Approved
December 15, 2016
As written

PINE MEADOW RANCH OWNERS ASSOCIATION
BUDGET MEETING
OCTOBER 25, 2016

In Attendance: Tony Tyler – President; Dan Heath – Vice-President; Honey Parker, Secretary; Matt Brown (Area 1); Jespersen (Area 2); Alan Powell (Area 3); Tom Deaver (Area 4); Bruce Hutchinson (Area 5); Mike Gonzales (Area 6); Tom LeCheminant (Area 7).

Jody Robinson – Ranch Manager

Excused: Matt Brown (Area 1); Jespersen (Area 2); Pat Kreis, Treasurer

Guests: Jodi Taylor, Lot A-2

Tony Tyler called the meeting to order at 6:36 p.m.

Mr. Tyler had not attended the interviews with the two outside attorneys, but he understood that both had given opinions regarding the current fee structure. Mr. Gonzales stated that the attorneys had confirmed that the HOA needed to have an equitable fee structure. Since this was a budget meeting, it was appropriate to discuss changes to the fee schedule at this time. He recognized that at least half of the owners would be upset, but it needs to be equitable.

Ms. Parker recalled that the last time the Board had this discussion, they talked about a set fee that everyone would pay, but she could not remember the exact number.

Mr. Tyler stated that there are 806 total lots within the HOA. The 2015 Budget for revenue was $233,880, not including past due collections, the Church contribution and the SS lots. Dividing $233,880 by 806 lots results in an average of $290.17 per year per lot. He noted that it was what the part-time owners have been paying. It is $60 more than the landowners have been paying, and $120 less than the full-time owners have been paying.

Mr. Tyler asked if the Board wanted to begin the Budget discussion with the revenue first, or begin with the expenses and then set the recommended rate for the Annual Meeting. Mr. Heath recommended starting with the expenses, because they need to know the costs before they set the budget.

Mr. Powell agreed that they should start with the expenses. He also agreed that per the CC&Rs they needed to establish a flat rate for everyone.

Mr. Hutchinson stated that this subject came up several times in the past when he served on the Board with Scott Boyle. It was noted and re-noted that it needed to be equal throughout, and that issue was never discussed. However, what was discussed was the fact that the full-timers and the part-timers have considerable more use of the roads than those who only have a lot. Mr. Hutchinson remarked that a base line fee was determined that would be for the lot owners only; and an upcharge for those who actually use their lots. He clarified that the increase for part-timers and the full-timers was not intended to be disproportionate. It was based on the amount of usage. Mr. Hutchinson believed there would be a ground swell if they ask those who only have a lot to pay a disproportionate amount.

Mr. Powell stated that he personally liked the incremental fee schedule, but the CC&Rs require all lots to be treated fairly and everyone should pay equitably. Mr. Hutchinson believed the Board members could go on record as establishing an equal amount and also have a special assessment based on use that goes towards maintaining the roads.

Mr. Gonzales believed it would be difficult to validate that statement. He pointed out that part-time rental properties put more use on the roads than full-time, part-time or land owners. Mr. Hutchinson remarked that rentals are a completely different issue and he agreed with Mr. Gonzales on that issue. Mr. Tyler stated that another issue are the people who only own a lot but park a trailer on it and use it all summer. He did not believe that was any different than a part-time owner.

Mr. Gonzales agreed with the point everyone was making, but there is a legal requirement per the CC&Rs that they have to meet. Mr. Hutchinson understood the issue, but he wanted it on the record that this issue was discussed in the past and it was resolved because of a ground swell at the time. He pointed out that there were only 60 to 70 full-time residents compared to the 128 full-timers they have now. Mr. Hutchinson noted that the vast majority of the property owners still have a vacant lot.

Mr. Tyler agreed with the comment about road impacts because it is disproportionate. However, some things are controllable and others are not. He did not believe it was the fairest approach, but it is the way the HOA was constructed. Mr. Hutchinson reiterated that they could set an equitable base fee, and add a special assessment based on usage. Mr. Tyler pointed out that a special assessment cannot be based on use. Based on past experience, Mr. Hutchinson was convinced that taking this action would create problems for the Board. The Board members agreed.

Mr. Gonzales stated that they are legally obligated to make the change and they need to be prepared for the outrage. If they do not meet the legal obligation they would be neglectful as a Board now that they are aware of it.

Mr. Hutchinson took exception to the idea that they were legally obligated because it is based on interpretation of the CC&Rs. Mr. Tyler agreed that it was an interpretation, but he believed most things are based on interpretation. Mr. Tyler anticipated complete and total chaos at the Annual Meeting when the Board recommends changing the fee structure. Mr. Gonzales stated that it was not a recommendation because the CC&Rs require them to institute it. Mr. Tyler pointed out that the Budget has to be voted on at the Annual Meeting and the fee schedule will be part of the Budget as presented by the Board. Per the Bylaws, the membership could overrule the Board. Mr. Gonzales stated that the membership could propose something different, but it still needs to be uniform. Mr. Hutchinson did not believe they would see much opposition at the Annual Meeting, but they would when the fees are sent to all of the owners.

Ms. Parker stated that as a full-time resident she was comfortable paying more than landowners or part-time residents, but not if it opens her up to legal issues. Mr. Powell noted that those present during the attorney interviews had a specific conversation with one of the lawyers they interviewed about having an assessment and a special use fee. They were told that a use fee as written in the CC&Rs is for a specific use of a specific facility. He pointed out that it was one person's legal opinion, but that attorney did not believe they could just specify "roads". Mr. Gonzales stated that the CC&Rs allows them to charge a use fee for common areas only.

Mr. Tyler noted that Jody Robinson had asked what would happen if they propose a uniform rate structure at the meeting and the membership votes it down. Mr. Gonzales felt the Board has the obligation to explain that the membership has to agree to something that is uniform. He clarified that it is not just the Board. The entire Ranch is subject to potential lawsuits if they do not comply with the CC&Rs; and that is important for the membership to understand. Mr. Gonzales clarified that he preferred the current fee structure, but they could not keep it.

Mr. Tyler suggested that the Board work through each line item of the budget to determine the final numbers. At the Annual Meeting he wants to show the membership how much money was spent last year and how much they anticipate spending this year. Ms. Parker believed that most of the full-time owners were comfortable paying the higher amount. She suggested that if the uniform fee schedule gives them a reduction, the Board could encourage them to continue to pay the current amount, but it would not be mandatory.

Mr. Deaver stated that if they set the uniform rate at $290 it would keep them at budget. He asked if they were allowed to do a special assessment to cover the cost of clearing the roads in the winter. Mr. Gonzales replied that a special assessment could be done on an area by area basis, but everyone in each specific area would have to vote and approve it by majority. Mr. Deaver asked if it would require approval by each area if it was only assessed to clear from the Interstate up. He was told that it would only benefit the full-timers and they could not specifically assess one group.

Mr. Tyler walked through the fixed expenses using the Budget compared to the Actual through October 25, 2016. Mr. Tyler noted that they would reach the $60,000 budgeted for the Ranch Manager's salary by the end of the year. He anticipated providing a cost of living increase and possibly a performance increase or bonus. The Board agreed that a cost of living increase was too minimal.

Jody Robinson left the room while the Board discussed his salary.

Mr. Deaver noted that Jody saves the HOA more than his wages because he is able to service and repair all the equipment. Recognizing that anyone can be replaced, Mr. Deaver thought it would be a great loss to the Ranch if Jody were to leave. Mr. Hutchinson stated that if Jody was willing to cut back on the hours for his part-time helper, that money could go to Jody.

Mr. Tyler suggested a 5-8% increase, which would increase Jody's salary in a range from $3,000 to $5,000 for 2017. Mr. Gonzales thought 5-8% was significantly high in the current market. Mr. Tyler believed there was a significant trade-off considering how much Jody does for the Ranch.

Mr. Hutchinson noted that they had budgeted $16,000 for part-time help, and they were already over $19,000. Mr. Gonzales pointed out that Board predicted at the last meeting that they would continue to exceed the $16,000 budget for the winter. He thought the excess suggested that they were not managing the employees very well. The Ranch is the same size, yet it is taking more man time to do the work with better equipment. Mr. Tyler stated that one reason is that Jody was working a more manageable schedule of 40 to 50 hours per week instead of 60 to 70 hours. The additional time is taken up by the part-time help. When Jody is not on the Ranch Cody is, and that has been fairly consistent. Mr. Tyler remarked that when Jody did not have help a few years ago it was too much for one person and he was on the verge of quitting. He stated that Cody typically works 40 hours a week during the winter months and the summer construction season; and considerably less during the shoulder seasons. Mr. Tyler personally felt the HOA should not sacrifice on the labor side. He agreed with Gonzales that the same amount of work was being done, but the difference is that one person was not working all the hours.

Mr. Gonzalez questioned whether Jody or Cody were working on the right things. Mr. Tyler explained that the big storm at the beginning of Spring knocked down a number of trees. One was a giant tree at the corner of Pine Meadow drive as it goes up the S turn. Jody had to cut up the tree to get it out of the way and he asked Mr. Tyler if he should haul it to the gravel pit. Since his place was much closer than the gravel pit, he told

Jody to put it in his driveway and he would burn it.

Mr. Gonzales thought that was a question that should have been posed to the Ranch and offered to anyone who needed firewood. It is important to avoid perceptions because it was presented to him as a bad perception. It appeared there was a Ranch employee servicing a Ranch Director. Mr. Tyler understood what Mr. Gonzales was saying. In his mind it was going to the gravel pit to be burned and Jody would have had to haul it a lot further. Mr. Gonzales stated that he was not judging Mr. Tyler's reasoning. He was only saying that these type of situations should be a community benefit and offered to everyone.

There was some discussion regarding the legality of voting via email. Mr. Tyler stated that the Board has been operating under the assumptions and direction of their current Ranch attorney. He was not willing to interpret the Ranch documents without professional advice, which is why they were looking at hiring another attorney for a second opinion. Mr. Gonzales noted that in his interview, Robert Rosing had offered to share a method that is legal in Utah for voting by email. Mr. Tyler pointed out that Mr. Rosing was not their engaged legal counsel. Mr. Gonzales remarked that Mr. Rosing was a legal expert and he had provided a way for the Board members to vote through email per the State law.

Mr. Tyler stated that this was a budget meeting and he did not intend to discuss process or fix any legal problems this evening. The goal was to prepare a budget that could be presented to the membership at the Annual Meeting. Mr. Tyler noted that they would continue on the same path they have been to obtain legal advice and legal counsel that they could all collectively agree on.

Regarding the Ranch Manager's salary, Mr. Tyler reiterated his personal recommendation for an annual salary increase for Jody ranging between $3,000 to $5,000. He suggested a larger increase in salary and a lesser bonus amount. Mr. Deaver recalled that a past discussion on this same topic was health insurance for Jody. Ms. Parker pointed out that health insurance costs were increasing significantly. She preferred to give Jody a larger salary increase to help offset his insurance costs as opposed to a large bonus. Mr. Powell noted that the HOA currently pays 80% of Jody's insurance. Mr. Tyler pointed out that their 80% portion would also increase if the premium is increased. The Board calculated potential premium increases. Mr. Gonzales liked Mr. Hutchinson's earlier suggestion to limit the budget for part-time labor; otherwise they would have to increase the revenue. Mr. Tyler believed the end result would show that the HOA has been operating under budget. He thought some of that efficiency was due to the equipment time with multiple operators. He pointed out that they were doing the same amount of work, but they were now paying people instead of paying for material.

Mr. Tyler suggested between $63,000 to $65,000 for Jody's salary and keep the remaining benefits the same. Mr. Powell was leaning more towards the 5% increase or $63,000. Ms. Parker agreed. She would like to be more generous, but the increase in insurance premiums was a factor.

The Board discussed salary for part-time help. Mr. Tyler anticipated that they would end the season for part-time help at approximately $22,000, which was significantly over the $16,000 that was budgeted. He pointed out that this was the first year the Board budgeted a salary for part-time labor, and they were unsure what the actual number would be. Mr. Tyler suggested that they budget $22,000 for part-time labor for 2017 based on the actual cost. Ms. Parker suggested that they budget $22,000 for now and re-evaluate it after they complete the budget to see if it was reasonable or whether they needed to cut back on part-time hours. The Board agreed.

The Board discussed Fixed Expenses. Mr. Hutchinson pointed out that an increase in salary would also increase the amount of payroll taxes. Mr. Tyler believed the payroll taxes for 2016 would come in very close to the $6,638 that was budgeted. That amount was based off of $76,000, which is 8.73%. Mr. Hutchinson noted that they were under the budgeted amount and he thought they could budget the same percentage for 2017. Mr. Tyler suggested that the budget for payroll taxes should be $7,500. Mr. Tyler thought the Worker's Comp Insurance could remain at $3,800 because they were under budget at 61%. The Board agreed. Mr. Tyler stated that the health insurance was budgeted at $16,500 and that amount would increase. The calculated budget amount for 2017 was $20,625.

Mr. Tyler referred to the line item Professional Fees and Accounting at $18,000, which was Carol's fee. He pointed out that they were at 94% of budget and he anticipated exceeding that number by the end of the year. Mr. Gonzales asked if Carol had done anything out of the ordinary to be that close to budget. Ms. Parker replied that it may be caused from growth on the Ranch. She had spoken with Carol that day and Carol told her she had been fielding a lot of phone calls from new owners inquiring about various things. Mr. Tyler thought that was a fair assumption. He suggested increasing the budget. Mr. Powell thought $20,000 was a sensible amount.

Mr. Tyler noted that the credit card charge was the fee the HOA pays for people who pay their assessment with a credit card. They typically budget $3500 and they have never exceeded that number. However, more people are using credit cards and they were already over budget. He suggested that $4,125 was a realistic number. Mr. Gonzales remarked that those who paid by credit card this year would continue to do the same. He thought $4,125 was the new minimum level. The suggestion was made to increase the budget to $4,500. Mr. Tyler stated that they could put in $4,500 and re-evaluate it if necessary. The budget for Income Tax Preparation was left at $250. Mr. Tyler noted that they had budgeted $10,000 for Equipment Repairs and they had only spent $5530. Mr. Gonzales pointed out that the amount shown did not include the $3,000 in expenses they approved at the last meeting. Jody did not anticipate anything that would cause an increase and he suggested keeping the budget at $10,000.

Mr. Tyler thought the budget for Building Repairs should remain at $1,000. The Board agreed. Diesel Fuel was under budget. Mr. Tyler thought the price of diesel would remain the same and he suggested reducing the budget to $7500. Mr. Tyler noted that they were at 73% of budget for Liability Insurance. Mr. Gonzales recalled a previous discussion about adding additional coverage. Mr. Tyler suggested that they keep the same budget for Liability Insurance. The budget for Telephones was $1,100 and they were currently at $1,042. He anticipated coming in over budget. Mr. Deaver suggested that they increase the budget to $1200. Mr. Tyler thought the $1,000 budgeted for Propane was sufficient. The budget for Property Taxes was $7600. Mr. Tyler noted that the property taxes had not yet been paid but he expected it to be a similar number. The budget for property taxes was left at $7600.

Mr. Tyler commented on the Contributions to Reserves, and noted that the Board could determine whether to put more or less into the reserve account. He suggested that they leave the budgeted amount at $30,000 and re-evaluate it at the end. Mr. Gonzales recalled that the Board already decided at a previous meeting to deposit more of the extra money into reserves. Mr. Tyler pointed out that $30,000 was for the 2017 budget and not what happens this year. Mr. Powell suggested that they budget $30,000 and at the end of 2017 if they have extra money they could decide at that time whether to roll it over into the reserve account or into roads. The Board agreed to keep the budget at $30,000 for 2017.

Mr. Tyler calculated the net increase on Fixed Expenses to be $14,587, taking the budget to $205,975 for Fixed Expenses.

The Board discussed the Variable Expenses. Mr. Tyler noted that Office Supplies were budgeted at $300. The had only spent $53 to date, but that amount would increase with the Annual Meeting. He suggested leaving the budget at $300. The Board agreed. The budget for postage was $3,000. They were under budget but still had another mailing going out. The Board agreed to keep the budget at $3,000. The budget for Internet Service fees was left at $200. It was noted that Honey Parker donates the $100 per year for the website service and she would like to continue doing so as a contribution to the Ranch. Mr. Gonzales thought it should be itemized in the budget for record keeping and auditing purposes. The Board agreed to increase the budget to $300 to include the website service. Ms. Parker could continue to pay the $100 and the amount spent would remain at $200 for the Internet.

Mr. Tyler noted that the Legal Fees were currently at $1824, and that amount covered the expense for Ted Barnes. He anticipated spending significantly more if they hire another attorney to review the Ranch documents. Mr. Tyler asked if the Board thought it should be a capital expense or an operational expense. Mr. Powell thought a capital expense was more of a one-time outlay for a specific project. The Board agreed that hiring an outside attorney would be a one-time expense. Mr. Powell believed it was appropriate to take the money from the capital budget rather than the operating budget. There was agreement to set the budget at $15,000 for this one-time expense. Mr. Tyler suggested using the additional overage from the previous year. Ms. Parker noted that if they used the overage they would only have to come up with an additional $4,000. Mr. Tyler kept the budgeted amount for Legal Fees at $3,000.

Ms. Parker suggested that the Board consider setting money aside for one large road project each year.

Honey Parker left the meeting.

Mr. Tyler stated that the next line item was Licenses and Permits. The budget was $1200 and had only spent $120. The amount spent is never consistent and depends on what is needed. Jody stated that most of the licenses are due in May. Neither he nor Mr. Tyler could think of any licenses that are paid at the end of the year. Mr. Tyler asked if the Board wanted to reduce the amount to $500. Mr. Deaver asked if they kept the same budget, whether the unspent amount could be used for something else. Mr. Tyler noted that it was a variable expense. He suggested cutting the amount in half and budgeting $600.

Mr. LeCheminant called Carol on speaker phone to ask if there was any reason to keep the original budget amount, and whether she knew of any licenses or permits that still needed to be paid before the end of the year. Carol stated that she had not yet done the liens and they would come out of that budget. She acknowledged that the budget was high and it is primarily to cover the liens. Carol thought reducing the budget to $600 was adequate.

Mr. Tyler noted that Culvert Installation was budgeted at $3,000 and they had spent $1100. Jody suggested that they reduce the budget amount to $2,000 since most of the culverts had already been replaced. Mr. Tyler stated that the signage was placed under Miscellaneous Ranch Projects, which was why they were 425% of budget for the year.

He did not anticipate a recurring cost and suggested that they keep the budget at $1200.

Mr. Gonzales recalled that they were going to auction off the old signs to recoup some of the cost of the new signs. Mr. Deaver suggested auctioning them at the Annual Meeting. Mr. Tyler thought it was a good idea but they did not have time to notice for it or plan it.

Mr. Deaver asked where the money was coming from for the road map. Mr. Tyler assumed it would be Miscellaneous Ranch Projects. He believed $1200 for two signs should be sufficient. Mr. Gonzales noted that it would come from this year's budget because it was already approved.

Mr. Tyler stated that Mag Water was budgeted at $9,000, which covers the cost of three loads. They had conducted an experiment where new gravel was added to the road and then mag watered. Jody stated that it was very successful and held the gravel in place. Mr. Tyler believed there was consensus to continue to do from the edge of the asphalt to parking, and then the hill on Forest Meadows. Mr. Powell asked if there were other areas of the Ranch that should be considered. Mr. Gonzales suggested the high traffic areas more than the new roads. Mr. Powell suggested the small section on Navaho. Mr. Tyler commented that the steep section from Alexander to Elk Road. Mr. Tyler stated that the cost was approximately $3,000 per load and they had budgeted for three loads this past year. Mr. Gonzales thought should either do a traffic survey or budget for more than three loads. Based on the experiment, they would eventually have to mag water the entire Ranch. Mr. Jody clarified that he was only talking about the high traffic roads and arteries. Mr. Gonzales thought that made more sense than trying to mag water the whole Ranch. Mr. Tyler remarked that the intent was not to mag water on an annual basis the roads that get new gravel. It should be a one-time application when the gravel is first laid to maintain it for a longer period of time.

Mr. Tyler noted that they always budget for two loads at $6,000 for what they do every year. Last year they added an additional $3,000 in 2016 for the experimental project. He asked Jody if he anticipated needing more than one additional load. Jody replied that he could have used one additional load this year. Mr. Powell was comfortable increasing the budget to $12,000.

Mr. Tyler commented on Aggregate Purchases, Hauling, Asphalt Repairs, Sealing. The budget was $55,000. They spent much less than what was budgeted because they had not done the chip sealing. Mr. Gonzales recommended keeping the budget. Mr. Tyler pointed out that the chip sealing on the asphalt was significantly more than $55,000. Mr. Powell noted that part of the $30,000 was for a full seal every five years. Mr. Tyler stated that it should be sealed every two to three years, and chip sealed every five years. He noted that there was a separate budget for crack sealing and for the seal that should be done every two to three years. Mr. Gonzales asked if they should set aside another fund to accumulate those funds over a two to three year period. Mr. Tyler replied that the Capital Reserve is for that purpose. Mr. Tyler stated that they had a $55,000 budget and spent approximately $25,000. Allocating another $5,000 for gravel still leaves $25,000 in this line item.

Mr. Tyler suggested that they increase the budget from $55,000 to $105,000. That would allow $25,000 for aggregate, $80,000 for the sealing next year. They could then show a rollover of revenue from 2016 to 2017 to make up the budget differential. Mr. Gonzales thought it should have been spread out over a few years. Mr. Tyler stated that it had already been a few years and his proposal would make up the difference.

Mr. Powell recalled that the Board had determined that crack sealing was all that needed to be done; and that it was only necessary to do a full seal every five years. That was the reason for part of the $30,000 contribution. Mr. Gonzales thought they were trying to build the reserves for an emergency, not for roads. Mr. Powell stated that part of the money was to build the reserve and a portion was for chip seal every five years. Mr. Deaver thought the reserve was for equipment.

Mr. Tyler explained that based on the 2015 Capital Reserve Study that was done, $10,000 was budgeted every year for asphalt sealing, and paying for it in the fourth year. They budgeted chip sealing at $13,333 per year over eight years. Mr. Gonzales pointed out that approximately $25,000 should have been placed in the reserve fund every year. Mr. Tyler stated that from a running balance standpoint, they needed to be contributing $30,000 every year from 2015 to 2026; and as needed, they would spend money out of that account. The balance on the reserve account would fluctuate between $106,000 and $228,000 depending on what they payout over time. Mr. Gonzales remarked that based on the Study they should be putting more into the Capital Reserve.

After further discussion, Mr. Tyler recommended reducing the line item budget to $35,000 and increasing the reserve contribution to $50,000. The Board agreed. Mr. Tyler calculated that there was approximately $56,000 in additional budgeted funds for 2016 that could be rolled over in 2017.

Mr. Tyler stated that the current budget showed they were at $283,375. He asked if they wanted to count on some of the other line items that have been collecting revenue, aside from the assessments. He noted that $2,000 was budgeted in 2016 for Past Due Collections. He did not think that amount should be increased, even though they collected $10,840 in 2016. The Board was comfortable with $2,000. Mr. Tyler stated that the LDS Church has been steady in their payments and he recommended leaving the budget at $11,036. Mr. Tyler remarked that the SS Lot contributions have varied over time; however, he thought the $9,000 budget was conservative and should remain the same. Mr. Tyler stated that $21,000 was budgeted for Impact Fees and they collected $33,000 in 2016. He asked if they should keep it at $21,000 since building years are unpredictable. Mr. Gonzales preferred zero for that line item because it is unpredictable. If it is not a known income it cannot be revenue. The other Board members were comfortable leaving the budget at $21,000.

Mr. Tyler commented on Other Income, which included donations and contributions, late fees, and a variety of other things. They had budgeted $10,000 and collected $13,000. He asked if they should leave it at $10,000. Mr. Deaver stated that he would be comfortable leaving it at $10,000 if the Impact Fees were reduced to zero. Mr. Gonzales asked if Other Income included Revenue Recovery. Mr. Tyler replied that Revenue Recovery was under Past Due Collections. Other Income included late fees, fines, interest income, etc. He asked if the Board wanted to reduce the budget amount to $5,000 to be more conservative. Mr. Deaver was more comfortable with $5,000. Mr. Tyler cautioned against making the budget so conservative that the members do not think they look at it every year. Mr. Powell was concerned about limiting their spending ability.

Mr. Tyler did not believe the budget was overly conservative or overly aggressive. It would be nice to have $500,000 in the bank account, but people would then question why they were letting money sit in an account instead of using it to improve the Ranch. Mr. Deaver argued that State law requires them to have reserve funds for future equipment replacement and other things. Mr. Tyler clarified that State law requires the Board to tell the HOA membership what is in the unfunded balance of the Capital Reserve. It does not require them to fund it. Mr. Gonzales stated that it must be audited every five years and recorded every year. Mr. Tyler was confident that they were meeting the requirements of the State law. Mr. Powell pointed out that the reserve balance was continuing to build. Mr. Gonzales stated that it would not build if they spend more than they put in. He clarified that he and Mr. Deaver were only talking about cutting back on a few line items.

Mr. Tyler went back to the Other Income line item. They had collected 132% of the $10,000 budget. He thought they were already conservative on the budgeted amount for SS Lot Contributions and Impact fees, because they had over-collected on both. They had also over-collected by 500% on Past Due Collections. Mr. Gonzales pointed out that it would not go on forever. Past due collections would eventually slow down or come to a halt. Mr. Tyler did not believe $10,000 was neither aggressive nor conservative. He pointed out that nothing in a budget is guaranteed. Mr. Tyler took a straw vote. Board members Hutchinson, LeCheminant, Tyler and Powell thought it should be left at $10,000. Mr. Deaver preferred $5,000. Mr. Gonzales preferred zero for Impact Fees and Other Income. The budget was left at $10,000.

Mr. Tyler commented on Uncollectible Dues. He noted that they always budget for Uncollectible Dues, and he was comfortable leaving it at 5%. However, they needed to determine the assessments for next year. Mr. Gonzales remarked that the assessments should remain the same, but the 5% would distribute differently. He explained that currently 5% of an uncollectible due on a lot versus on a full-time would vary. However, with the new fee structure, 5% of an uncollectible due on a lot would be the same, regardless of the use of that lot.

Mr. Tyler calculated a new assessment of approximately $300 per lot times 806 lots equals $241,800. Multiplying that number by 5%, the projected uncollectible loss would be $12,090.

Jody Robinson left the meeting.

Mr. Tyler stated that based on $300 per lot, they were approximately $629 over budget. He suggested that they either lower a category by $650, increase a revenue category by $650, or leave the budget as is and consider it their best guess. Mr. LeCheminant pointed out that they would be losing three or four lots on Alexander this year due to replatting. Mr. Gonzales suggested that they increase the assessment to $350 and wait to hear what the membership has to say. Mr. Hutchinson thought $350 was too high. Mr. Tyler favored $300. He believed they were good with the budget. Mr. Deaver pointed out that Pine Meadow Ranch had lower dues than anywhere else.

Mr. Tyler asked for ideas on where they could adjust the budget to save the overage. Mr. Powell asked if they could add money to the SS Lot Contribution as Income since the actual has been higher than the budget. Mr. Tyler noted that if the amount was increased to $10,000 it would show the budget as being in the positive. Mr. Powell preferred that approach as opposed to cutting any of the line items.

Mr. Gonzales asked if there was any guaranteed money coming from Deer Meadows this year. He understood that the lots had not been platted, but Mr. McAllister should still have to pay dues on one big lot. As the lots are split and platted, each lot would be assessed $300. Mr. Tyler hesitant to count money from Deer Meadows until they actually start paying dues. He noted that the agreement is structured such that the other lots do not come in until they are platted. Mr. Gonzales thought Mr. McAllister should still pay dues on the land as one large lot. Mr. Deaver understood that each property would come online with the Ranch when it is sold; not when it is platted.

The Board agreed to increase the SS Lot Contribution to $10,000 to take the budget out of the negative. Mr. Tyler noted that the increase would show the total Revenue at $283,746 and the total Expenses at $283,375.

Mr. Deaver referred to the page showing the 2017 Funded Reserve Draft for BOD Planning. The small print stated that, "interest income of approximately $500 is diminimus to the reserve and will be added to the operating budget". Mr. Deaver believed the interest income should be re-invested. Mr. Tyler believed it was only an accounting practice. If they want that money left in the Capital Reserve, they should tell Carol and she will do it.

Mr. Heath had asked how long it had been since dues were increased. Mr. Tyler recalled that it was three years ago when the members took control of the Budget discussion at the Annual Meeting and voted in a 20% increase to do more road improvements.

Mr. Tyler believed this meeting was a good, collaborative effort to prepare a budget that works. He pointed out that it was an increase of slightly under $10,000. They were allocating money differently and putting more of the operating funds into the capital reserve.

Mr. Tyler was unsure what they would do with more money because unless they hire additional employees, Jody and Cody could not handle anything more. He looked at it as finally being able to work on the backlog that has been neglected. Mr. Powell stated that he would like to give the Ranch Manager more freedom to make decisions and be more proactive, rather than always having to wait for Board approval. Mr. Gonzales remarked that they could not give that freedom because they have to follow the rules and procedures that are in place. Mr. Gonzales reiterated that he had sent the Board members the correct procedure to follow for legally voting by email. Mr. Powell cited examples where Jody could be more productive if he was able to make certain decisions based on weather or other factors. Mr. Tyler believed there was medium ground that could be achieved under the constraints, rather than having to refer back to a 28-page document to determine what or what not is allowed. He thought they would be able allocate a certain amount of money and direct Jody to take on specific projects within that budgeted amount. If Jody finds other projects that in his reasonable opinion need to be handled and money is left in the budget, he would have the flexibility to do it. Mr. Tyler believed the Board has the ability to give Jody that discretion. He did not think all projects needed to be identified projects or that Jody should always have to wait for approval. Jody is the Ranch Manager and an employee, and the Board has the fiduciary responsibility to the Ranch owners to ensure that he is doing his job. It does not help anyone if they hamstring Jody from doing his job by requiring an unnecessary approval process. Mr. Gonzales remarked that the approval process could be done in a short time outside of a meeting via telephone or email, but Jody should still have to follow the proper process.

Mr. Tyler stated that he had made notes on the changes to the budget and he would send them to Carol.

MOTION: Mr. Tyler moved to APPROVE the Budget as amended this evening, and recommend the 2017 Budget to the membership at the Annual Meeting. The Minutes would memorialize the individual line items discussed. Mr. Hutchinson seconded the motion.

Mr. Powell clarified that it was based on the $300 flat assessment. Mr. Tyler replied that he was correct.

VOTE: The motion passed unanimously.

Mr. Gonzales asked if they were going to choose a lawyer this evening. Mr. Tyler noted that they would still have a quorum without him, since he would need to recuse himself. Mr. Gonzales noted that at the last meeting someone requested that Matt Brown be present for the discussion since he was involved in selecting the attorneys to be interviewed. Mr. Deaver stated that he was not present for the interviews and he had no knowledge of what took place. For that reason, he would probably abstain from voting. Mr. Gonzales questioned whether it was necessary for Mr. Brown to be present. He recalled from the last meeting that there was a unanimous decision on which attorney to choose, but it was not formalized because Mr. Brown was absent.

Mr. Heath suggested waiting until next month. Mr. Tyler pointed out that the Board always holds a short meeting after the Annual Meeting and it could be handled then.

The meeting of the Pine Meadow Owners Association Board adjourned at 8:36 p.m.