesday, May 26, 2010, 7:30 PM – 9:15 PM
FCE Pool

- I. Call to Order
- II. Verification of Quorum

Attendees:

Jim Thompson (*President*), Pat Ring (*Vice President*), Phil Beenhouwer (*ACC Chair and Secretary*),
Mike Krzykowski (*Tennis POC*), Dave Hardin (*Treasurer*), and Lu Wright (*Board member*).

Not in attendance: Steve Holskey, Jason Regnier, Mark Eackloff, and Karen Bates.

- III. Membership Forum ----- 20 Minutes

NOTE: The maximum time for any one individual is limited to 5 minutes

- IV. Review Minutes from previous Board Meeting ----- 5 Minutes

The Board clarified the discussion from last month’s meeting about the FCE directory. Mark Eackloff was going to request the homeowner listing from GHA, but there was limited interest on the Board to deal with the privacy issues, so we tabled this until Lu Wright was available to take this project on.

The minutes from the April meeting were approved.

Action Items:

- **Treasurer**: Research any legal issues with respect to how reserve funds can/can not be used.
- **Treasurer**: Ask GHA if (1) the Board can reduce the monthly allocation to the reserve account; (2) If, at the end of the FY, the Board is required to vote to allocate the year-end funds into the reserve account; and (3) if the Board can spend reserve funds on the reserve study.
- **President**: Contact Nationwide about a vandalism claim for the light fixtures around the pool and in the common areas.
- **Common Grounds Chair**: Contact electricians for estimates for the light fixtures around the pool and in the common areas.
- **Treasurer**: Change the top of the “Assets” section to reflect a “*Checking Account – Reserve*” line and a “*Checking Account – Operating*” line, which subtracts the “*Reserve*” line from it.
- **Treasurer**: The BOD recommended creating an FY11 budget line-item for the reserve study. (The 2006 Reserve Study cost ~\$2,800.)
- **ACC Chair**: Contact GHA about the disclosure packet process and why it does not hold-up the sale/transfer of homes.
- **Treasurer**: Pursue creating a separate banking account for the reserve funds.
- **Treasurer**: Request GHA to investigate the accounting solution for the incorrectly credited \$11K pool charge from operating expenses to reserve.
- **Treasurer**: Ask GHA to research the accounting of the reserve fund and attend a future HOA meeting to help us understand the issues with accounting.
- **Treasurer**: Change the top of the “Assets” section to reflect a “*Checking Account – Reserve*” line and a “*Checking Account – Operating*” line, which subtracts the “*Reserve*” line from it.

- **Board:** With each invoice from GHA, identify whether the payment is operating or reserve.
- **Secretary:** Contact AAA and American to determine what a community rate would be for trash/recycling.

V. Review President’s Report ----- 10 Minutes

Spring is here and that means activities in Fairfax Club Estates are picking up! Thanks to Cub Scout pack 41 for their annual Spring Cleanup, and for the invite to attend this year's Crossover Ceremonies! Thanks to Jim Findley, Linda O'Brien, and Karen Larsson for planning and organizing the spring semi-annual Neighborhood Yard Sale. And many thanks to Kevin Mahan for arm wrestling the marquee sign at the pool and keeping it up to date! Without the help of these dedicated volunteers we could not put on special events that help to make FCE a special place to live. We still need a volunteer to organize and run this year's Adult Social, and we need a volunteer to organize community Neighborhood Watch activities.

VI. Review Treasurer’s Report ----- 15 Minutes

The Treasurer began by presenting two documents: “FCE HOA Treasurer’s Report for FY-2011, Report period ending 4/30/2010” and “FCE HOA Financial Statement for 4/30/2010”. The action item from last month regarding the creation of a separate banking account for the reserve funds (from the SmartStreet Checking account) was discussed. The Board agreed that for transparency’s sake, and the increased need to clearly identify to GHA which expenses are operating and which are reserve, that this second account should be created.

From the April Treasurer’s Report, Pat identified that the \$34,841 in reserves plus the \$92,985 in expected

income, compared to the \$149,823 in year-end expenses, equate to a year-end deficit of \$21,997. This prompted the long discussion (explained below) about the reserve funds. However, Lu later identified that the bottom-line of the report indicated that both income and expenses are expected to equal \$156K, so she, and the Treasurer, concluded that there is no expected year-end deficit of \$21,997.

This prompted a long discussion about the reserve funds, the Board's commitment to preserving those funds, and the Board's discretion in borrowing from reserve funds to pay for operating expenses. It is important to note the distinction between "*borrowing from reserve funds*" and using reserve funds to pay for operating expenses. The issue of the "*Board's discretion in borrowing from reserve funds to pay for operating expenses*" would occur at the end of the fiscal year, once all operating expenses have been paid for, leaving a "net income/loss", which would be the amount that the Board would vote to move into the reserve account. However, since the budgeted amount for "reserve" is actually allocated into the reserve account on a monthly basis, there was an opinion that the Board may need to slow the monthly reserve allocation to ensure that the Board had the necessary funds to pay for routine operating expenses. This would be necessary if operating expenses were to exceed available income due to the timing of accounts receivable (i.e., homeowner dues).

There were members of the Board who believed that, like all other line-items of the budget, the reserve line-item was at the discretion of the Board to spend and save as the Board sees fit. They argued that if the Board went over-budget come the end of the fiscal year, then the amount of the deficit would come from the reserve amount that would have been deposited into the reserve account. For example, this fiscal year's allocation into the reserve fund is budgeted to be \$37,862. However, if operating expenses exceed the planned \$128,720 (i.e., total expenditure's \$166,582 minus the reserve's \$37,862), then the deficit would come from the reserve's \$37,862. For example, if the Board spends \$10,000 *more* in operating expenses for

the year (i.e., \$138,720), then the allocation to the reserve account would be \$27,862 (i.e., \$10,000 *less* than planned).

However, there were other members of the Board who believed that the planned allocation for the reserve should not be used to offset an operating deficit, and that the entire budget (i.e., both reserve and operating expenses) should be managed to the budget plan. The reason for this is that if the reserve allocation is offset by an operating deficit, then a future reserve expense might not be made since the necessary funds were not available since some of those funds were used to offset a previous year's operating deficit. The Board agreed that a special assessment would be necessary to pay for this, and some Board members were wary of offsetting an operating deficit with reserve funds for this very reason. The Secretary encouraged the Board to consider managing the operating expenses to stay within the budget so this was not necessary, and that any request (at the line-item level) to go over-budget should be voted-on by the Board, so that the Board acknowledges, with each vote, that the decision will likely have a negative downstream effect on the reserve account and, as a result, future reserve repairs. The Treasurer also advocated that an analysis of the reserve study be conducted against reserve expenses to date so that the Board understood the current state of the reserve account. For example, is the Board over- or under-running on reserve spending? The President believed that the Board is under-running, and the Secretary stated that this should be confirmed so that this information could be considered in any future decisions for using the reserve funds to offset operating deficits, in the preparation of future budgets, and in any discussions about increasing homeowner dues.

The Treasurer will research any legal issues with respect to how reserve funds can/can not be used.

The President recommended that the Treasurer ask GHA the following questions:

1. **Can the Board reduce the monthly allocation to the reserve account?**
2. **At the end of the FY, is the Board required to vote to allocate the year-end funds into the reserve account?**
3. **Can we spend reserve funds on the reserve study?**

VII. Review Committee Reports ----- 15 Minutes

Architectural Control Committee

ACC re-sale inspections:

1. 5581 Ann Peake: ACC identified backyard stone retaining wall and landscaping that was not in the file. This precipitated one of the ACC reviews below.
2. 10668 John Ayres: ACC identified a fence along the back property line and one along the left side of the backyard that was not in the file. This was documented on the resale inspection that was sent to GHA.
3. 10652 John Ayres: inspection completed with no issues. Signed report to GHA forthcoming.
4. 10605 John Ayres: inspection completed with no issues. Signed report to GHA forthcoming.

ACC reviews:

1. 5581 Ann Peake: included an after-the-fact approval of backyard landscaped wall and landscaping.
2. 10935 Adare Dr.: New Patio – ACC **approved** on May 5, 2010.

3. 5507 Yellow Rail: Replacement garage door – ACC **approved** on May 5, 2010.
4. 5502 Greenshank: New Deck – ACC **approved** on May 13, 2010.
5. 10912 Fox Sparrow: Replacement windows – ACC **deadline** June 10, 2010.

Common Grounds

Neighborhood Watch

Pool

The pool staff is busy cleaning our newly renovated pool, and by the time you read this, the pool will be open for the season! We have a lot of new lifeguards this year, and the lifeguards pictures and names will be in the pool office so you can get to know them by name. The Board hopes the community appreciates the hard work that our pool contractor, Crystal Aquatics, has put into the renovation of the pool!!

Social

Need a volunteer to organize the social this summer.

Tennis

Mike will be purchasing plywood to repair the backboard.

Playground

The playground equipment replacement committee members are:

Karen Bates	kqbates@earthlink.net	703-543-2442
Kathleen Mahan	kmahan4@verizon.net	703-239-2711
Linda Thomas	Lmtfair@aol.com	703-250-8106
Francie Andrews	errandasst@aol.com	703-994-2053 (cell)

Miscellaneous

VIII. Old Business ----- 10 Minutes

1. POOL MEMBER INSPECTION

The President reiterated the Crystal plan for pool member inspection. They will employ a “no-notice membership check” at the pool at random times during the day this summer.

Information on reserving the pool for private parties is now on the website. New information on swim lessons will be placed on the site shortly.

2. BOARD / COMMITTEE POSITIONS

For the record, the following list represents the current list of Board members and committee chairs:

- Jim Thompson (President and *Pool* Chair)
- Pat Ring (Vice President)
- Phil Beenhouwer (ACC Chair and Secretary)
- Dave Hardin (Treasurer)
- Mike Krzykowski (Board member and *Tennis* Chair)
- George Reilly (Board member and *Common Grounds* Chair)
- Steve Holskey (Board member)
- Jason Regnier (Board member)
- Lu Wright (Board member)
- Mark Eackloff (Webmaster)
- Vacant (*Neighborhood Watch* Chair)
- Vacant (*Social* Chair)
- Karen Bates (*Playground Equipment Replacement* Chair)

IX. New Business ----- 10 Minutes

1. THE FOUR-LIGHT COMMON AREA FIXTURE REPLACEMENT

\$400/fixture, but when they arrived, they were not like the ones we have. Another design might be cheaper. **Jim will contact Nationwide about a vandalism claim and George will contact electricians for estimates.**

Lu suggested we contact Virginia Power to see what they offer.

2. 2nd Annual MOVIE NIGHT, JUNE 19th

Katie Morales is no longer the Middleridge President, but the new President (Mary Vander Maten) will be coordinating this event. Likely just one movie for the kids due to the constraint on darkness.

3. American Trash & Recycling

The Secretary discussed his meeting with a representative from American Trash & Recycling about their interest in expanding their service in FCE. American offered to lower their rate for every FCE customer if they reached a certain percentage of customers in FCE. They asked if the Board would be willing to send a letter to every homeowner expressing some sort of endorsement of American, but I expressed an expected reluctance that the Board would be willing to do this. The Secretary offered to provide American with a list of the 272 addresses and American would review the list against their customers to determine their current percentage. Based on that, American could offer a rate decrease if they reached a certain level of customers. The Secretary would provide this information to the Board at the next meeting for a decision to go any further.

X. Executive Session ----- 20 Minutes

Discuss Association accounts, pending negotiations/contracts, budget and violations outstanding.

XI. Date, Time, Place of Next Meeting (*4th Wednesday of each month*): June 23, 2010, 7:30pm, FCE Pool
(weather permitting) or Bonnie Brae Lower Music Room/Theater.

XII. Adjournment