

**MINUTES FROM THE ANNUAL MEETING
OF THE
WHITEWATER SPRINGS PROPERTY OWNERS ASSOCIATION**

Meeting Date/Time: Saturday, December 14, 2013 / 2:00 p.m.
Meeting Location: Liberty Hill United Methodist Church, 101 Church Street, Liberty Hill, Texas
Meeting Attendees: LaDale Young – POA Board President
John White – POA Board Member
Donald Rauschuber – POA Board Member
Priscilla Thorp – POA Board Member
Erin Welch – POA Board Member
Matt Gibson – Goodwin Management
Adam Pugh – Slater Pugh Ltd., LLP (Attorney)
Bill McLean – McLean & Howard (Montvale’s Attorney)
±27 Whitewater Springs Property Owners/Home Owners

Item One Call to Order – Welcome and Introductions

LaDale Young called the meeting to order at approximately 2:00 p.m. A list of meeting attendees is attached in Attachment One. Mr. Young made the introductions of the POA Board members, Matt Gibson, and Adam Pugh. Bill McLean (Montvale’s attorney) was in attendance.

Item Two Property Owners/Public Comments (3 minutes each)

Gilbert Silva stated that he was happy to be at the meeting and vote on the referendums and POA Board members, and then offered his wish for everyone to have a very Merry Christmas.

Ken Dreger then spoke about several issues he had. These issues were:

1) On October 15, Mr. Dreger provided seven items he wanted mentioned at the October 29th POA Board meeting, and stated that there had been no response to those items since that Board meeting, nor did the minutes from that meeting reflect his comments.

2) Mr. Dreger previously requested clarification on the meeting agenda regarding the 2014 Capital Projects for the dam/reservoir, and to-date there has been no response from the POA Board; he then stated that this is no way for a POA Board to react/respond.

3) Mr. Dreger stated that in his and others’ opinions, the Board should not continue to spend money on the dam, then asked if the Board has authorization to do so, and finally said that he did not believe the Board has this authority and that the matter should be put to a POA vote.

Bill Bussell stated that on June 13, 2013, he delivered to the POA Board a request to amend Article 4.13 of the Fifth Amendment to the CCRs specific to fencing, as this section of the CCRs would essentially prevent garden fencing. Mr. Bussell also asked that the article language be changed specific to the 100-foot rule from the front or rear of the lot and from any street or road easement, as this requirement is too restrictive. Finally, Mr. Bussell asked for less vague language than “good quality materials and workmanship”. Mr. Bussell said that there has been no response to this request in six months, and he requested again to have the CCRs amended in this regard. Mr. Bussell provided his comments in writing to the Board.

Jack Merkel began his comments by wishing everyone a Merry Christmas and Happy New Year. Mr. Merkel then requested a “town hall” style meeting with Montvale and the POA soon to discuss the

developer's) intentions in the future and what Montvale expects from the POA. It appeared that a majority of the annual meeting attendees desired to have this "town hall" style meeting as well. Erin Welch made the comment that she will attempt to schedule a meeting with Montvale, and would update the POA of a possible meeting date.

Allen Palmer had multiple questions, which he provided in writing to the Board after he spoke. His questions included: What are Montvale's plans for Section 5? What are Montvale's plans for marketing their property within Whitewater Springs? Is Montvale using any Whitewater Springs capital expenditures as a write-off as loss against profits on other investment properties? What is the Board's plan for reviewing the current insurance coverage? Has the Board received written authorization to make modifications to properties that are not POA properties, like Lot 370 where the fence was installed, and Lots 512A, 512B, and 511B where the dam committee has talked about rerouting Hollis Trail? Is the Whitewater Springs 501(C)4 filing still applicable and if so, should the POA have paid what is posted on the website for Federal Income Tax since 2008, a total of \$1,902?

Maurice Flynn echoed Mr. Merkel's comments, referencing the importance of the "balancing act" with respect to Montvale and the other property owners.

Item Three POA Board Report

Don Rauschuber provided a general overview of the 2013 Year to Date financial information, including the Balance Sheet, Income Statement, Income Statement with Budget comparison, and Monthly Income Statement with Annual Variance Estimate. Allen Palmer asked about the approximately \$250,000 in reserves, asking if it would be better to make an investment of that money or spend the money on projects to keep growing/improving the subdivision. Don Rauschuber stated that the 2014 financial policies would be reviewed by the Board, and the Board could determine whether keeping the reserves or investing that money would be appropriate. Gilbert Silva stated that months ago, he has asked about the liability insurance with respect to the dam overflow areas, that the dam contractor was not licensed to do business in Texas, and asked if the POA was underinsured. Matt Goodwin and Don Rauschuber stated they would look into the insurance question. Allen Palmer then asked if the Board's insurance liability amount was the same as the total property's insurance amount, asking that the Board research this question.

Don Rauschuber handed out copies of the proposed 2014 budget and provided a general overview of the budget. During this presentation, he stated that the FY 2014 Budget was prepared by Mr. Poppa and some of the FY 2013 baseline financial data did not appear to be complete and needed to be updated reflect to reflect actual 2013 expenditures. Particularly, Ron Frioux stated that the 2014 proposed budget for Security/Safety/Monitoring was incorrect, showing \$200, where it should be \$4,000. Additionally, the 2013 budget for Park/Greenbelt Maintenance was reflected as \$4,000, when in actuality, it was \$30,000. Other budget possible errors were referenced in a brief discussion, and Don Rauschuber stated that there may have been some re-categorization by Harold Poppa when he was preparing the budget information, and Don would coordinate with Harold in this regard to ensure the correct 2013 budget numbers were provided prior to preparing the 2014 budget information. Bob Denson requested that the budget be amended, and Don Rauschuber stated that the Board could vote on to amend the budget at the POA Called Board meeting after the annual meeting was concluded. Don Rauschuber stated that a reserve fund could be created to fund Capital Improvements Projects (CIPs). Mr. Rauschuber also stated that the assessment collection was approximately 98% to-date in 2013.

. Don Rauschuber made a presentation on the status of the Whitewater Springs Dam and Reservoir Project and the 2012 referendum to refurbish the dam and make improvements to the spillway in order to safely pass flood waters. Mr. Rauschuber stated that Dee Purkeypile's (engineer) design plans for Dam refurbishment cost approximately \$13,500 and the largest expense associated with the Project is safely pass floodwaters over and under Hollis Trail and "armoring" downstream areas. Approximately \$242,000 would be required for the improvements to the dam/reservoir, approximately 50% of which would be associated with the Hollis Trail realignment. Mr. Rauschuber then spoke about the recent changes by the Texas legislature regarding TCEQ requirements associated with dams the size of the Whitewater Springs Dam and Reservoir. With these changes, Whitewater Springs is no longer required to pass 50% of the Probable Maximum Flood, though improvements still need to be made to protect the dam and downstream areas and to provide for operations and maintenance requirements. He also stated that dam improvements will benefit the entire community and satisfy LCRA requirements. Mr. Rauschuber stated that he will work with the Board and Dam Committee to prepare a plan to improve the Dam with a down-sized project that could possibly be constructed in phases over two or more years.

Don Rauschuber provided a brief description of the two 2013 referendums up for a vote, which include a \$15,000 study for a community center and a \$15,000 fishing pier for the lake. Ken Dreger asked why there was no referendum for the proposed dam improvements, and Don Rauschuber responded saying that the 2012 POA vote approved up to \$400,000 for improvements via Special Assessments, and the refurbishing/improvements now required for safety purposes would be less costly than that original approved amount. Allen Palmer stated there is a difference between what is legal and what is right, saying that before, we had to make the improvements per the TCEQ requirements, but with the recent legislative changes, we do not have to make them. Mr. Palmer then asked if the Board was authorized to approve any charges over \$5,000, or if the POA could vote on those charges. Mr. Dreger said that he was not opposed to doing anything, though he is against doing anything that is not required. Mr. Rauschuber said the improvements are still being evaluated, and that he wants to make the necessary improvements at the lowest cost for all property owners. Bill McLean provided a general overview of Montvale's perspective on the dam matter, stating that the 2012 notice said the then-required statute and liability were weighted the same, and that to Montvale, liability is the same as a statute/requirement. Mr. McLean stated that Montvale wishes to utilize the most prudent course of action with the least amount of POA exposure, in order to eliminate any lawsuit potential. Gilbert Silva said that he understands what Mr. McLean is saying, but if the dam improvements are no longer required, should we start the process over and have a POA vote.

Don Rauschuber then referenced the 5-year plan for expenditures of the POA, stating that the monies will be generally the same per year. Included in the 5-year plan are erosion controls, road recycling, and dam improvements, among other possible as-yet unknown projects. Mr. Rauschuber stated that over five years, a variety of projects could be funded, and the 5-year plan can be utilized as a planning tool, though it is only conceptual at this time. Jack Merkel stated that he likes the 5-year plan idea as a planning tool. Gilbert Silva asked when the 2014 budget documentation would be available, and Mr. Rauschuber responded that this would be discussed in greater detail at the January POA Board meeting. Allen Palmer asked would be on the new Finance/Budget Committee, and LaDale Young stated that Harold Poppa is now out of the Finance Committee, but this would be a discussion item by the POA Board at the Called Board meeting after this annual meeting concluded. Mr. Rauschuber stated that the POA Board would meet in approximately two weeks, and would take up the discussion of adopting the 2014 budget at that time. Allen Palmer then said that it would be good to re-appoint a Finance/Budget Committee to document the individual committee's proposed budgets and help put a full 2014 budget

together, stating “the more eyes the better” for this task. LaDale Young said he would help set up the committee, but the members would need budgeting experience; Mr. Palmer confirmed there would be plenty of candidates. Gilbert Silva mentioned his frustration with the POA Board and others in the POA about referencing that Ken Dreger only attended one Finance Committee meeting, and therefore should be removed from the Committee, not agreeing with the references to Mr. Dreger.

Dick Eaton made a brief presentation regarding the upcoming 2014 road recycling projects, and extended his warm wishes for everyone to have a Merry Christmas. In September, Mr. Eaton had discussed the upcoming projects, including improvements at Wagon Wheel for approximately \$79,000, and along Woodhollow for approximately \$34,000; these costs do not include any erosion controls. Mr. Eaton stated that in 2014, he anticipates approximately \$115,000 for roadway recycling, and between \$40,000 and \$50,000 for erosion control work; Mr. Eaton then confirmed that the expenditures for erosion controls in 2013 were approximately \$45,000. Lucie Morley asked if the erosion control funds referenced by Mr. Eaton for 2014 were only for the POA, or if they covered the erosion control plans previously (and in the future) prepared by Land Strategies, Inc. Mrs. Morley then asked how it would be possible to prepare a 2014 budget when it was unclear how much money would be needed for every task, and how that money was to be split for erosion controls associated with what Mr. Eaton is working on and what Land Strategies, Inc. may be working on in the future, as directed by Montvale. Maurice Flynn then questioned how we could have two people taking from the “same pot” for similar work, adding that the budgets should be separated for Mr. Eaton’s and Land Strategies, Inc.’s work on erosion control projects. Mr. Eaton then stated that a previous project, done by Atlas, only cost approximately \$3,000, then saying that Land Strategies, Inc. is a company that only does landscaping and landscape architecture. Jack Merkel commended Mr. Eaton on his recent projects, stating that they have been the best erosion controls to-date.

LaDale Young introduced Erin Welch, who made a brief presentation regarding proposed priority erosion controls, based on plans prepared by Land Strategies, Inc., at the direction of Montvale. Mr. Young also referenced the aesthetic values of the city of Lago Vista with respect to erosion controls, stating that what you see in Lago Vista are the same types of erosion controls throughout the city. Ms. Welch’s presentation included an overview of the proposed improvements, referencing the highest priority areas throughout the subdivision, and the increased need for improvements due, in part, to the recent 5 ½” rain received from the last major storm, including needed improvements to Chaney’s Crossing at Spring Hollow, as well as the low-water crossing and FM 1174 area. Ms. Welch commended Dick Eaton and previous Roadway Committee members, including Bill Hiers and Buddy Patella) on their past work to keep erosion in check, but expressed the need to have a cohesive aesthetic to the erosion controls throughout the subdivision, providing the same types of erosion control methods for each type of erosion issue. These methods include, but are not limited to, grading and constructing roadside erosion control drainage swale, road shoulder stabilization, etc. Ms. Welch stated that the erosion control improvements would be done on a multi-year schedule, perhaps a 7-10 year time frame. The Priority 1 areas are anticipated, at this time, to cost approximately \$270,000, and would be completed over the course of 2 to 3 years, the money not coming out of any special assessments. Lucie Morley asked if the Priority 1 improvements costs would come out of the POA’s 2014 budget for erosion control, and Ms. Welch stated that these costs would likely be added to those of Mr. Eaton’s Roadway Committee budget for 2014. Ron Frioux stated that he believed there are too many people doing the same thing, and Ken Dreger asked if the POA had no choice in the matter about erosion control plans prepared by Land Strategies, Inc., feeling that these plans were forced on them by Montvale. Bill McLean spoke to the audience, stating that he has worked with Land Strategies, Inc. on many projects over several years, and has only ever seen professionalism and great work, and that Montvale is not trying to force anything on

the POA. Dick Eaton stated that he had previously provided questions to the POA Board which have not yet been addressed. Ms. Welch then spoke directly to Mr. Eaton, stating that she would coordinate a meeting with him, and others if necessary, to discuss the Roadway Committee's erosion control plans in relation to Land Strategies, Inc.'s erosion control plans, to determine how the individual plans differ and where they concur, so that a comprehensive budget could be prepared for all erosion control projects in 2014. Ms. Welch confirmed that a meeting would be held, likely the first week of January, to go over these plans and prepare the proposed budget prior to the January 10th Committee budget deadline, to ensure a 2014 budget approval at the January POA Board meeting.

Allen Palmer made a brief presentation about the entry area landscaping, stating that the POA Board had previously approved the Committee's request to include 15 planters and landscaping around the inside/outside of the entry gate, improvements to the big oak on Oak Crest, assistance in mowing, weed pulling, and that the projects would begin as soon as possible. Bob Denson said that he loves the wreaths, and thanked Allen and his group for the fence painting; Mr. Denson then asked about the status of the remaining fence area associated with Lot 370 and other areas. It was determined that these areas are private property. Mr. Palmer then requested that Montvale provide written approval to the POA/Board to allow a fence to be constructed on Lot 370 (Montvale's lot). Erin Welch stated that she would coordinate with Montvale in this regard and provide an answer.

Don Rauschuber provided a brief description of the fishing pier, for which ballots would be cast. He also provided a brief description of the community center study, for which ballots would be cast.

Item Four Cast Ballots and Proxies for Fishing Pier and Community Center Referendums

Members of the audience turned in their ballots, and proxies were gathered, for the fishing pier and community center referendums. Matt Goodwin collected the ballots.

Item Five Cast Votes and proxies for 2014 POA Board of Directors

Don Rauschuber presented the names of the 2014 POA Board of Directors candidates, who were Pedro Castaneda, Ken Dreger, Van (Martin) Henry, Allen Palmer, Priscilla Thorp, Erin Welch, and LaDale Young, stating that the elected candidates would be seated at the January 2014 POA Board meeting. Members of the audience turned in their ballots, and proxies were gathered, for 2014 POA Board of Directors. Matt Goodwin collected the ballots.

Item Six Other Matters

LaDale Young stated that the 2014 Nominating Committee would consist of Leonard Urbanovsky, who has been very involve in the community, and Richard Curtis, who was on the 2008/2009 POA Board. There were no other matters.

Item Seven Questions and Answers

There were no questions.

Annual Meeting Adjourned

At approximately 3:20, the annual meeting was adjourned.

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