

MINUTES FROM ANNUAL MEETING OF THE WHITEWATER SPRINGS POA

Meeting Time/Date: 2:00 P.M. Saturday, December 10, 2011
Meeting Attendees: See Attached Sign-In Sheet
Board Members Present: Don Rauschuber
Board Members Absent: Charles Mickel, Marty Galliard, John Gourley, and Bob Teeter

Minutes Prepared By: Erin Welch (and Don Rauschuber)

Don Rauschuber called the meeting to order at 2:05 p.m. Mr. Rauschuber welcomed all participants and introduced program presenters: Bill McLean, Attorney at Law for Montvale Property Investors, L.P., Inc.; Drew Sanders, Goodwin Management; and Erin Welch, Land Strategies, Inc.

As the first order of business, Mr. Rauschuber presented the year-to-date 2011 Expense and Budget Report. He reported that as of November 30, 2011, WWS POA had \$308,104.30 for cash on hand deposited in three bank accounts: one checking account and two savings accounts. Mr. Rauschuber further reported that as of November 30, 2011, the WWS POA had received \$265,892.67 in revenues from member dues and assessments, legal reimbursements, late fees, interest income. He projected that by the end of 2011 the POA expenses will be \$267,000 and would be about \$52,000 shortfall as compared to the 2011 budgeted income of \$319,440. Mr. Rauschuber stated that the income shortfall of about 16-percent may be reflective of the poor economy. Mr. Rauschuber also itemized year-to-date expenses by expense category through November 30, 2011. He summarized the year-to-date expenses by reporting that the total POA expenses through November 30 were \$187,566.27. He projected that by December 31, 2011, the POA expenses should total around \$200,000, leaving a projected cash surplus of about \$60,000 to \$70,000. He also stated that the 2011 actual expenses are lower than budgeted due to not spending the full 2011 budget expense for road recycling.

Next, Mr. Rauschuber presented the 2011 Board approved 2012 Operating and Capital Budgets. He explained that for 2012 the Board, unlike previous years, separated the WWS POA Annual Budget into an "Operating Budget" and a "Capital Budget", whereas previously the Operating and Capital Budgets were combined into one budget. Mr. Rauschuber presented a line item description of the adopted 2012 Operating Budget and summarized by stating the 2012 Operating Budget totals \$125,015.00. Mr. Rauschuber then explained that the Board adopted 2012 Capital Budget in the amount of \$150,000, comprised of road recycling (\$75,000), erosion correction (\$25,000), and WWS Lake-Dam Rehabilitation (\$50,000). Mr. Rauschuber further explained the Board voted to fund the 2012 Operating Budget through assessing a lot/tract fee of approximately \$242, calculated as \$125,015 (divided by 517 lots/tracts). Further, he reported that the Board voted to fund \$125,000 of the \$150,000 Capital Budget from current cash reserves, and if there are any capital expenditures in excess of \$125,000 such excess would be funded by special assessment calculated on a per-lot/tract basis. A number of WWS property owners raised concerns about changing property assessments from a per-acre basis, as used historically, to a per-lot basis. Others stated that the property owners should have been notified by the Board before adopting a change in the annual assessment methodology. On the other side, a few property owners supported the per-lot/tract basis, stating it is fair method. Mr. Rauschuber stated that it is a fair method to assess the POA's recurring annual fix cost since such cost occurs

on an equal basis, like a minimum water bill, whether a person owns one lot or 10-acres. After floor discussion, a straw vote was taken of present property owners whether they “like” or “oppose” annual assessments being calculated on a per-lot basis. After a show of hands of members present, 25 members voted in opposition of a per-lot/tract assessment and 13 members voted in favor of a per-lot/tract assessment. Mr. Rauschuber stated that Montvale was neutral on this matter and would favor the majority consensus of all property owners on this matter. During further discussion on this agenda item, Bill Hiers stated that a per-lot assessment favored Montvale, since Montvale owns a large number of acres within WWS and would save at least \$50,000 in dues based on the 2011 Budget. Allen Palmer stated the Board was faced with a growing reserve fund and lack of revenues. The Board has to figure how they can satisfy everyone, then calculated that if someone owns more than 2.5 acres his/her assessment would go down. Further, Mr. Palmer stated, “This may be a one-term deal, and I think it was done to give equality to lot owners.” Lucy Morley commented, “It seems that anyone with less than 1.2 acres is going to pay more, and anyone with more than that will pay less. I have 2 lots under 2 acres each. My 2011 assessment (per-acre basis) will go up in 2012 (per-lot basis) by 67%. So, anyone with less than 2.5 acres will pay more and anyone with more than 2.5 acres will pay less. If it is a one-year anomaly, I’ll have to pay more if/when the assessment changes.”

There were discussions held among Property Owners and Mr. Rauschuber, Mr. McLean, and Mr. Sanders concerning whether or not (1) the 2012 assessments have been mailed to property owners by Goodwin Management and (2) if the new 2012 Board can meet in time to reconsider the method of to make 2012 assessments. Drew Sanders stated he would check with Adam Pugh, Attorney of Record for the WWS POA, concerning these matters. Mr. Rauschuber said the Board would post Mr. Pugh’s reply on the POA website.

Next, Mr. Rauschuber presented a discussion and report on the following matters:

Well Update. Mr. Rauschuber provided a general update on water issues. Pertaining to proposed Montvale Well Nos. 213 and 216, he stated that the test wells at these locations yielded about 50 gallons per minute (gpm) each, and that LCRA and Montvale representatives are working with the Central Texas Groundwater Conservation District (CTGCD) on two applications (Drilling and Operating Permit applications). The Drilling Permit has been approved by the CTGCD. However, the Operating Permit Applications have not been considered by the CTGCD. He reported the CTGCD Board of Directors should consider the Operating Permit Applications in January 2012.

- **LCRA Divestiture Update.** Mr. Rauschuber reported that WWS Water System is not part of the LCRA divestiture program, and the WWS WSC is working with the LCRA to purchase the WWS Water System. He stated the WWS WSC is seeking financing to secure the system purchase from the LCRA in 2012. He also reported that if the WWS WSC is unable to purchase the WWS Water System from the LCRA, the system would probably be conveyed/sold to Corix, a Canadian based investor owned utility.

- **WWS Lake and Dam Issues.** Mr. Rauschuber reported that Dee Purkeypille (Purkeypille Consulting, LLC) has prepared several reports to TCEQ regarding dam safety issues. The report offers two solutions: Either raise the dam and widen the spillway to about 150’ in width, or lower the dam and widen the spillway to about 200’ in width. Both alternatives will require down slope and downstream improvements. Mr. Rauschuber projected that, whatever alternative

is chosen, it will probably cost between \$200,000 and \$300,000 for rehabilitation of the WWS Dam. TCEQ is currently reviewing this report, and will make their recommendations in 2012.

- **Other Subdivision Issues.** Mr. Rauschuber stated that Dee Purkeypile is also looking at how to fix the breached detention pond located at the down slope end of Balcones Ridgeway. Plans have been prepared and submitted to the LCRA for review, feedback for which is expected to be received in 2012.

- **Other Matters.** Mr. Bill Hiers raised the question, "If we were looking at a 5-year budget of \$260,000 per year for road recycling and repairs and we're spending less per year on roadway and other improvements, is the 5-year road recycling plan no longer valid?" Mr. Rauschuber responded, "The 2012 Board of Directors must review the current status of WWS's road recycling project."

- **Audience Question:** Where does the money for dam work come from? Mr. Rauschuber responded that it will have to come from a special assessment. The 2012 Board and/or future Boards will have to determine and establish an assessment methodology designed to raise funds needed to rehab the WWS Dam.

- **Audience Comment:** Balcones Ridgeway improvements are only half-done. Mr. Rauschuber responded, "Yes. We will complete the work in 2012."

- **Lucy Morley Questions:** First, will the Special Assessments be levied in 2012 by acre or lot? Mr. Rauschuber responded, "That will be up to the POA Board." Second, I don't see how Al Karas' house wasn't flooded during the 2007 storm! Al Karas responded, "My backyard was flooded, but not the house." Allen Palmer requested at the Board make Mr. Purkeypile's WWS report available on the website. Mr. Rauschuber responded that we will at least post an executive summary of Mr. Purkeypile's reports.

For the next Agenda Item, Mr. Bill McLean reviewed and briefly discussed the following POA Board resolutions adopted at their September 2011 meeting, due to 2011 State of Texas legislative changes and requirements:

- a. Rainwater Harvesting Policy/Devices
- b. Solar Energy Device Installation
- c. Flag Display
- d. Adopting a Collection Policy
- e. Adopting a Payment Policy
- f. Adopting Board Meeting Notice Procedure
- g. Record Production and Copying Policy
- h. Records Retention Policy

Pertaining to this agenda item, the following audience questions were asked and responded to by Mr. McLean:

Don Dudley: Is the Board Meeting Notice Procedure and Record Production/Copying Policy similar to the Texas Open Meetings Act

Bill McLean's Response: They are not one in the same.

Audience Question: What is the notification requirement for meetings now?

Bill McLean's Response (with Drew Sanders): 72 hours, via mail/e-mail.

Audience Question: CCRs currently require a rainwater harvesting system to match the color of the house; rainwater harvesting systems aren't made in multiple colors – just basic colors.

Bill McLean's Response: The subdivision has an architectural review committee, and this is an issue best addressed by them.

Audience Question: What is the bill number of the flag display issue?

Bill McLean's Response: I will find that and have it uploaded to the website.

Audience Suggestion: We should have a bulletin board at the subdivision entrance for notifications of upcoming meetings, events. This would be helpful for those of us who do not have internet access, or have slow internet access.

Don Rauscher's Response: This is a good idea. The 2012 Board should consider this matter.

As part of the next Agenda item, Don Rauscher presented and read aloud the following proposed CCR Amendments (collectively referred to as the “5th Amendment to the Declaration of Covenants, Conditions and Restrictions of Whitewater Springs Subdivision”):

1. Fencing
2. Large Animals
3. Accessory Buildings
4. Maintenance of Common Areas

Audience Comment: Item 2 has no language about grandfathering, specific to owning horses (if not compliant with the CCR as it is amended).

Bill McLean's Response: I'm not sure about any grandfathering in the CCRs for horses. I will check with the attorney about this.

Audience Comment: Who determined the acreage requirements for the number of horses you can have?

Don Rauscher's Response: I don't know that answer. In 2010 and 2011, Charles Mickel conducted a property owner's survey of 14 suggested CCR amendment items. It appears the ballot wording presented for vote generally follows the language presented in the survey.

Audience Comment: Item 3 should be reworded to allow for a guest house to be constructed at the same time as the primary residence. The second half of the Item is confusing.

[There is no record discussion concerning this Audience Comment.]

Audience Question: Are there any County regulations associated with livestock?

Don Rauscher's Response: I don't know.

Dianne Haneke Comment: When we bought property out here, one main selling point was to be able to ride our horses on the greenbelt. Now that's being overturned.

Audience Comment: If you don't want horses in the subdivision, just say that!

Audience Comment: If the amendment doesn't allow for grandfathering, just vote against it – it's not well written.

After presentation of the 5th CCR Amendments, Property Owners Ballots, including the mailed-in ballots, were collected by Drew Sanders. Mr. Sanders stated that he would tally the Ballots and report the results on the WWS POA website.

The next Agenda item involved the casting of votes for the 2012 WWS Board of Directors. Don Rauschuber read the names of the candidates, as listed on the Ballot, and described the voting procedure. At this point, candidates for Board of Directors who were present at the meeting were allowed to present a brief statement of their qualifications and reasons they want to be on the Board. Candidates making brief statements were Don Dudley, Eldon McGill, Jimmy Reedy, Priscilla Thorp, and John White. Following these individual presentations, Don Rauschuber called for Ballots to be cast by attending property owners, including proxies held. Drew Sanders collected the Ballots and stated he will tally the votes and report the results on the WWS POA website.

Prior to closing the meeting, Don Rauschuber requested questions from the audience. The following questions and responses are noted:

Audience Question: How many acres and how many lots are in the subdivision?

Erin Welch's Response: Acres = Approximately 1,247; Lots = 517

Audience Question: Who maintains the fence along FM 1174?

Don Rauschuber's Response: Most likely the POA or Montvale, but I will find out.

[Erin Welch Noted: Montvale is working on updates to the existing signage at the entry.]

Jimmy Reedy Question: Is Montvale the developer or just an owner?

Bill McLean's Response: Montvale is the owner of multiple lots, who obtained certain rights of a developer with their purchase of the lots. Montvale is not the "developer". However, they are working on the water situation, because they need water service to their lots.

Allen Palmer Question: What is the status of Section 5? This may make a difference in how we handle the dam issues associated with the lake.

Bill McLean's Response: It's too early to tell right now. There has been no change in the status of Section 5 at this point. We're waiting on further dam study information at this time

Al Karas Question: What is going to be done about Lot 21 and Lot 22? (pool location)

Don Rauschuber's Response: The pool currently encroaches on Lot 22, though it sits mostly on Lot 21. Montvale has purchased Lot 22. It is my understanding that some WWS residents want the POA to construct a pavilion on Lot 22. Montvale will work with the POA to determine how best to develop the lot. Lot 22 and Lot 21 may be replatted as needed in the future to allow for the pool encroachment.

Hearing no other questions and having no other business, Don Rauschuber adjourned the 2011 WWS Property Owners meeting at approximately 3:50 p.m.

Approved By:

Donald Rauschuber

Director