

**HACIENDA CARMEL COMMUNITY ASSOCIATION
MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS
THURSDAY, JANUARY 22, 2004**

PRESENT:

Mr. David Harris, President & Director
Mr. John Rokich, Vice-President & Director
Mrs. Betty Durant, Secretary & Director
Mrs. Diana Barrett, Director
Mrs. Erma Drake, Director
Mrs. Doris Durr, Director
Ms. Jean Warriner, Director
Mr. Andrew Bonfield, Treasurer
Mr. Myron Etienne, Counsel
Mr. G. W. Piercy, Jr., General Manager
Mrs. Jeanne Mileti, Recording Secretary

ABSENT:

Mr. Ben Newcomer, Director
Mrs. Kay Prine, Director

1. **BRIEFING SESSION:** Matters discussed are covered under “President’s Report” below.

2. **CALL TO ORDER:** The open meeting was called to order at 10:00 a.m. in the Casa Fiesta by David Harris, President.

3. **APPROVAL OF MINUTES:** The minutes of the regular Board meeting of December 18, 2003 were approved as submitted with a motion by Mr. Rokich. Mrs. Drake seconded the motion which passed unanimously.

4. **PRESIDENT’S REPORT:** Mr. Harris noted that there were several items discussed in Executive Session by the Board. There has been resolution of the problem with units 275-276. The Board of Directors maintained its position regarding fees for these combined units, and this, in addition to the efforts of our association’s counsel, prevailed over the pressure of Mrs. Palmer’s attorney to reduce the monthly maintenance fee of said units. Mrs. Palmer has now paid the past due maintenance fee in full.

PRESIDENT'S REPORT, continued

Board members are aware of the situation created recently when a neighbor on Via Mallorca exposed sections of the pylons of Hacienda Carmel's bridge after digging around them. The Water Management District has issued a cease and desist order to the neighbor for any further work in or along the Carmel River. Hacienda Carmel was duty bound to have the bridge inspected by a structural engineer following the incident, and that inspection has been completed. The engineer has determined that the unsolicited work done by the neighbor did not jeopardize the integrity of the bridge.

Speaking to those members observing the Board meeting, Mr. Harris explained that the Board members were elected by the membership to be their representatives in the responsibilities and duties of those business decisions which fall to the Board of Directors. He asked that everyone keep in mind that the Board members are also members of the community and have the same concerns in mind. However, it is recognized by this Board that labor has the right to ask for increases in *any* industry, and should not be brought to task for asking for market rate for the services they are providing. Mr. Harris noted that in the past he has represented management in labor negotiations, and one thing he learned about this process years ago, is that you never get mad. The Board of Directors was trying to conduct these negotiations in a businesslike manner with committee meetings and work study sessions. Unfortunately, a misinterpretation of these negotiations was released, and the misinformation was distributed in letter form by Mr. Partridge, a newer member, to much of the population. Mr. Partridge has lived at Hacienda Carmel for six months, was not on any of the committees or on the Board of Directors, did not sit through any of the meetings, and does not know the background of either the issue or of the Association. The Board of Directors finds Mr. Partridge's letter inaccurate and offensive. As a result of the ensuing frenzy stemming from this misinterpretation of the issue, management has withdrawn its request to have salaries reviewed at this time, but in the future the Board will need to recognize that there have been deficiencies. One of the issues that the Board was trying to examine was the establishment of a salary structure which spells out what employees can expect from their positions. Mrs. Durant made a motion that the issue be passed on for further study to the Finance Committee. Mr. Rokich seconded the motion which passed unanimously.

Mr. Rokich opined that Mr. Partridge owed the Board of Directors an apology for intimating they were crooks and "like Enron" in his letter. The Judge felt Mr. Partridge had put fear into the elderly population of Hacienda Carmel with his misinformation, without bothering to correct his misconceptions about the issue. He further remarked that Hacienda Carmel is one of the finest communities available, and that he has found no comparison to it. He asked that Mr. Partridge and his compatriots not destroy the tranquility of this place, and that these people think before they speak or write.

PRESIDENT'S REPORT, continued

Ms. Warriner noted that what Mr. Partridge termed "secret" was the need to be confidential with negotiations when dealing with specific individual salaries and employees. It is certainly the right of every member to review payroll information [it is disclosed on every financial statement] and salaries themselves can be reviewed in range form or in a contract. The issue before the Board and committee dealt with certain positions which are being paid far below the median local rate. Most positions were at the median, and did not require adjustment. The Board was *not* discussing a maintenance fee increase.

Mr. Harris reiterated that the committee and Board were acting in good faith in trying to treat employees fairly, while recognizing the budget constraints of such an organization.

Mrs. Drake pleaded that a wage survey be "done at arms length so as not to compare apples with oranges."

Mrs. Durr suggested that the issue of salary deficiencies be considered by the Budget Committee, as well as the Finance Committee. Mr. Rokich asked that Mrs. Durr's suggestion be put in form of a motion, which it was by Mrs. Durr. Mr. Rokich seconded the motion which passed unanimously.

Mr. Piercy added that upon review of local median wages, the request by staff to bring a few employees, whose salaries are deficient, up to a range closer to the local prevailing median wage, was a reasonable request made to the Board of Directors. These employees need to provide for their families the same as any other person. The staff respects, however, the decision of the Board.

4. **OCCUPANCY APPLICATIONS:** The Board considered the following applications for occupancy:

Theodora Crowley	Owner/occupant unit #78
Robert Webster	Owner/occupant unit #269

Mrs. Drake made a motion to approve the applicants, and Mrs. Durr seconded the motion which passed unanimously.

5. **GENERAL MANAGER'S REPORT**, Mr. Piercy:

- **Rancho Cañada:** The recent proposal by Nick Lombardo of Rancho Canada, should prove of interest to Hacienda Carmel residents. The proposal is for a 272 acre development, with 280 units, of which 50 percent could be set aside for workforce and affordable housing.

GENERAL MANAGER'S REPORT, Rancho Canada, continued

The development would include some open space and a recreation trail, and would replace existing golf course which is currently being irrigated, which is where Mr. Lombardo proposes to get the water for the project. Mr. Piercy reported that he attended a community meeting last week on the issue, and would like to have the same presentation, in a simplified form, brought before the residents of Hacienda Carmel.

Mrs. Durant asked if there was any consideration given to the project being built in a flood plain. Mr. Piercy noted that the land in the 100-year flood plain will be designated open space, with the structures being built on an elevated portion of the property. Mr. Harris opined that the development might help boost the value of Hacienda Carmel's units. However, Mr. Rokich felt that the lower priced units at Canada would deplete our prices. He also expressed concern about a back up of flood waters.

The Board consented to invite Mr. Lombardo to hold a presentation at Hacienda Carmel in the near future. Mrs. Durr made a motion to approve the presentation. Mr. Rokich seconded the motion, which passed unanimously.

- **Update on Comcast Cable:** Comcast has now completed their exterior wiring program in this area. We thank the membership for their patience during this difficult time. Although the current wiring supports all of the new channels that Comcast now offers, it does not completely support all of the new cable company services. In order to avail ourselves of these additional services (such as broadband high speed internet access) we must also replace the wiring inside the units. We are now negotiating with Comcast as to who is responsible for the replacement of this wiring, and it appears at this time that it will be done at no cost to Hacienda Carmel.

When an agreement over the project is reached, residents will be notified. It will most likely take a contractor approximately 78 days to rewire the entire property, if we can allow them access. A Hacienda representative will accompany the contractor into each unit when the time comes.

- **Guest House Renovation:** The Board of Directors has approved a \$12,000 expenditure from the Appreciation Fund to upgrade rooms in the Casa Amigos. We have taken inventory of the furniture and fixtures, and placed an order for flooring. It is projected that the total expenditure will be well within the \$12,000 limit. Completion time for the project is approximately 30 days.
- **Bank Erosion Project:** Since the flood in 1995, Hacienda Carmel has completed a series of projects to mitigate possible flooding in the future. Unfortunately, the bypass channel proposed by the engineering experts was unable to be completed.

GENERAL MANAGER'S REPORT, Bank Erosion Project, continued

The last of the flood projects is a bank erosion control project, located on the southwest corner of the property. A similar, smaller project was done by Granite Construction on the east end of the property several years ago, and by learning from the way the Granite crew installed the materials at that site, the Hacienda Carmel staff has taken on the installation of this project themselves, thereby saving the \$130,000 construction fee. Hacienda Carmel resident Oswald Pietsch also contributed by providing engineering calculations for the project. Our grateful thanks to Mr. Pietsch, and to the Hacienda Carmel staff.

7. **FINANCIAL REPORT**, Mr. Bonfield, Treasurer:

The Treasurer read the Reserve Fund expenditures for November, 2003, which totaled \$1,210.00. Mr Rokich made a motion to approve November expenditures and Mrs. Barrett seconded the motion. The Reserve Fund expenditures for December, 2003 totaled \$6,013.79. Mr. Rokich made a motion to approve December expenditures and Mrs. Durr seconded the motion. Details of both month's expenditures are attached to these minutes as Appendix I and Appendix II. Both motions passed unanimously.

8. **COMMITTEE REPORTS**, The following committees had reports:

- **Activities**: Mrs. Drake gave the activities report which included a run down of current activities, and a mention of upcoming events such as the Carmelaires Saint Patrick's Day concert on March 12th. The Committee thanks an anonymous donor who gave nearly 100 titles to the library, and the library put out a plea that they are in need of a volunteer typist.
- **Buildings and Grounds**: Mrs. Durr reported that the committee met on February 21st. Several ongoing issues were discussed: Lighting, the erosion project, and the Casa Lobos Room. Additionally, the committee received a letter regarding the damaged cars on the west end. Those cannot, unfortunately, be moved any time soon due to insurance negotiations.

The committee noted that some carports are being used for cars which are not being driven, and all carports still have a waiting list of residents wishing to rent a carport space. Several small maintenance issues were brought to the attention of management. Mrs. Durr reminded residents that suggestions can be submitted to the Suggestion Box in the Paperback Room.

COMMITTEE REPORTS, continued

- **Investment**: The committee, consisting of the Treasurer, Finance Committee Chair, President, and General Manager, met recently with Hacienda's representative from Schwab. Two of the Federal National Mortgage notes were called and will be replaced with Government National Mortgage Association notes, and the Vanguard GNMA Fund. These are both triple A rated investments, and are backed by the U.S. Government. The Board concurred with the committee's investment choices.
- **Finance**: Mr. Bonfield reported that since there has been so much misinformation put out about salary reviews, he put together a summary of the committee's actions, and read that summary to the Board:

"1. Management asked that the Finance Committee review employee compensation.

"2. A sub-committee was appointed consisting of David Harris, Betty Durant, Jean Warriner, Elizabeth Gould and Andrew Bonfield. Michael Pouls was added at a later time.

"3. The sub-committee met with the management team and discussed the current salaries as they compared to comparable positions elsewhere, i.e., Del Mesa Carmel, Monterey County, and others. A comparison chart was developed for our guidance. At a second meeting there was a consensus that if possible, a salary step program be developed for future use, based upon work skills and longevity.

"4. The sub-committee met without the management team and went into full detail on present compensation and determined that there was perhaps seven present employees that were below comparable salaries. It was noted that in some cases, these same employees had not received past salary increases other than limited COLA. The Treasurer was asked to determine revenue sources that could be used for this purpose.

"5. This resulted in the Treasurer's presentation outlining the following suggested revenue sources:

"(A) Reduce Hacienda's contribution to employee's 401k plan from 7% to 5%. Approximately \$9,000.00 savings.

"(B) Increase Daily room rates at Casa Amigos from \$54.00 plus tax to \$65.00 plus tax. Still below comparable charges elsewhere. Approximate additional income of \$20,000

COMMITTEE REPORTS, Finance Committee, continued

“(C) One remaining segment is to be completed in our flood control program, namely installation of “reno mattress” material at the berm, with an estimated cost by Granite Construction of approximately \$160,000. However, if we could purchase the material from Granite for \$30,000 to \$35,000 and do the installation ourselves, using our employees, we could transfer \$30,000 from our Contingency Fund to the General Fund to offset the labor.

“These three sources would total \$59,000, or \$44,000 for the balance of the fiscal year that ends 4/30/04, and the original recommended salary increase would impact the balance of the fiscal year \$15,861, and plus an allowance for increased worker’s compensation insurance of \$4,332, or a total of \$20,193. (I should point out that this increase was greater than the final suggestion).

“At this point it was decided that the full Finance Committee and full Board of Directors should meet to study the problem and hopefully arrive at some kind of a consensus. This meeting was held on Thursday, January 8th, with all present but Director John Rokich, who was out of town. All present stated their views or had the opportunity to do so.

“Upon suggestion that a flat percentage increase be given the seven employees, the consensus in favor was 8 to 3. Those opposed were against any increase at this time. Discussion was then held as to an amount of percentage. Upon suggestion that we agree to 10% and the understanding that no further increase would be considered including COLA for fiscal year 2004/2005 for these same employees. The consensus in favor was again 8 to 3.

“The matter would now go to the Executive Session of the Board to be held on January 22, 2004, for their approval or disapproval. All those present were cautioned again as to the confidentiality of employee’s salaries, and how serious this was.

“The whole question of proposed salary increases is now moot.

“The day following our meeting of January 8th, employees were told by person(s) unknown of the proposed increases, which was then communicated to a member of the management team. From there, residents were misinformed that the increases had been adopted resulting in a scurrilous letter sent to most residents. General unrest and confusion was generated.

COMMITTEE REPORTS, Finance Committee, continued

“Our management team requested of President David Harris that the request for a salary compensation review be dropped.

“This summation is prepared for the Board of Directors Executive Session of January 22, 2004, with the suggestion that it be printed and distributed thru the Board Minutes to all members of Hacienda Carmel. Respectfully Submitted, Andrew J. Bonfield, Treasurer.”

The committee recommended that the Board consider raising the Guest House rates to \$69.95 plus tax for the regular rooms, and that the same percentage of increase be applied to the “apartment.” Mrs. Durant made a motion to approve the increase in rates. Mrs. Drake seconded the motion which passed unanimously.

- **Orientation:** Mr. Harris announced that Mr. Newcomer, committee ex-officio, is absent but was able to get seven new people to attend the last meeting which was held in the evening.
9. **NEW BUSINESS:** Mrs. Drake announced that she is the member that breached the confidentiality of the Finance Committee and the Board and released information about salary negotiations to Mr. Partridge. She stated that she does not know any reason to be pro salary increases. Her reason for discussing the confidential information was to “clear her conscience.”
10. **COMMENTS FROM MEMBERS:**
- Mr. Partridge, unit 172, stated that what his wife and he thought was an appropriate thing to do, came from consultation with a number of members who are concerned about budget. It was suggested by these members that an enormous increase was proposed to be voted on at the next Board meeting, with no input from the membership. Mr. Partridge informed the Board that he has no regrets and extends no apologies. He indicated that he and his wife support many programs here at Hacienda and work diligently. He wants processes to be more Democratic at Hacienda, with no secret meetings. He opined that the response here today suggests many people feel this way. He stated he has received many phone calls in support of the information he published, and feels he did the appropriate thing.

COMMENTS FROM MEMBERS, continued

Mr. Harris explained that the Board meetings are open to members for observation. The Board is *not* against openness. In the future, to avoid misinformation, conflict and dissent, Mr. Harris suggested issues of general interest be discussed in open session. Mrs. Durant said she did not take offense to Mr. Partridge's letter. When she agreed to serve on the Board she agreed to look at all opinions and not to take any offending remarks personally. She remarked that this is a small town Board of Directors, not a government or corporate entity.

- Mr. Rockey, unit 132, opined, "We need whistle blowers and owe a debt of gratitude to them." He wants the Board to get referendums on issues.
- Mr. Catalano, unit 113, noted that in this room the Democratic process is working. He wanted it on record that there appears to be an economic standstill at Hacienda Carmel, which limits the amount of money that some employees can make here to below the market rate. He indicated that he manages 95 people and is required to compare prevailing wages with the wages his company is paying in order to provide equal compensation for equal jobs. In his experience you will not be able to get a comparable staff for less here. He opined that the Board should be commended for their efforts in trying to correct the salary inequities. He is not in favor of the employees withdrawing their recommendations. He noted that he will support any increases for employees who are deserving of such.
- Mrs. King, unit 5, indicated that Mr. Partridge has lived here for two years and she has lived here for twenty three. She thinks it would be interesting for us to know how many member comments were negative.

Mr. Harris indicated that he warned the Board from the beginning that this was not the appropriate time to review salary inequities. He declared that most of his calls were negative. [Mr. Partridge has lived here since July, 2003]

Mr. Partridge announced 100% of his calls were negative, but was corrected by Mrs. King.

- Mrs. King, unit 5, additionally asked why the members cannot see individual salaries. She asked that "Mr. Know-all" explain (indicating Mr. Bonfield).

Mr. Bonfield explained that counsel advises us we can show salary ranges and payroll amounts, but individual salary information should not be generally released. Committee members are well aware of this need for confidentiality.

- Mrs. King, unit 5, stated that she feels it is rude to point fingers.

COMMENTS FROM MEMBERS, continued

Mr. Harris noted that fingers were pointed at the Board of Directors. Mr. Rokich opined that a good share of the members present don't realize how lucky they are to be living here. He feels Hacienda Carmel is the best kept secret on the peninsula. He indicated that members should be thankful for what they have.

Mrs. Norback, unit 289, made comments but did not approach the podium or the microphone and so her comments were un-recordable.

11. **ADJOURNMENT**: The meeting adjourned at 11:00 a.m. The next regular Board meeting will be held on Thursday, February 26, 2004, at 10:00 in the Casa Fiesta.

Jeanne Mileti
Recording Secretary

APPENDIX I TO THE BOARD
MINUTES OF JANUARY 22, 2004

HACIENDA CARMEL
RESTRICTED RESERVE FUND
EXPENSES
MONTH & SEVEN MONTHS ENDED NOVEMBER 30, 2003 & 2002

	Current Month	2002-2003 Year to Date	2001-2002 Year to Date
Expenses:			
Computer Software Replacement		2,478.44	
Copy Machine Replacement		8,687.25	
Fence Replacement		1,272.01	3,133.26
Heater Replacement			753.91
Paint Sprayer Replacement			2,263.47
Shower Replacement	1,210.00	1,210.00	3,320.00
Sliding Door Replacement			3,569.00
Stove/Oven/Cooktop Replacement		3,451.30	1,094.25
Washer/Dryer Replacement			949.52
Water Heater Replacement		1,155.28	825.20
Water Pipe Replacement			5,742.75
Window Replacement			792.00
 Total Expenses	 <u>1,210.00</u>	 <u>18,254.28</u>	 <u>22,443.36</u>

APPENDIX II TO THE BOARD MINUTES
OF JANUARY 22, 2004

HACIENDA CARMEL
RESTRICTED RESERVE FUND
EXPENSES
MONTH & EIGHT MONTHS ENDED DECEMBER 31, 2003 AND 2002

	Current Month	2002-2003 Year to Date	2001-2002 Year to Date
Expenses:			
Computer Software Replacement		2,478.44	
Copy Machine Replacement		8,687.25	
Fence Replacement	2,656.68	3,928.69	3,133.26
Heater Replacement			753.91
Mower Replacement	1,158.25	1,158.25	
Paint Sprayer Replacement			2,263.47
Shower Replacement	1,703.74	2,913.74	3,689.00
Sliding Door Replacement			3,569.00
Stove/Oven/Cooktop Replacement		3,451.30	1,094.25
Vanity Top Replacement			1,128.94
Washer/Dryer Replacement			949.52
Water Heater Replacement	495.12	1,650.40	990.24
Water Pipe Replacement			5,742.75
Window Replacement			792.00
 Total Expenses	 <u>6,013.79</u>	 <u>24,268.07</u>	 <u>24,106.34</u>