

**Mill Creek Condominium Association
105 West Orange Street
Hillsborough, NC 27278
919-644-1000**

Minutes for Annual Meeting
December 8, 2014

The annual meeting of the Mill Creek Condominium Association was held at 7:00 p.m. EST on Monday, December 8, 2014 at the University Inn in Chapel Hill, NC. Peter Winkler called the meeting to order. In attendance were Doug Brown (Real Property Management), Doug Strader, Secretary (C-12), John Cowell, Treasurer (H-8, H-9), and Roger Bernholz (B-9, B-13, B-20 G-6). Frank Dworsky was absent. Owners in attendance were Joe Principe (D-9) and Matthew Hartwig (B-14). Proof of Notice of Meeting was presented by Doug Brown. Twenty-five (25) proxies had been received, certified by Doug Brown of Real Property Management and presented to the Board. In addition, there were nine (9) votes in attendance. In all, there were thirty-four (34) total votes represented at the meeting, which constitutes a quorum.

Old Business

2014 Operating Review

Doug Brown passed out a document comparing the 2014 budget with actual receipts and expenses through December 7, 2014. Variations were explained in a summary that was attached to the budget recap. Doug covered each item and responded to questions from those in attendance.

Operating Funds

Doug Brown said 7 owners are in arrears at this time although there is high confidence that these owners will pay. Late fees are being applied to those in arrears.

Operating Expense – Utilities

The actual expenditures of all line items with the exception of Water & Sewer were in line with amounts budgeted. Water & Sewer was \$11,871 under budget primarily due to lower-than-expected occupancy during the summer quarter occupancy and no major water loss problems.

Operating Expense – Maintenance

The Building Maintenance and Repair category was \$2,240 over budget due to two unplanned repairs. Metal steps on the left side of Building A had to be replaced costing \$2,372 and a ruptured water supply line on the north end of Building B required maintenance at a cost of \$1,585.

The Inspections category was \$1,482 over budget due to termites that were discovered in Building D. The building was treated and termites completely removed at a cost of \$2,150.

The Casualty Restoration category was \$1,000 over budget due to payment of a liability deductible that resulted from a dead tree falling on a resident's vehicle in the parking lot.

Operating Expense – Administrative

Total Administrative was \$11,581 below budget primarily due to savings in the Insurance category. Duke Thompson, our insurance agent, was able to find a company that would write coverage on a 30 year old student occupied building at a rate far less than anticipated resulting in an expense that was \$11,252 under budget.

Reserve Debit

The Reserve Debit line is set up to help build the Short Term Reserve. \$300 was budgeted to be transferred into this reserve each month.

Ending Balance

The budgeted income for 2014 was \$279,320 and total operating expenses through December 7, 2014 were \$267,325. \$5,100 was transferred to the short-term reserve account.

Doug Brown distributed a handout entitled Reserve Account Report. The Association has three bank accounts: two reserve accounts and an operating account. Our long-term reserve with Fidelity had a balance of \$27,579 on October 11, 2013 and \$27,581 on July 14, 2014. The balance in our short-term reserve with Bank of America was \$36,580 on November 30, 2013. There was one withdrawal of \$1,500 from this account. Additions during the year included assessment collections of \$11,925, operating account debits of \$5,100 and accrued interest of \$11 which increased the balance of the account to \$52,116.

New Business

2015 Budget

Doug Brown passed a copy of the 2015 Budget Summary to all in attendance. He explained that expenses are estimated based on known and assumed work to be performed, as well as adjustments to the fixed expenses based on historical and market changes. The expense portion of the budget is assembled first, and then fees are assigned to cover the projected expenses. The

budget as presented is written without inflation of costs and is assumed to be reasonable and accurate. He discussed each category on the proposed budget and gave examples of what was included in several line items.

Doug gave a recap of progress relating to the installation of water sub-meters that was approved during last year’s annual meeting. He explained that preliminary work had begun and owners would be accessed in January, 2015 for the cost of installing sub-meters in individual units.

Doug explained that over half the units had been examined and modifications were being made as needed in preparation for the installation of sub-meters. He provided the following timeline:

- July 1, 2014 – program was launched with an announcement letter sent to all owners. Owners and owner’s representatives were asked to provide individual unit keys. A unit by unit examination by a licensed plumber was begun to determine which units needed modifications.
- September 1, 2014 – Plumbing inspections began.
- January, 2015 – Assess all unit owners for the contract cost of sub-meter installation.
- March 1, 2015 – Begin sub-meter installation.
- May 1, 2015 – Complete installation.
- July 1, 2015 – Owners assume responsibility for their individual unit’s water bill.
- October 1, 2015 – Lower HOA fees to compensate for individual water billing.

As outlined above, each unit owner will be responsible for their individual water use starting July 1st and the first bill (for July) will arrive in August. Currently quarterly HOA fees consist of two components, fees to cover the cost of water usage for the entire complex and non-water fees which cover all other expenses. When owners assume responsibility for their individual unit’s water consumption the HOA water usage fees will be adjusted as outlined below.

Mill Creek Condominium Association
2014/2015 Quarterly Fee Comparison

2014 HOA Fees					
Building	Non-Water	Water	Total	Assessment	Grand Total
A	\$411	\$167	\$578	\$25	\$603
B-G-H	\$435	\$167	\$602	\$25	\$627
C-D-E-F	\$393	\$167	\$560	\$25	\$585

2015 HOA Fees (1st, 2nd and 3rd Quarters)					
Building	Non-Water	Water	Total	Assessment	Grand Total
A	\$411	\$167	\$578	\$25	\$603
B-G-H	\$435	\$167	\$602	\$25	\$627
C-D-E-F	\$393	\$167	\$560	\$25	\$585

2015 HOA Fees (4th Quarter)					
Building	Non-Water	Water	Total	Assessment	Grand Total
A	\$493	\$0	\$493	\$25	\$518
B-G-H	\$517	\$0	\$517	\$25	\$542
C-D-E-F	\$475	\$0	\$475	\$25	\$500

Operating Funds

Doug Brown provided a 2015 Budget Summary with notes. The 2015 budget calls for a decrease in HOA fees once the water sub-meters are operational and the Association's responsibility is limited to water/sewer usage in common areas. Also included is a continuation of the \$25 quarterly assessment which is used to build the short-term reserve account.

Operating Expenses

The 2015 projected Operating Expense is lower than 2014, primarily based on projected savings in water/sewer charges.

Maintenance

The maintenance category is projected \$12,000 more than what was budgeted in 2014. Doug explained that, in addition to routine repairs throughout the complex, Building F will need additional repairs and painting at a cost of \$8,000 to \$10,000. Also, the main sewer line under Building F will be repaired and/or replaced at a projected cost of \$4,000 to \$5,000. The tennis court will be painted and refreshed at an estimated cost of \$4,875.

Administrative Expenses

The administrative category is projected to decrease by \$8,900 due to our insurance agent being able to find a company that would offer a lower premium.

Motion: To approve the 2015 Budget. Made by Roger Bernholz; seconded by Joe Principe. Passed unanimously.

Board Member Election

The terms of John Cowell and Doug Strader expire December 31st of this year and both said they would be willing to serve another term. Board Member Frank Dworsky submitted his

resignation due to his travels making it difficult for him to serve. Frank's resignation was accepted by the Board. Peter advised those in attendance that Stacy Symes indicated an interest in joining the Board and invited nominations from the floor, but there were none.

Motion: To re-elect John Cowell and Doug Strader for three year terms to the Board of Directors. To elect Stacy Symes to fill the remaining term of Frank Dworsky. Made by Roger Bernholz. Passed by acclamation.

Mill Creek Condominium Association Board of Directors

Board Member	Position	Term Expires
Peter Winkler	President	December 31, 2015
John Cowell	Treasurer	December 31, 2017
Doug Strader	Secretary	December 31, 2017
Stacy Symes	Member	December 31, 2015
Roger Bernholz	Member	December 31, 2016

General Discussion

New Development – There was a discussion of new units that have recently opened in Chapel Hill near Mill Creek. One is Lux at Central Park, 602 Martin Luther King Jr. Blvd and a second is Shortbread Lofts, 333 W. Rosemary Street. Even though occupancy is very good at Mill Creek currently, it's imperative each owner maintain and upgrade their unit(s) as necessary as we continue to have new competition for student tenants.

Tennis Courts – It was mentioned that the complex has two tennis courts and only one is being refurbished. A discussion ensued about what to do with the second tennis court and several ideas were discussed. The Board will continue to research options for making that space a place tenants could enjoy.

Long-Term Reserve Account – A question was raised about when funds from the long-term account would be needed. The Board set a goal in 2011 to build a reserve of \$1,000 per unit or \$121,000 in reserve and the current balance is \$79,697 which is split between the short and long-term accounts. Doug explained that the next major expenditure would be applying a seal coat to the parking lot at a cost of \$12,000. Following that, the next anticipated major expense would be replacement of the shingles on the roofs which would begin in 2033. Peter suggested we transfer funds from short-term reserve, which has a balance of \$52,115 to long-term reserve and research safe investments that would provide a better return than we're currently getting.

Motion: To adjourn. Passed unanimously.

Meeting Adjourned at 8:20 pm
Doug Strader, Secretary