

The ASSOCIATION of ANGEL FIRE PROPERTY OWNERS

November 13, 2007

TO: Jim Brown
Jim LeBus
Karen Nichols
Barry Rogers
Joan Ronchetti
Lovell Upton
Chuck Verry

FROM: Jack Fuehr

SUBJECT: Expenditure Approval Procedure

During last month's AAFPO Board meeting, we had a discussion of several invoices received by the Treasurer without prior approval of the Board. After approval of the items in question, I was tasked to propose a procedure governing expenditures by individual members of the Board. Without a procedure in place, individual members of the Board could incur expenses on behalf of AAFPO that would require payment without any prior approval by anyone else. This violates a fundamental rule of controllership, namely that no one person should be able to commit the organization to any significant expenditure.

Before creating a resolution, I feel that the Board needs to discuss the issue further. Expenditures can be classified in two ways: Budgeted and Unbudgeted.

An example of a budgeted expense is the audit. The amount was over \$2,500 and required the approval of the invoice by two Board members as well as the signatures on the check of two authorized members of the Board holding banking privileges. This is a clean example. The same logic could be applied to the payment of liability insurance and the Concord(e) billing expense.

A more murky issue is the authorization for legal expenses. Legal expenses are budgeted as a contingency since the need for counsel cannot be defined in advance. Since the amounts are relatively high, legal expenses should be approved in advance by the Board.

There are two reasons for this. Number 1, the Board should determine what direction should be given to our lawyer. The scope of his work should be defined in advance. Otherwise, a simple request to research an issue becomes open ended and may involve a significant amount of money. I haven't reviewed each invoice but the investigation of the AAFPO Bylaws last year cost almost \$10,000.

Number 2, litigation costs a significant amount of money. If we decide to sue a member, the Resort, the Village or any other party, this should be approved by the entire Board and not just a subset of the Board. Perhaps we should approve other expense categories as a Board as well.

Almost all other expenses fall into the budgeted category but do not require the approval of the full Board. Office supplies are an example. Paper clips and envelopes are obvious examples. A request for printer cartridges for a Board member's computer was recently rejected since I felt that it opened "Pandora's box" and would make it difficult to draw the line on an expense item that is not directly related to AAFPO business. If you feel that I am wrong on this, let me know.

Travel expenses also fall in this category. Travel to Albuquerque for a PID review is obviously acceptable. A Board member's airline ticket from Texas to Albuquerque and rental car from ABQ to Angel Fire for a Board meeting should not be approved. In my mind, travel should be approved in advance by the Board if the expense exceeds \$100.

Examples of unbudgeted expenses are Continuing Education (QuickBooks class), Computer Equipment (UPS unit) and Computer Software (QuickBooks). All unbudgeted expenses should be approved by the Board in advance of the expenditure if the amount exceeds \$50.

These are just proposals. If you feel that I am being too harsh, we can discuss at tomorrow's meeting and change the procedures. This is just a draft reflecting my "off the top of the head" recommendations.

Jack

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SUBJECT: Frequency of AAFPO Board Meetings

Anne Lott pointed out in her letter of resignation that AAFPO is required to meet only four times per year. Any other meeting is considered a "Special Meeting." Reviewing the minutes of past AAFPO Board meetings, this tradition has been in effect for a long time.

It might be time to discuss this issue and determine if a monthly meeting is necessary. Here are some of the reasons why a quarterly meeting may be more appropriate:

1. Many of the Board members are not in Angel Fire for the full year and participate via teleconference calls. This is not as good as being there.
2. There have been complaints about the length of the meetings. By eliminating two meetings every quarter, the demands on our time will be greatly reduced.
3. Technology now permits the Board to conduct the bulk of its business via E-mail. As long as the committees continue to perform their tasks and report frequently, there is no need for a face-to-face meeting every month.
4. Any pressing issue can be voted on using E-mail. There is no restriction in the Bylaws preventing voting electronically.

The only advantage of having a monthly meeting is peer pressure to meet deadlines for committee reports. I am not sure if the committee system will work if the pressure to complete a report on time is not in place. The other disadvantage is that the meeting provides an opportunity for an open discussion of issues not part of the committees that can be added to the agenda under "new business." That spontaneity would be lost without a public meeting.

Please give this some thought before tomorrow's meeting and we can have a full and open discussion of the pros and cons.

Jack Fuehr