

# DECISION PAPER



**Issue:**

**April 17, 2019**

Replacement Reserve Fund budget for 2019 legal expenses for the Governing Document update.

**Background:**

The Association's governing documents were last updated in 1992. There have been many changes in the laws which have resulted in our existing bylaws, and C&Rs being dated, incomplete, or inaccurate concerning aspects of our operations. Management, at the direction of the board, has been engaged in a multi-year project working with a staff driven stakeholder group and legal counsel toward updating the legal, operational, and governance enhancements of the associations governing documents.

Historically, the project's legal expenses were paid utilizing operating funds. For 2019, a Replacement Reserves Expense Budget was approved for the Governing Documents update project. Costs were projected to include legal expenses, voter packet and governing document production, and postage expenses. Legal expenses have been incurred and are anticipated to continue in 2019. Per capital policy, expenditures in excess of \$50,000 requires specific Board approval. Management recommends the Board of Directors approve the utilization of the 2019 approved Replacement Reserve Funds Expense budget allowing for payment of the legal fees with and budget not to exceed \$101,230. Voter packet and document production expenses have not been determined and are anticipated to be identified in the next month.

**Options:**

1. Approve the utilization of the 2019 approved Replacement Reserve Funds Expense budget allowing for payment of the legal fees, and other associated estimated costs with and budget not to exceed \$101,230.
2. Do not approve and utilize operating funds for payment of legal expenses related to the project.

**Recommendation:**

Staff recommends the Board of Directors consider approving Option 1: Approve the utilization of the 2019 approved Replacement Reserve Funds Expense budget allowing for payment of the legal fees, and other associated estimated costs with and budget not to exceed \$101,230.

**Prepared By:** Annie Rosenfeld *AR*

**Reviewed By:** Forrest Huisman *FH*

**Reviewed By:** Mike Salmon *MS*

**Board Meeting Date:** April, 27, 2019

**General Manager Approval to include on the agenda:** *BZ*

**Date:** *4/19/19*