



**NEPENTHE ASSOCIATION
BOARD OF DIRECTORS MEETING
February 6th, 2019, 5:30 PM**

Nepenthe Clubhouse | 1131 Commons Drive | Sacramento, CA 95825

**OPEN SESSION
MINUTES**

I. CALL TO ORDER: 5:32pm

Present	Arrival	Board Member	Position	Departure
X	5:30pm	Frank Loge	President	6:21pm
X	5:30pm	Linda Cook	Vice President	6:21pm
X	5:30pm	Christina George	Treasurer	6:21pm
X	5:30pm	Steve Huffman	Secretary	6:21pm
X	5:30pm	Jan Summers	Member at Large	6:21pm

II. ANNOUNCEMENTS

- a. **Executive Session Disclosure:** In accordance with Civil Code Section 4935(a), the Board met in Executive Session on February 6th, 2019 in order to consider matters relating to personnel, contract negotiations, legal matters and member discipline.
- b. **Board Goal Update**

III. COMMITTEE REPORTS

- a. **Architectural Review Committee**
Minutes were reviewed.
- b. **Finance Committee**
Minutes were reviewed. Committee Chair, Joan Haradon, spoke regarding the monthly Financial Review process and provided a review of the 2018 expenditures.
- c. **Grounds Committee**
Minutes were reviewed. Committee Chair, Don Landsittel, gave update on Swarthmore View project and upcoming landscape remediation.
- d. **Insurance, Legal and Safety Committee**
Minutes were reviewed. Committee Chair, Nancy Arndorfer, commented on the ILS’s strong recommendation to continue purchasing flood insurance for the units within the association.
- e. **Outreach Committee**
Minutes were reviewed.

IV. MANAGEMENT REPORT

- a. Report
- b. January Nepenthe News
- c. 2019 Master Calendar

d. Coast January Weekly Report Sheets

V. HOMEOWNER CORRESPONDENCE

The Board of Directors reviewed correspondence received from 2 homeowners.

VI. HOMEOWNER COMMENTS

Two homeowners addressed the Board at this time regarding items relating to landscaping.

VII. CONSENT CALENDAR In an effort to expedite the Board meetings, Management has placed several business items on a Consent Calendar. Please review the items prior to the meeting so that you may have your questions answered in advance. Action required: Board Resolution.

Resolution: The Board approves Consent Calendar Items A to F as presented.

Motion: Director Huffman

Second: Director Cook

Vote: All in Favor

<i>Begin Consent Calendar</i>

a. Approval of Minutes January 2nd, 2019 Open Session Minutes

Resolution: The Open Session minutes dated January 2nd, 2019 are approved as presented.

b. Financial Statement: December 2018

Resolution: The Board accepts the December 2018 interim financial reports and bank reconciliations as presented, subject to annual review. The reports reflect a negative year to date variance of \$30,337 and reserve funding of \$2,213,464 compared to the reserve funding budget of \$2,111,892. The reserves are funded through December 2018. The Association has \$252,632 in operating funds, which represents 0.86 months of budgeted expenses and reserve contributions. The Association has \$7,072,859 in reserve funds.

c. Appointment of Committee Members

The following homeowners, all members in good standing, have submitted a Committee Volunteer Application as well as a signed Conflict of Interest Form.

Resolution: The Board appoints the following Committee members:

Grounds Committee:

Joleen Hecht

Iris Bettencourt

Yvonne del Biaggio

d. Appoint Inspectors of Election

Resolution: In conformance with Article II, Section 2.4(h) of the Nepenthe Bylaws, the Board hereby appoints Yvonne Del Biaggio, Kay Chmielewski, and Joleen Hecht to serve as the Inspectors of Election. The Inspectors will provide written designation of location to receive ballots as well as the poll closing time and date.

e. **Set “Record Date” for Annual Election**

Resolution: For the purpose of determining which homeowners are members in good standing and entitled to receive notice of any meeting, vote, act by written ballot without a meeting or exercise any rights in respect to any lawful action, the Board of Directors fixes April 3rd, 2019 as the “Record Date” for the 2019 Election in conformance with Article III, Section 3.8 (a) of the corporation’s Bylaws.

f. **Architectural Applications**

The Architectural Review Committee met on January 8th, 2019 to review the application listed below. The application is in a binder on the directors’ table.

Resolution: The Board confirms the recommendations of the committee.

	<i>Address</i>	<i>Application for</i>	<i>Recommendation</i>
1	1551 University Ave	HVAC Replacement	Approval
2	24 Adelphi Court	Emergency HVAC Replacement	Approval
3	1338 Commons Drive	Emergency HVAC Replacement	Approval w/ Conditions

End Consent Calendar

VIII. NEW BUSINESS

a. **Notification of Change to California Civil Code 5501**

Introduction and Background:

California recently enacted Assembly Bill 2912, which increases requirements for association Board members to review their financial results. Previous law required the Board to review financial information on at least a quarterly basis. The Civil Code has been amended to require that review to be performed on a monthly basis. In addition, it now requires the review to include the association’s check register (check history report), general ledger, and delinquent assessment reports.

The financials and delinquent assessment reports provided to you on a monthly basis by FirstService already include the additional documents now required to be reviewed each month. The delinquent assessment report is also provided monthly and is reviewed and approved by the Board in Executive Session.

In the event a Board meeting is canceled due to lack of quorum or the decision to go dark for a month, the General Manager will send the financials to the Board via email for review. Ratification of the review and approval of the financials and delinquent assessment report will occur at the next following Board meeting.

Action: Review and File

b. **California Civil Codes 5380 and 5502: Electronic Transfers of Funds Greater than \$10,000**

Introduction and Background:

The legislature enacted Assembly Bill 2912 to protect associations by limiting automatic transfers of association funds without Board approval. While transfers Management makes are already approved in writing by our boards – whether through budget resolutions, vendor agreements, Reserve Expense Authorizations, Investment Management Authorizations, cash maintenance policies, our management agreement, or other documents – this statute requires additional authorization for electronic transfers.

The following resolution is intended to provide the Board’s authorization for Management to make specific types of transfers. We recommend that the Board pass a similar resolution following elections, should the Board composition change. Management will track this task to remind the Board and ensure compliance.

FirstService’s attorneys have drafted the resolution below, and we believe it meets the requirements of the new statute. As is always the case when new Civil Code or case law affects the Association, we encourage the Board to consult with counsel.

Management Recommendation:

That in order to comply with the new Civil Code, the Board authorize Management to make certain transfers that may exceed the statutory threshold.

Resolution:

The Board of Directors (“Board”) authorizes Management to make the following transfers that may exceed (i) Ten Thousand dollars (\$10,000), or (ii) Five percent (5%) of the Association’s total combined reserve and operating account deposits, whichever is lower, from the Association’s accounts for the following purposes:

- To fund reserves;
- To pay utilities;
- To move funds pursuant to a Board resolution for a reserve expenditure;
- To implement the Board’s directives with regard to invested funds and bank account openings and closings;
- To pay for budgeted expenses, for all services provided by vendors selected by the Board for work the Board has engaged them to carry out, and for Management’s compensation and cost reimbursements under its Management Agreement with the Association;
- To remit amounts due to US Bank for transactions made by purchase cards; and
- For other authorized payments/transfers directed or authorized by the Board

Motion: Director Cook

Second: Director George

Vote: All in Favor

c. **Nepenthe Logo Merchandise**

To help fund Nepenthe Outreach Committee events throughout the year, management proposes that the Board consider the feasibility of purchasing small, logo items such as key rings, water bottles, etc. and offering them to the membership for sale. Monies received in excess of the cost would then be used to help fund association events.

Certainly, controls would need to be in place, but the main concern centers on whether this endeavor would influence Nepenthe's tax status. Management recommends having the proposed process evaluated by counsel with input from the accounting firm of record. If feasible, management would like to put this on the March open agenda for Board approval.

No Action: Discussion Only

d. **Swarthmore Enhancement Project**

The Grounds Committee Chair, management, Board liaison and Landscaper have identified an area for renovation from 2232-2245 Swarthmore. The Grounds Chair provided a rough overview of the "Swarthmore View" draft plans to the Board of Directors at the December Open Session.

The proposed plans have been officially drawn up and presented to the Grounds Committee for recommendations and a final review. The Grounds Committee unanimously recommend approval. A bid proposal for this work and a copy of the drawn plan is enclosed.

Resolution: The Board approves the proposal from Coast Landscape for the Swarthmore Enhancement Project, not to exceed the amount of \$24,495.

Motion: Director George

Second: Director Cook

Vote: All in Favor

IX. UNFINISHED BUSINESS

a. **Flood Insurance Discussion**

In December, President Loge received an email from a homeowner regarding flood insurance. The homeowner pointed out that improvements made to the levee may have eliminated the need for the association to carry flood insurance. The directors discussed this topic at the December Open Session and directed FirstService Residential General Manager Bettsi Ledesma to investigate the association's options for flood insurance and provide a report of findings at the February 2019 Open Session. This report was provided to the Board separately.

No Action: Discussion Only. Table until Insurance, Legal and Safety Committee can officially review.

b. **Homeowner Request – Ash Tree at 609 Elmhurst Circle**

The enclosed homeowner request letter is in reference to a large Ash Tree (#1175) recommended for removal on the September 2018 Tree walk by arborist Paul Dubois from The Grove Total Tree Care, due to its current condition. The tree in question has been on the monitor list and was pruned for deadwood in 2016. Tree has shown a significant rate of decline and has a large inclusion along with a pocket of decay. Mr. Dubois's September 2018 Tree Walk report is also enclosed for review. This tree work

was recommended by the Grounds Committee and approved by the Board at the November 2018 Open Session meeting.

Additionally, the arborist for the City of Sacramento has already approved the trees removal and publicly posted notice on the tree. However, the homeowners nearest to the tree at 609 Elmhurst Circle have requested a postponement of the trees removal for the reasons outlined in their letter. The City arborist, who was contacted first by the homeowner, has contacted Paul Dubois and Nepenthe Management in an effort to allow for an internal resolution before any actions are taken.

At the January Open Session, the Board of Directors tabled this item until this February Open Session meeting so that The Grove Total Tree Care can conduct a root excavation to determine if a threat to the foundation exists and provide a full report. As of now, The Grove has not received approval for the root excavation permit from the City of Sacramento. Excavation will be scheduled promptly after receipt if the Board should approve option 4 below.

The Board has the following options:

- 1) *Accommodate the request of the concerned homeowner and approve the pruning out of the immediate hazard deadwood. Postponing the removal and monitoring the tree in the interim.*
- 2) *Accommodate the request of the concerned homeowner and approve the pruning out of the immediate hazard deadwood with the cost associated with the pruning to be paid for by the homeowner. Postponing the removal and monitoring the tree in the interim.*
- 3) *Accept both the City arborist and arborist Paul Dubois's current recommendation, and move forward with the removal of the tree.*
- 4) *Continue to table this item until a full report has been received from The Grove regarding the findings of the root excavation.*

Action Required: Board discussion and resolution

Managements recommendation: The association has been notified by its contracted licensed arborist, of the tree's decay and significant rate of decline. The arborist's recommendation has been confirmed by the local authority. In the interests of risk management, FirstService Residential recommends approval of Option 3.

No Action: The Board tables this item until March Open Session.

X. HOMEOWNER COMMENTS

No homeowners addressed the Board at this time.

XI. NEXT MEETING: Wednesday, April 3rd, 2019 at 5:30 pm in the Nepenthe Clubhouse

XII. ADJOURN: 6:21pm