

**Continental Country Club
Homeowners Association
Regular Meeting of the Board of Directors
March 26, 2019 3:00pm
Meeting Minutes**

1. **Call to Order:** David Chambers, President, called the meeting to order at 3:00pm
2. **Roll Call:** All members of the board were present except Dusty Rhoton who is excused due to a death in the family. Others present were Tahlia Murray, Kim Rushing, Linda Caniglia Susan Thomas and Jeff Plattis.
3. **President of the Board Address:** Chambers welcomed the Board and staff to the March Board Meeting. Chambers stated that one of the goals of the March Meeting was to finalize the Rules & Regulations. He wanted to recap how the Board arrived to where they were today so homeowners could better understand the changes that were being made. In July 2017 a group of homeowners approached the Board regarding short term rentals and the impact/effect they are making on the community. After several discussions and Board Meetings a Special Meeting was held to hear from both sides of the issue. On January 8, 2018 the Board sent a Written Consent Form to 1,217 Single Family Homes. There were three issues on the Written Consent Form: 1. Definition of Single Family, 2. Restricting Short Term Rentals to a minimum 30 day stay with a subsection for new homeowners that would not allow them to rent their home for one year after purchase, 3. Restricting level II and level III sex offenders. The Board decided to terminate the voting on March 31, 2018 after three months and at that point the count was:
 1. Definition of Single Family **YES: 560**
 2. Restricting Short Term Rentals to a minimum 30 day stay with a subsection for new homeowners that would not allow them to rent their home for one year after purchase **YES: 500**
 3. Restricting level II and level III sex offenders **YES: 667**

In order for any one of these measures to pass we needed 812 affirmative votes to change the CC&Rs. The measure did not succeed. Knowing that this continues to be an issue in our community and nationwide in other communities your Board took some steps to create some more oversight within the community. The Board contracted an after-hours hotline which would then dispatch security when needed. The Board then updated and posted a new fine schedule. The Board then hired a second CC&R Compliance Officer to help enforce the CC&Rs. The hope today is finalize the Rules & Regulations, Tenant Registration Form & Policy.

Chambers stated the CC&Rs are very clear that "said lots are hereby restricted to single family dwellings for residential use only by one family." He continues to by say what is not clear is what is the definition of a single family?

Chambers stated that with the help of legal the Board is very comfortable with the definition that they have arrived at today. He stated that the violation for single family infraction is the amount of the nightly rent or no less than \$200.00. He stated there is limited support on the Board at this time to send out another Written Consent Form until there we give the current enforcement program a chance to work.

4. Approval of Agenda:

- *Goitia made a motion to approve the agenda with the following additions. The motion was seconded by McGrath and carried unanimously. (MSCU)*
 - *Draining of Lake Elaine*

5. Approval of Minutes:

- Regular Meeting of the Board- February 26, 2019
 - *Evans made a motion to approve the minutes. The motion was seconded by Smith and carried unanimously. (MSCU)*

6. Department Reports:

Golf Committee Report-Bill McGrath/Jeff Plattis:

Plattis informed the Board that Mike Oveson gave his notice and has accepted a position in Colorado. He stated with the departure of Mike they are going to be proactive and restructure FGMC staffing and not replace his position. The current management staff will take on more responsibility to help save money in the budget.

Golf Committee Report-Charlie King:

King informed the Board that the committee met on March 1st to organize itself and to discuss an approach to evaluating options for the future of the golf course. The Committee stated that it is unlikely that the revenue and cost numbers will support a golf course closure, but that needed to do the work to develop those figures given the importance of the decision. King reported that the primary points of discussion were:

1. Opportunities for improving the current golf course operation
2. Opportunities for reducing water usage and mowing requirements
3. Identifying brokers or others who may be interested or knowledgeable in purchasing golf course operations
4. Contact Aspen Valley regarding its first right of refusal and other matters
5. What the impact of closure would be to the Oakmont operation

All committee members were given specific tasks to follow up on and the committee will reconvene on April 4th to revisit the topic.

General Manager Report-Tahlia Murray:

Locker Room Insurance Claim- January 3rd pool locker room bathrooms backed up causing extensive damage to bathrooms and pool pump room. Insurance claim filed. Claims adjuster accessed property Wednesday January 30, 2018 and determined that all tile needed replaced, three feet worth of dry wall needs replaced. Demolition has been completed of the locker room by Superior restoration. All Framing has been replaced and the drywall will be completed by 03/28/2019. We will be installing epoxy flooring the week for April 15th. New lockers, benches and partitions have been ordered and are expected early May.

#9 Golf Bridge- Full Replacement required. Approximate cost \$2500. Labor will be done in house by Maintenance Manager, Bailey. The golf bridge is completed. Thank you Bailey for your hard work!

Marquee Roof Leak- 3-4 areas over the Marquee Room were leaking. There is a 12 year old heater that was installed incorrectly and leaking under the heater. Water damage in the marquee. Heater to be replaced and roof to be patched. This project is completed.

Total Cost- \$11,440

Master Mechanical- removal of old unit + new unit and install = \$10,900

Chris Short- Roof Repair- \$540

Lobby Bathroom Remodel- Work started Monday February 4th. CCC staff discovered termite damage on a load bearing beam which stalled progress. Exterminator determined that termite damage was old and that it was in CCC best interest to spray when beam was replace and new drywall installed. Engineers/Contractor bids gathered ranging from \$8,000-\$15,200. Jason Woodruff's team started work on February 15th replacing rotted framing/ load bearing beam. Tile work to begin on February 25th. The Tile work is expected to be completed by March 8th. New granite counter tops and partitions will follow. The lobby bathrooms opened on March 29th and look beautiful!

APS- Open Service Ticket # 190219-00388- It was brought to my attention that the CCC clubhouse parking lot is extremely dark at night. When the Oakmont staff leave between the hours of midnight at 2:00am there are multiple light posts there are not lite. I filed a ticket with APS to fix all light poles with brighter light bulbs for safety. **Expected completion March 15th.** APS completed the project.

Tennis / Pickleball Meeting:

Murray reported that she had a very productive meeting with members of the Tennis and Pickleball community discussing the upcoming season. During these meetings it was decided to try and modify the scheduling of Pickleball court use to beginner, intermediate and advance times to allow more play.

Murray also shared that the City of Flagstaff will be converting Tennis courts at Thorpe Park to Pickleball courts which could potentially effect CCC.

CC&R Compliance Report: Linda Caniglia-

Caniglia reported that since the last Board meeting she has had 60 violations. She has had 7 new complaints reported that consist of the following:

- VRBO- multiple cars / people on property/ trash cans (3)
- Parking (1)
- Trashcan Storage (1)
- Parking off of Driveway (1)
- Unsightly (1)

Linda stated her goals for spring will be focusing on paint/stain, overgrowth, dead vegetation and pine needles.

CC&R Compliance Report: Susan Thomas:

Thomas stated she has spent the last month researching VRBO, AirBNB and Homeaway to create a master spreadsheet of rentals within the Continental Country Club. She stated there are a number of other rental sites but these are the most popular. She said she has cross referenced the homes within our database to verify they are in fact homeowners. Thomas stated she is maintaining a complaint log to start tracking which properties are causing the most problems within the community so she can start working with those property homeowners right away. She stated she has recorded 103 total rentals within the community.

Thomas covered the columns on her spreadsheet and asked the Board if we would like to proceed with pursuing Tenant Registration Forms on rentals that have happened since January 1st that have not been submitted. Thomas requested guidance from the Board since the current approved Violation Fine Policy states that no courtesy notice is required for violation of submittal of a tenant registration form to issue a fine of \$15.00, that should she move forward on fining or should she put all single family homes on notice that they must start submitting tenant registration forms by XX date or they will be fined?

Dave Chambers stated that once the Rules & Regulations are approved they will need to be mailed out again to the homeowners and at that time he feels that a letter should be included to inform the membership the date regarding Tenant Registration Forms.

7. Homeowner Participation / Correspondence

- **Alisha Badenhorst- 1818 N. Mariposa Road-** Homeowner received violation letter requesting stacked firewood fence be dismantled. Board of Directors granted 60 days to remove the stacks of wood and place them into cord stacks.
- **Art Glass- 4870 E. Mount Pleasant-** Asked how long Judge Slayton granted CCC to drain Lake Elaine? Board stated that the lake is to be drained as quickly as possible.
- **Bob Prida- 6030 E. Laurel Loop-** Homeowner expressed concern about water draining over the 5th fairway of Aspen Valley Golf Course.
- **Mike Sargent- 6110 E. Laurel Loop-** Inquired if the draining of Lake Elaine is covered by insurance? Board responded yes.
- **Joyce Taylor-** wanted to confirm that they Board was proceeding with Property Management? Yes
- **Art Glass- 4870 E. Mount Pleasant** -Asked if CCMC (Property Management) contract would include a termination clause if the relationship wasn't working.
- **Don Richardson- 4701 E. Green Mountain**
 - Asked if Property Management will help build reserves? Yes
 - If hiring Property Management required homeowner approval? No
 - If comparison budget #'s included golf for property management? No
- **Bob Prida- 6030 E. Laurel Loop-** Does the Board have any influence on who from the staff gets to stay? Yes

8. Discussion Items:

- **Draining of Lake of Elaine:**

Lake Elaine will be drained through the City of Flagstaff's storm water drainage system. The drainage process will begin at the emergency drain valve on the wet side of the Lake Elaine dam and will drain through established drainage lines across the Aspen Valley and Continental golf courses and will terminate at the lake just below the

Continental Golf Club 18th green. A LAKE ELAINE DRAINAGE AGREEMENT has been executed with Aspen Valley Board of Directors.

The plan is to use the drainage control valve to control the drainage rate so as to prevent overflowing the Continental Golf Club 18th green lake. Once the Lake drops below the level of the emergency drain pipe, diesel pumps will be used to pump the remainder of the water through the emergency drain pipe.

Should we incur issues with the drainage control valve, the valve will be closed and diesel pumps will be used to drain the lake through the overflow spillway.

The rate of drainage is dependent on the rate of percolation which is undeterminable.

However, it is anticipated that we will be able to drain at the rate of 300 gallons per minute. If we are able to drain at the rate of 300 gallons per minute uninterrupted, it will take 65 days to drain the estimated 28,000,000 gallons currently in the Lake.

The drainage control valve was inspected and operated by Arizona Commercial Diving Services, Inc. approximately 18 months ago. The hydraulic pump that opens the valve is old and may have difficulties when closing it. But Arizona Commercial Divers is confident that it will work as required.

During the initial stages of the planning process, the City of Flagstaff had made a request to have the Lake water quality tested. On February 1, 2018 water samples were taken and the water was tested by Nortest Analytical/Western Technologies. The Agreement with Aspen Valley required that the water be tested again, prior to draining. Aspen Valley preferred to have Arizona Lakes and Ponds do the testing. The water samples will be taken the week of April 1, 2019 and it may take a week or two to get the results. The cost is estimated to under \$2,000.

Last fall, extensive discussions were held with Terracon regarding options to drain the Lake. The last estimates for draining the Lake into Lake Humphrey ranged from \$198,750 to \$272,750 (FNF Construction). Options discussed included pumping the water into the forest or into the City's sewer system. Over the past two months we have worked with Terracon in developing the current plan.

Terracon will be available should we require advice during the draining process. We do not anticipate using a contractor. Bobby Goitia and David Evans will supervise the draining process. Both individuals are current members of the Continental Country Club Board of Directors, have spent numerous years on the Board and both of them have served as the HOA's General Manager. Both of them have extensive knowledge of the Lake and Mr. Goitia has had extensive knowledge of the drainage control valves and has communicated extensively with Arizona Commercial Diving Services, Inc. regarding the plan.

- Aspen Agreement Approval:

Chambers stated that during the initial stages of the Schulz vs Continental Country Club litigation, the Judge ordered that that the Lake be drained to allow for an assessment of the condition of the lake and the options for the Lake. That order was suspended to allow for mediation between the parties. Since mediation was unsuccessful, the Judge recently reinstated his order to drain the Lake. Plans are currently being finalized to drain the Lake by opening the emergency drain valve to allow for water to drain naturally through the Aspen Valley and Continental golf courses.

- Property Management- Charlie King

1) Reasons to hire a professional manager

- a) **Knowledge Base.** A problem that arises in a self-staffed community may be new to the staff, but it probably has come up in other communities many times. A professional manager has access to that experience.
- b) **Economies of scale.** Some functions can be performed much more efficiently and economically at larger scales, which enables the use of better technology and experienced specialists that are not available to a self-staffed community.
- c) **Resources and expertise.** A professional manager has access to, and knowledge of, resources that are only available at large scales.
- d) **Legal knowledge.** A professional management company will be better versed in relevant law and will drastically reduce the need to consult legal counsel on day-to-day matters.
- e) **24-hour coverage.** A management company can provide afterhour's telephone coverage; that is very difficult for a self-staffed community to do.
- f) **Banking relationships.** Banking services such as management of accounts within the FDIC insurance limits, investment of excess cash in CD accounts, and lock-box payment services with reduced or eliminated fees can become available.
- g) **Accounting controls.** A professional manager can separate accounting functions and put in place accounting controls to protect against theft or mismanagement in a manner that is impossible for a self-managed community.
- h) **Training.** A professional management company can provide training for staff, board members, and committees.
- i) **Collections.** Specialists in a professional management company can effectively pursue collections and reduce the need to refer collections to legal counsel.
- j) **Community events and communications.** A range of experience with many large communities and the staffing of personnel who specialize in "lifestyle" programming can enhance a community's ability to plan, promote and pursue programs and events for the benefit of residents.

2) Basic characteristics of the three bidders

a) **Common characteristics**

- i) All three come recommended to us by CCC's counsel, Lynn Krupnik or John Buric. Lynn made a point of saying that CCMC was clearly the best, in her opinion.
- ii) All three have high retention rates with their clients.
- iii) All three appear to have strong, professional resources with respect to billing, accounting, and collections.
- iv) All three claim that 97+% of phone calls are answered by a live person and the few that go to voicemail are returned promptly. This is in contrast with one major company from whom I tried to solicit a bid. Its automated phone system was an obnoxious nightmare.
- v) All three would answer phone calls placed to Continental, relieving the call-answering function of the front desk (unless we prefer otherwise).
- vi) All three would do the entire accounting function at their offices.
- vii) All three agreed that the golf operation should eventually be under the General Manager, not in a parallel reporting relationship.
- viii) All three use mobile enforcement technology that make the enforcement process much more efficient and reliable.
- ix) All three provide IT and website support for much less cost than is being incurred now.

b) **AAM**

- i) Size: 746 communities, 200,000 units, 13 regional offices, 654 staff members. 604 of those are in Arizona, and of those Arizona projects, 8% have on-site staffs.
- ii) Recommended staffing: General Manager, supported by assistant manager who also does the enforcement work, plus front desk personnel and maintenance tech. AAM plans to evaluate staffing in the first 90 days for any adjustments. Adding a community communications/marketing position would be possible, if we chose.
- iii) Corporate culture. My impression from my meeting with AAM is that it has a fairly rigid “corporate” culture.
- iv) Employee benefits. Continental staff would be covered by AAM’s employee benefit program.

c) CCMC

- i) Size: 200 communities, 150,000 units, 11 states, 800 staff members. Essentially 100% of CCMC’s Arizona communities have on-site staffs, as CCMC specializes in such communities.
- ii) Recommended staffing: General Manager, supported by assistant manager who also does the enforcement work, plus front desk personnel and maintenance tech. Other options are continued use of part-time enforcement staff and adding a community communications/marketing position.
- iii) Corporate culture: My impression from my meetings with CCMC is that is a little more relationship driven and has a better feel for self-managed community issues.
- iv) Employee benefits. Continental staff would be covered by CCMC’s employee benefit program.

CONTINENTAL COUNTRY CLUB				
PROPERTY MANAGEMENT				
3.22.19				
	2019			
	BUDGET*	AAM	CCMC	
CURRENT PAYROLL				
Administration	\$ 327,824			
Maintenance	\$ 40,467			
Recreation	\$ 13,440			
TOTAL PAYROLL	\$ 381,731			
Health insurance	\$ 31,200			
Payroll taxes	\$ 36,264			
Workman’s comp	\$ 5,976			
TOTAL TAXES/INSURANCE	\$ 73,440			
GRAND TOTAL	\$ 455,171			
PM ALL-IN PROPOSAL		\$ 324,440	\$ 355,440	
WEBSITE	\$ 11,085	\$ 3,600	\$ 400	
LEGAL (HOA)	\$ 70,000	\$ 35,000	\$ 35,000	

AUDIT FEES	\$ 9,000	\$ 9,000	\$ -	
SAGE ACCTG SOFTWARE	\$ 2,100	\$ -	\$ -	
SIERRA TIME & ATTENDENCE	\$ 895	\$ -	\$ -	
AATRIX - W-2 PROCESSING	\$ 215	\$ -	\$ -	
CHECKS, AND SUPPLIES	\$ 1,500	\$ -	\$ -	
PHONE EXPENSE	\$ 13,500	\$ 13,500	\$ 13,500	
MANAGEMENT FEE		\$ 45,600	\$ 60,000	
ADDITIONAL FEES		5000	5000	
DISCLOSURE FEES - 150 sales		\$ 60,000	\$ 57,300	
TOTAL ANNUAL COSTS	\$ 563,466	\$ 496,140	\$ 526,640	
ANNUAL SAVINGS		\$ 67,326	\$ 36,826	
ONE-TIME COSTS				
SET-UP FEE		\$ -	\$ 1,500	
* Excludes golf				

- **Rules & Regulations**

Chambers stated Charlie King and Lynn Krupnik have worked on the Rules & Regulations to customize them to fit our community. The rules have been split into two sets: 1. Association Rules and 2. Single Family Rules. He stated the two sets were posted to the website and emailed to the homeowners for feedback and the Board took that feedback and revised them to arrive at the final set the Board is reviewing in the meeting.

Charlie King stated there was little in the comments that merited change. For the most part, the comments expressed opposition to any action that would affect short term rentals. None of them dealt with the need to clarify what the CC&R's do and do not cover.

As Lynn has advised the Board, "single family use" is a very difficult thing to define. The more I thought about the details, however, the more it appeared to me that it would be helpful to discuss some scenarios in order to be sure that the definition has the effects that the Board intends.

1. Household with Foster Children. A household cares for foster children placed by CPS. The children are not adopted and not related to the adults. Clearly no purpose is served by prohibiting such a household. At a minimum, foster children should be included in any "family" definition.

2. Adult Children. Both son and daughter graduate from college and move back in with mom and dad. They have jobs and are not dependents for tax purposes. They may even contribute to the household budget. It seems clear to me that the single-family definition should not be limited to "dependent" children.

3. More than Three Adults. A group of four adults decide to share a house, either by ownership or as a rental. They function as a single household. None of them has any other home. They are a “household” under definitions adopted for other legal purposes, though that fact is not determinative as to the meaning of the CC&R’s. Clearly, a situation like this is likely to result in more vehicles in the driveway or parked on the street, but is this really different in any essential respect than Scenario 2?

4. Family Reunion. A house is rented for four days for a 40th wedding anniversary. All of the people attending are related by blood or marriage. (This is precisely what I did in 2016 with a vacation house in Michigan). Is this not single-family occupancy? Or is this different because the anniversary event results in several households coming together for a brief time rather than constituting use by a single household? Experience suggests that such gatherings possess the highest potential for neighborhood disturbance, but is it reasonable to restrict this?

5. College Reunion/Group Ski Trip. Similar to Scenario 4, except that the renters are not related to each other. As in Scenario 4, the occupants do not maintain a common household, as their principal residences are elsewhere. As in Scenario 4, such gatherings possess a high potential for neighborhood disruption. The purpose of the gathering is a party.

6. Bringing a Friend Along. A house is rented for a weekend by a family, and one of the children brings his best buddy along. This seems more like single-family usage than a reunion, even though the young guest is not a family member.

7. Guests. A resident (whether owner or renter) has related or unrelated guests stay with the family for some days or weeks. Nobody, I think, would suggest that Continental residents would put up with a restriction on their right to invite guests to come visit. This seems qualitatively different, however, than a situation where a person rents a house for a weekend and invites ten “guests” to join him for the weekend. Perhaps the term “guest” should apply only in cases where the “host” is a long-term resident. Perhaps guests who are children (Scenario 6) are a different category.

King stated all of this is very difficult to sort out, but that is why the Board decided to revise the Rules & Regulations and further define the definition of single family.

Chambers stated that Article 23 of the CC&Rs states, that “In the event of any ambiguity in a provision of these Restrictions, the interpretation of the Association as to the meaning shall prevail.”

The Board and legal counsel have determined the below definition as the best definition for single family.

As provided in Section 2 of the CC&Rs, the Lots are restricted to single family dwellings for residential use only by one family. For purposes of the CC&Rs and

these Rules, the term "family" means a group of one or more adults who regularly (not temporarily) maintain a common household, along with any minor children under the legal custody of the adult(s) in the family and together with their domestic employees or contractors. Notwithstanding the foregoing, a group of more than four (4) adults who are not each related to each other by blood, marriage or legal adoption shall not be considered a "family". As provided in Section 12 of the CC&Rs, no boarders or renters of a portion of any of the Lots shall be permitted, but an entire lot, together with the improvements thereon, may be rented only to a single family. All rentals/leases must be registered with the Association as provided in the Association Rules.

King made a motion to approve the definition of single family. The motion was seconded by McGrath, Smith, Keegan and Hoadley opposed. The motion carries.

9. Action Items:

Draining of Lake Elaine:

Smith made a motion to drain Lake Elaine via the emergency drain valve as opposed to a pump. The motion was seconded by McGrath, Evans opposed, and motion carries.

- ***Evans opposed motion due to control of water flow through valve.***

Aspen Valley Agreement:

King made a motion to approve the Aspen Valley Agreement. The motion was seconded by Evans and carries unanimously (MSCU).

Property Management at Continental Country Club:

McGrath made a motion to hire CCMC as Property Management for Continental Country Club. The motion was seconded by Hoadley, Smith opposed and the motion carries.

Rules & Regulations for Single Family Homes:

Evans made a motion to approve the Single Family Home Rules. The motion was seconded by King and carries unanimously (MSCU).

Rules & Regulations for Association Rules:

Evans made a motion to approve the Association Rules. The motion was seconded by McGrath and carries unanimously (MSCU).

Evans made a motion to remove the language regarding "Biking" around Walnut Canyon Lakes. The motion was seconded by King and carries unanimously (MSCU).

Tenant Registration Form & Policy:

King made a motion to approve the revised Tenant Registration Form and Policy. The motion was seconded by McGrath, Smith, Keegan and Hoadley opposed. The motion carries.

10. Informational Items to and From Board Members and Staff

11. Agenda Items for Next Month

12. Next Meeting: April 23, 2019

13. Adjourn:

- *Evans made a motion to adjourn the meeting at 7:17pm. The motion was seconded by King and carried unanimously. (MSCU)*

Respectfully Submitted By,
Tahlia Murray
Interim General Manager