

**Castle Pines Homes Association  
Board of Directors**

*Executive and Regular Meetings*

Castle Pines Homes Association  
688 W Happy Canyon Road Castle Rock, CO 80108

**Friday, June 21, 2013**

**ATTENDEES:** Directors Linda Battin, President; Terry O'Connor, Vice President; Len Jacob, Treasurer; Chuck Skinner, Secretary; Al Dugan, Director. Present from the CPHA staff: General Manager Mark Larson, Chief of Emergency Services Drew Grant, Accountant Carol Tilton and Administrator Lisa Goodwin.

**OTHERS PRESENT:** Paul Dannels, Metropolitan District Manager and Jon Gray, District Engineer; Greg Barbuto, Land Development Director for Taylor Morrison. Residents: Don Diones, Brian Hebbard, Kris and Lee Henry, Don Watson, Kim Higgins, Jack Hummel, Jackie Silvestro, AJ Arnett, Elaine Thorndike, Kacy Flemons, and Ken Agarwal.

**EXCUSED:** N/A

**MEETING AGENDA:** See attached.

**I. EXECUTIVE SESSION**

The Board of Directors met in executive session and discussed legal and personnel issues.

**II. CALL TO ORDER / MODIFICATION OF AGENDA**

The general meeting was called to order at 8:07 a.m.

**III. CONFLICT OF INTEREST DISCLOSURE**

Board members were requested to disclose any conflict of interest related to items on this month's agenda, or at any time during the meeting should a conflict of interest arise. No conflicts were identified.

**IV. MINUTES**

*(See Tab #1 of the June 2013 Board Package)*

**Motion** Upon motion duly made and seconded, the Board approved the May 2013 Board of Director meeting minutes with corrections as noted.

**VI. FINANCIAL REPORT** – Director Jacob, Kim Higgins, Don Watson  
(See Tab #2 of the June 2013 Board Package)

**A. 2012 Homes Association Audit** – Kim Higgins

Resident and Long Range Planning and Finance Committee (LRP&F) Member, Kim Higgins, CPA, presented the 2011/2012 Homes Association Audit report prepared by Guy R. Audrus, CPA, an independent auditor contracted by the Homes Association to conduct the annual audit.

Ms. Higgins reported the following:

- The Independent Auditor's Opinion is structured differently due to new clarity standards in auditing that came into affect this year.
- The opinion received by the auditor is the best one an organization can receive.
- The first paragraph of the report explains what the auditor did. The second paragraph explains management's responsibility in the preparation and fair presentation of all financial documents in accordance with the Generally Accepted Accounting Principles (GAAP).
- Assets have increased at a greater pace than liabilities which is a positive indicator.
- The Cash Flow Statement reflects the details behind the income and depreciation figures recorded on the Balance Sheet.
- Note 2 states the financial statements are done on an accrual basis of accounting.
- Note 3 states our dues structure increased in 2012.
- Note 4 states \$376,000 was contributed to reserves in 2012 for future and major repairs and replacements.
- The CPHA is a 501(c)(22) organization which allows us to only be taxed on interest income.

Director Dugan asked Ms. Higgins the following: (1) In the section titled "Audit Adjustment" of the Auditor's letter to the Board, were the adjustments made to our financial documents positive or negative? (2) Should the Homes Association have an internal control audit?

Ms. Higgins stated that the Audit Adjustments Director Dugan was referring to were positive adjustments. Ms. Higgins responded the auditor evaluated our internal controls at three different levels and reported "no significant deficiencies". The auditor also added comments to the effect that he found a few things relative to our internal controls that were not pervasive but worthy of discussion by the Board (re: a note regarding the fixed asset accounting). Ms. Higgins reported if there had been a "significant deficiency or a material weakness from 2011 to 2012 it would then make sense to conduct an internal audit, but it is apparent from the auditor's report that he is comfortable with the current internal control processes.

Ms. Higgins reported the Board will need to sign the letter and then the auditor will release the final draft of the audit.

**Motion** Upon motion duly made and seconded, the Board unanimously approved to accept the 2011/2012 Homes Association Audit as presented.

Director O'Connor stated on behalf of the Board that Ms. Higgins does an excellent job presenting the independent audit on behalf of the Long Range Planning and Finance Committee and is representative of the value of the volunteers that we have in our community.

**B. Reserve Funds Investment Recommendations – Don Watson**  
(see attached handout)

Resident and Long Range Planning and Finance (LRP&F) committee member, Don Watson, presented a report on reserve fund investment strategies. Mr. Watson reported that the LRP&F committee has researched alternative options to better invest the approximately \$1.4 million in the Homes Associations reserve fund.

Mr. Watson discussed where the funds are presently invested and the LRP&F's recommendations going forward. Mr. Watson reported the committee recommends 24 month CD's for all investment accounts with the exception of one CD to be invested for a 12 month period. Mr. Watson reported these investments would generate approximately \$4,000 of additional income annually.

Director Jacob reported that over the past year we have been investing in CD's with one year duration so that we could more readily access the money if we needed to. Director Jacob stated it is the committee's opinion that we can now safely do two year investment accounts at the greater interest rate. Mr. Watson reported the penalties to withdraw from a CD can often times be waived, or alternatively might involve a penalty as high as six months interest, however given today's interest rate this would not be a significant amount.

Director Dugan stated our CD's should be "laddered" and added he would not object to a lower interest rate as a result of investing in CD's with a two year or less duration. Director Dugan asked the LRP&F to take a look at laddering their investment strategy. Mr. Watson replied the investment recommendation presented is in fact a laddered plan, and added that we will be contributing \$300,000 to reserves in the remaining half of this year which will be more than adequate to fund any reserve projects.

The Board thanked Mr. Watson and the LRP&F for their work on this issue and agree with the direction the Committee is taking with the reserve investments.

Director Jacob presented the May 2013 Financial Report.

- Administrative Labor Expense is projected to be \$8,000 positive for the year due to staffing shortages.
- Administrative Operating Expense, Attorney's Fees is over budget due to a litigation matter that is now resolved.

- Uninsured Losses Expense includes the damage incurred to a vehicle at the inbound lane at Gate 3. Chief Grant reported the vehicle damage was a result of a malfunction in the safety loop that has been repaired.
- Emergency Services Labor Expense is positive in payroll and negative in overtime due to staff shortages. This category is anticipated to be \$15,000 positive at year end.
- Emergency Services Operating Expense continues to show a positive variance due to the decision to not move forward with several discretionary projects.
- Community Operating Expense is anticipated to be \$200,000 positive for the year due to no increase in trash and cable expenses, and the projected reduced cost for the Railroad Quiet Zone project.

**Motion** Upon motion duly made and seconded, the Board unanimously approved to accept the May 2013 Financial Report as presented.

## VII. HOMEOWNERS REQUEST TO BE HEARD: Items not on the agenda

Residents Kris and Lee Henry, Jackie Silvestro, AJ Arnett, Elaine Thorndike, Kacy Flemons, and Ken Agarwal requested to be heard on the issue of building a gate house at Gate 2. Ms. Henry stated that she and other residents have been coming to the Board meetings to discuss this issue for two years and in front of three different Board presidents. Ms. Henry stated the request for a gate house became an issue for the south side of the Village due to the “lack of continuity” between the Gate 2 gate house and the other gate houses, particularly after the new Gate 1 gate house was built. Ms. Henry stated the appearance at Gate 2 has improved somewhat however problems with access into the gate continues. Ms. Henry stated that Gate 4 continues to process a lot of traffic that cannot be processed through Gate 2 and the residents inside of Gate 4 are also in favor of a gate house at Gate 2 to help reduce this traffic.

Ms. Henry stated since the discussion began there has been an online petition presented to the Board with over 100 signatures, and there was a town hall meeting that had overwhelming support for the gate house; however the Board continues to state they are “still thinking about it”. Ms. Henry stated she has learned the Metro District has offered to pay for the gate house and asked why the Board will not build the gate house now that Metro will fund the project.

Mr. Henry stated it is impressive to our guests to have a gate house and gate officer to greet visitors and residents. Mr. Henry stated there have been backups in the roundabout because of visitors that are confused about how to enter. Mr. Henry stated the key pad telephone entry system works but the “personal touch” of having a gate officer is much more preferable. Mr. Henry also added the phone system needs to be more aesthetically pleasing and suggested it be mounted on a stone column instead of on the metal pole.

The other residents in attendance for this issue also expressed their support of a gate house at Gate 2 and reiterated the comments made by Mr. and Mrs. Henry. Director Battin reported she received an email from resident Rick Nicholson who wanted to

contribute to this discussion but was unable to attend today (see attached document). Director Battin stated the Board wants to make sure all problems with access are corrected as soon as possible and asked that residents report any problems right away so they can be addressed.

Mr. Larson reported Gate 1 can see the activities at Gate 2 through the camera monitors in the gate house. Mr. Larson added that gate damage may go unnoticed at the time of occurrence as the dispatch officers are also monitoring the other facilities in our community as well as performing their duties so they might not be looking at the monitor for Gate 2 at the exact time the incident occurs.

Mr. Larson reported we have issued some limited use transponders for some of the construction vehicles and the dirt trucks receive a daily-only transponder – in both cases license, registration and proof of insurance are all verified before access is granted. These limited use transponders are only active for use at Gate 2 during construction hours for the day they are issued. Mr. Larson reported that large trucks are checked in by ES patrol at the gate and then escorted to their destination.

Director Battin reported she has heard from a lot of residents regarding the increased traffic due to construction activities. Director Battin reported the Board at the June 2012 meeting stated we could not afford the gate even with the financial contribution from the Metro District, and we are still in that same position today. Director Battin reported the Metro District has proposed paying for the Quiet Zone but not for the gate house at Gate 2. Director Jacob reported that if we build a gate the Metro District has offered to pay the Homes Association's portion of the Quiet Zone project, which is now approximately half of what was originally anticipated, and will therefore not cover the expenses to operate the gate house. Director Battin stated the CPHA does not presently have the funds for the gate house and it would not be responsible for the CPHA to build the gate house if we cannot afford to staff it.

Mr. Henry asked if the CPHA would build the gate house even if it could not be staffed at this time. Mr. Henry asked if they (the residents) could obtain the funds needed for the construction of the gate house would the Board build it then. Mr. Henry asked if anyone has considered talking to Taylor Morrison (builder of Northstar development inside Gate 2) about funding the gate house construction costs.

Director O'Connor stated the Meadows interchange may pose significant issues to all residents on the south side and the Board is not yet able to envision what these issues will be or how much they will cost. Ms. Thorndike stated the CPHA should be documenting more clearly the problems at Gate 2 as these issues represent a "cost" to homeowners. Director O'Connor stated if we build the gate house knowing we don't have the funds to operate it we are likely to continue to have this same discussion (regarding access control) month after month at our Board meetings.

Greg Barbuto, Land Development Director for Taylor Morrison, stated his organization is not in a position at this time to build a gate house as there are no funds in their budget for it, and it is not presently considered a benefit to their business plan to do so. Mr. Barbuto added their budget is crunched very tightly and funding a gate house might cause them to raise the price of their houses. Ms. Henry stated it should not be on the

builder to construct the gate house. Director Battin stated this project is on the Board's radar and the Board will work toward having the gate house in the future but there is no definitive time as to when this will occur.

Mr. Henry stated there is a "quick release connector" device that can indicate when a gate arm is broken. Mr. Larson stated he would discuss this with the Technology Committee.

## **VI. MANAGEMENT/LIAISON REPORTS**

### **A. Manager's Report – Mark Larson, General Manager**

Mark Larson, General Manager of the Castle Pines Homes Association presented the Manager's Report.

*(See Tab #3 of the June 2013 Board Package)*

Mr. Larson reported representatives of Taylor Morrison were in attendance to answer any questions the Board may have regarding the road closure on Castle Pines Drive South that will occur next week. The closure will occur for a maximum of five days, but may be as few as three days. Mr. Larson reported that this closure is needed to install a large drainage pipe under Castle Pines Drive South to accommodate storm water drainage from the Northstar development, and to allow IREA to make utilities connections to service the development. With the amount of utilities under Castle Pines Drive South the safest way to complete this work is to close the road and allow Taylor Morrison the time to trench and complete their work. Mr. Larson added that road closure notification signs are already in place and an e-mail notification will be sent to the community.

Mr. Barbuto reported they (Taylor Morrison) want a full closure to help avoid the possibility of hitting utility lines, and therefore minimize the impact to the community. Mr. Barbuto reported they are including IREA in this project in order to avoid an additional closure in the future.

Director Skinner stated the Board had a meeting with the Metro District and there was discussion about providing dirt from the Northstar project for berming and mitigation. Mr. Dannels reported the Metro District has taken dirt from the project because top soil is so expensive right now; they are presently amending this dirt with organic matter so that landscaping placed on the berms will take hold and grow.

Douglas County Engineer, Sean Owens, and resident Don Somsy were not present to provide an update on the train whistle/Quiet Zone issue. *(For previous discussion on this issue see the May Board Packet, VII. Management Report, Item A. "Manager's Report".)* Director Jacob reported the petition to the Public Utilities Commission (PUC) was unopposed and the administrative forms are scheduled to be completed in August with actual construction to begin in September. Director Jacob reported the cost of the project will come in at approximately half of what was originally anticipated.

Mr. Larson reported that Director Battin received a call from the City of Castle Pines to inform us they are planning on doing a fireworks display off of Lagae Road on July 6<sup>th</sup>. Director Battin reported City of Castle Pines officials stated they are very concerned

about the potential of fire danger but are moving forward with their plans. Director Battin reported South Metro Fire District has to permit this and will have a truck on site. They are required to have a 600' perimeter for the fireworks to fall, there will be no parking on Lagae Road, and Lagae Road will remain open for Village access / exit. Director Battin reported that City officials stated they wanted to alert our residents it will be a busy time in the area and Village residents should consider avoiding Gate 5 during this time.

Mr. Larson reported that because the City of Castle Pines is an independent city they are not regulated by either the County or the Sheriff's office in this issue. Mr. Larson suggested the Board write the City Council of Castle Pines to raise our concerns surrounding this activity. Director O'Connor also suggested we contact the Governor's office. Mr. Dannels reported fireworks go up 300 feet in the air and with wind blowing embers could be blown into the Village creating the potential for fire.

The Board asked Mr. Larson to immediately write a letter to the Governor, the County Commissioner's, the South Metro Fire District, the Douglas County Sheriff, the Colorado State Patrol, the Colorado Department of Transportation and the City of Castle Pines stating the Boards objections concerning this planned activity. Director Battin stated she would like to contact Sam Bishop from the City of Castle Pines to discuss this issue in more detail before the letter is sent. The Board agreed to this approach.

*Break 10:00 a.m. to 10:10 a.m.*

## **B. Emergency Services (ES) Report – Drew Grant, Chief of Emergency Services (ES)**

Chief Grant presented the Emergency Services report. (*See Tab #3 of the June 2013 Board Package.*)

Chief Grant reported:

- There were 683 incidents in May with 11 medical assists.
- QuickPass reports showed entries are up 30,000 over the previous month.
- ES continues to be short four employees. Two have been hired and another will start next week. There is a 90-day training process for patrol officers. One of the new hires is already an Emergency Medical Technician (EMT).
- There was a gate damage incident at Gate 2 however total incidents were less than last month.
- There were fewer traffic NOV's written in May primarily due to fewer staff. Traffic control was conducted in areas that were identified in the traffic study.

## **C. Castle Pines Metropolitan District (CPMD) Items – Paul Dannels, General Manager and Jon Gray, District Engineer.**

Mr. Dannels reported they are recording traffic information in a variety of different locations, data is being collected and they will come back with a full report.

Director Dugan asked two questions: (1) Is the light fixed in the Gate 1 roundabout, and (2) Is there any plan to repair and clean up the pond at Gate 1. Mr. Dannels responded the light in roundabout has not been fixed and is the responsibility of the County to repair. Mr. Dannels stated at last report the County said they would have the light repaired in the next 30 days however he would call the County again to verify that information.

Mr. Dannels reported he would take the issue of the Gate 1 pond to their Board for review. Director Dugan stated it would be a good idea to discuss this at their next joint meeting as this becomes an issue every spring. Mr. Dannels reported the cost to repair the pond is approximately \$285,000, but the cost to remove it would be much cheaper. Director Dugan suggested they work with Jim Walker (Chair of the DRC).

Director O'Connor requested there be enough time allocated at the next joint board meeting to get through all of the agenda items. Mr. Dannels agreed.

## **VII. ACTION ITEMS**

### **A. Confirmation of Banking Relations Resolution Approval – Mark Larson**

Mr. Larson presented a resolution for the Board's consideration to approve the CPHA to establish banking relations with Mile High Bank and Colorado Federal Savings Bank. These banking relations would allow the Long Range Planning and Finance Committee to make the investments discussed earlier in the meeting.

**Motion** Upon motion duly made and seconded, the Board unanimously approved the resolution as presented to establish a banking relationship with Mile High Bank and Colorado Federal Savings Bank.

### **B. Nomination of Member to the Enforcement Committee – Mark Larson**

Mr. Larson presented a nomination from the Enforcement Committee for the Board's consideration to appoint resident Susie Winders to the Committee. The Board was provided a resume of Ms. Winders' qualifications for their review. Director Battin and Director Dugan stated that they felt that Ms. Winders would be a great addition to the Enforcement Committee.

**Motion** Upon motion duly made and seconded, the Board unanimously approved the nomination of resident Susie Winders to the Enforcement Committee.

### **C. Amendment to the Kimball Property Agreement**

Director Dugan recommended the Board defer discussion on this issue until a later date.

## **VIII. Information/Direction**

### **A. Forest Stewardship Committee (FSC) Update** – Jack Hummel, Chair of the FSC (see attached handout of presentation slides)

Resident and Chair of the FSC presented to the Board an update on the issue of pine beetle activity within and immediately surrounding our community. Mr. Hummel reported phase one of their review has been completed to include the golf courses, the Northstar property, Happy Canyon Road, Daniels Park Road, the former King Ranch, trees from the 2012 “watch” list, Village streets, and off-street areas.

Dave Cooper, resident and Landscape Technician for the CPHA, reported that 1/3 of the trees on the watch list have survived their beetle attack; and overall the situation looks “good” for our community. Mr. Cooper reported the beetle will be flying soon and they will be doing another survey in September/October to see if additional trees are attacked. Mr. Cooper reported if no or minimal beetle attacks are found it will be a good indicator that we have “turned the corner” on this issue.

Mr. Hummel discussed the areas that were inspected by the FSC, and reported the following:

- There are several stressed trees on the golf courses but no evidence of beetle infestation.
- The Ridge Golf Course in the neighboring City of Castle Pines has removed two trees due to pine beetle.
- Fire mitigation efforts have been completed on the Northstar property and no additional trees have been identified with beetle hits since the last survey in 2012.
- There are no beetle infested trees along Happy Canyon Road however there are 9 to 10 dead trees along that roadway that require removal.
- The King Ranch has a new owner that is allowing us to go onto his property and inspect the trees. It was discovered there are two groups of beetle killed trees on this property that have occurred over the last three to four years; there are four in one group and 35 to 40 in the other group. One tree presently has live beetle and has been tagged for removal. All of these trees will be rechecked in July.

Mr. Hummel reported the results of their “watch” list inspection:

- There were 37 trees on the 2012 watch list. Three of those trees did not survive and were removed.
- In the 2013 inspection of the Village an additional four beetle infested trees were identified and nine trees were added to the watch list for a total of 43 trees.
- The dry weather over the winter has contributed to many trees being stressed and potentially vulnerable to a beetle attack this summer.

Mr. Hummel reported the following regarding the FSC’s fire mitigation activities:

- The FSC has been using the 2007 report from Anchor Point Group fire management services as a working document.

- The FSC is intent on communicating to residents the importance of creating a defensible space around the home including removing dead trees and limbs, cleaning gutters, trimming back trees overhanging the home, mowing weeds and grass, removing snow bent trees and removing junipers that are too close to the home.
- There have been reports from residents that their homeowner's insurance coverage is requiring fire mitigation efforts (removing brush and trees) that might be in excessive of, or in contradiction to, our DRC requirements for screening and forest maintenance.
- The most dangerous areas for fire activity exist next to I-25 and next to Highway 85. A spark from a passing car or truck or a tossed, lit cigarette could easily create a fire in these areas and potentially threaten our community.

Director O'Connor reported that his neighbors have asked him what they should do regarding fire mitigation. Director O'Connor asked the Board if we should be communicating to residents on this issue. Director Jacob asked the Board if we want to offer fire mitigation as a service. The Board discussed having the FSC work with the DRC on this issue. Director O'Connor stated we need to have a discussion with the DRC and the FSC jointly to develop a program to include specific guidelines on what to do. Mr. Larson stated he would address this issue with both committees and report back to the Board.

Director Jacob stated we need a mitigation program that tells residents how to proceed and also requires an inspection. Mr. Larson reported forestry consultant Mike Bahm in the past used to do fire mitigation inspections for new homes at the cost of \$100. Director Dugan stated we explore requiring that all new and replacement decks be constructed of non-combustible materials instead of lumber.

## **B. New Colorado Legislation Requirements for Homes Associations – Mark Larson**

*(see attached handout of presentation slides)*

Mr. Larson reported there are three new Bills out of the State Legislature that will have an impact on Homes Associations.

- House Bill 1276 has notice and payment plan requirements for an HOA's collection activities effective January 1, 2014. Mr. Larson reported that some modifications will be required to the CPHA's collection policy as a result. Mr. Larson further reported that he will be working with the Homes Association's legal council to prepare a draft resolution for the Board's consideration.
- House Bill 1277 requires all Community Association Managers be licensed, effective January 1, 2015 with required licensure in place by July 1, 2015. Mr. Larson reported the Colorado Division of Real Estate has been charged with providing specific requirements for licensing.
- Xeriscaping Bill SB 183, which is effective immediately, stated that Associations cannot require the installation of "turf grass" and Associations cannot require owners to water landscapes in violation of water use restrictions. Mr. Larson

stated that the Homes Association was and has been in compliance with this regulation and no modification to any policy is required.

#### **X. IMPORTANT MEETING DATES**

Mr. Larson reported the July 2013 Board Meeting will be held in the Castle Pines Homes Association Conference Room located at 688 W Happy Canyon Road, Castle Rock on Friday, July 12, 2013, 7:00 a.m. Executive Session, 8:00 a.m. Regular Meeting.

The next Castle Pines Metropolitan District Board meeting will be held on Thursday, July 18, 2013 at 7:30 a.m.

#### **XI. ADJOURNMENT**

**Motion** Upon motion duly made and seconded, the Board unanimously approved to adjourn the June Board of Directors Meeting at 12:00 p.m.

Respectfully Submitted by,

Lisa Goodwin