DRAFT

PINE MEADOW RANCH OWNERS ASSOCIATION
BUDGET MEETING
RANCH MANAGER'S OFFICE
ARAPAHO DRIVE
OCTOBER 23, 2018

In Attendance: Pamela Middleton - President; Tom LeCheminant – Vice President; Andrew Pagel – Treasurer; Jan Levitre – Secretary; Jonathan Hoffman (Area 1); Bruce Hutchinson (Area 5); Ted Bonnitt (Area 6); Byron Harvison (Area 7)

Ex Officio – Jody Robinson, Carol Steedman

Guests: Bill Binnelli

Pamela Middleton called the meeting to order.

Ms. Middleton noted that the Board would begin the budget discussion with the expenses. They would be using the 2019 budget document that Carol had sent to the Board. Andrew Pagel noted that Carol had sent him a work sheet that he created the 2019 Budget.

Ms. Middleton referred to the fixed expenses. The first expense was for accounting and tax preparation. She noted that the Board budgets $250 each year; however, for the past two years the actual expense has been less. She suggested that they keep the $250 in case they need it for audits or extra work.

Ms. Middleton noted that the next line item were the bank services charges. The Board increases the budget each year to keep in line with the actual expense, but every year the expense continues to be higher than the budget. Mr. Hutchinson asked Carol why the charges were so high. Carol replied that 65% of the Mountain pays with credit cards and those are the charges that the HOA incurs to run a credit card. Carol clarified that no other fees are paid except for the processing fee of 3.2%. Dividing the full expense by 3.2% will show the dollar amount of assessments that are paid by credit card.

Mr. Pagel wanted to know why that processing fee is not passed on to the homeowner. Carol stated that they could do that, but it is more cumbersome. She recommended that they increase the dues to cover the amount. Carol pointed out that most people now prefer to pay by credit card and that is the majority revenue coming in. Paid assessments are earlier because they allow people to pay with credit cards.

Mr. Bonnitt asked if there were opportunities to use PayPal. Carol replied that the fee for PayPal is much higher than credit cards. Using a third-party system results in additional processing and bank fees. The Board looked at other options and decided to just allow credit cards because it is secure, easy, and allows people the ability to pay online. All those features bring in revenue much faster. Carol pointed out that construction fees were also excessive this year, and everyone paid by credit card. That was another reason why the actual amount of fees paid vs. budget was higher.

Mr. Pagel did not believe they could forecast the growth. Therefore, taking an average was the best they could do. He asked if they could negotiate a better rate. Carol pointed out that the fee is less than 2% of total income. Ms. Middleton thought they should leave the line item as it was showing in the proposed budget.

Mr. Pagel thought it was important to note that the Budget vs. the HOA dues vs. the Current Dues Income is negative (-$13,000); which means the expenses are greater than the income. He stated that as they go through the budget, they needed to be cognitive in thinking about places where they could reduce the expenses, or whether it is completely necessary to increase the dues to cover the expenses. He pointed out that dues were increased last year. Ms. Middleton agreed that it was important to keep that in mind.

Ms. Middleton noted that the total insurance cost has increased every year. Mr. LeCheminant asked Carol if the liability insurance would go down or up. Carol replied that it would go up. She recalled that the payment is paid annually in April. Mr. LeCheminant noted that they paid $7,090 in 2018. Carol pointed out that it was full coverage. Mr. Hutchinson asked if liability insurance for the truck, was a separate line item. Carol stated that they all had separate line items. The total insurance cost includes the D&O for the Board, the liability insurance for the company, and the liability and full coverage insurance on the new truck. Ms. Middleton asked Carol for the line item costs for 2018 on the D&O, liability for the company, and the truck insurance. Carol stated that the Ford truck is $3,679. The water truck is $2,365. The D&O is $1,046. Ms. Middleton asked if those were the amounts that totaled $7,090. Carol answered yes. Ms. LeVitre commented on the two spreadsheets and asked which spread sheet they would be showing to the membership at the Annual Meeting. Carol stated that they do not show the detailed spreadsheet at the Annual Meeting. It is a one-page summary of budget line items.

Ms. Middleton noted that $6,000 was budgeted for insurance for 2018 and they would end up $1,000 over budget. She proposed that they increase the insurance amount to $7,000 for 2019. Mr. Hoffman questioned why the insurance increased 30% from 2017 to 2018. Mr. LeCheminant noted that they also added the water truck. Mr. Hoffman assumed that the increase would not be another 30%. The Board agreed to increase the insurance amount to $7,200 for 2019.

Under payroll expenses, Ms. Middleton noted that $30,000 was budgeted for health insurance. Mr. LeCheminant noted that they still needed to pay premiums for November and December. He assumed they would use the $30,000. Mr. Pagel asked the Board members to put their comments into the Excel document next to the line items being changed. He used the changes to the credit card fee and the liability insurance to explain why he was asking for increased budget income at the end of their discussion. Ms. Middleton thought they should keep the health insurance as budgeted.

The next line item was payroll. Ms. Middleton noted that employee increases could not be discussed this evening. Salary increases need to be addressed in closed session. Ms. Middleton suggested that they table this line item until the end of the meeting.

The next item was payroll tax. Ms. Middleton asked Mr. Pagel if the budget amount for 2019 considered Randy Larson for a full year. Mr. Pagel answered yes.

The next item was temp help. It was assumed that temp help in 2018 was for Randy Larson before he was hired by the HOA as an Assistant Ranch Manager. Ms. Middleton asked Carol if she ever uses temp help. Carol stated that this line item included the costs for running ads for snow plowers and for any full-time help. She noted that Mr. Pagel had the actual detail from an email she sent earlier. Ms. Middleton asked if the Board wanted to have a budget for ads in-the-event that they need to hire someone. Carol noted that this line item has never been budgeted before.

Ms. Middleton noted that payroll expenses were the next line item. Bonuses for Jody and Randy would be discussed in a closed session and added later to the budget.

Ms. Middleton commented on the Worker's Comp Insurance budget compared to the actual payout. She asked if that was the amount they needed to add in reserve. Carol noted that because of longevity and performance discounts from Worker's Compensation Fund, expense was reduced. She explained that Worker Compensation ties directly to the payroll. If they increase the payroll, they need to increase the Worker's Compensation Fund.

The next category was Professional Fees. Mr. Hutchinson noted that Carol's compensation was included under Professional Fees and that line item should be discussed in closed session.

Ms. Middleton assumed the property taxes had not yet been paid for 2018. Carol stated that the taxes are due November 30th. She expected to have everything within the next week. Carol anticipated the taxes to be close to what was paid in 2017. She thought $12,000 was more accurate than $10,000 because taxes never go down. The Board concurred with increasing the budget to $12,000. Mr. LeVitre thought they would know the exact amount of taxes owed prior to the Annual Meeting.

Ms. Middleton asked for an explanation of the 1120H Tax. Carol stated that it is the type of filing for the HOA. Pine Meadow Ranch is a Corporation, but they file under IRS HOA rules. She explained that the HOA is a non-profit, but any incomes that comes in that is not solicited, such as interest on accounts, is taxed at the highest rate for a corporation at 39.5%. The Board kept the same budget for that line item.

Ms. Middleton referred to the telephone charges and noted that the actual amount had decreased. Carol pointed out that they still had two months to pay for the year. The Board agreed to keep the $1200 that was budgeted.

The Board agreed to keep the propane budget at $1,000.

Ms. Middleton pointed out that those were all the Fixed Expenses line items. The Board would have to revisit the final total for Fixed Expenses after the payroll discussion.

The Board reviewed the variable expenses. The internet/web expense was for the website and the email service. Ms. LeVitre asked if any expenses still needed to be paid for the year. Carol stated that amounts included the Weebly and the Dream Host. Mr. Pagel recalled that the website hosting was a two-year expense that was in advance at a discount. Carol agreed. She noted that Honey Parker had paid for some service as a contribution and that expense had now been added to the budget. It was called Babbitt, but they had not yet been billed for it. No one was familiar with it and Carol suggested that it might no longer exist. Carol stated that Weebly and the Dream Host are consistent annual expenses.

Ms. Middleton noted that the Board had talked about adding a messaging service for emergencies and possibly to use for the communication regarding the CC&Rs. She asked if that service could be added to the internet/web line item. Carol answered yes. Mr. LeVitre noted that it was an annual cost of $300 for the service. Mr. LeCheminant suggested that the Board increase the budget to $600 and let the membership vote on whether to keep the $300 increase for text messages and emergency alerts. The Board concurred.

Mr. Middleton noted that the next line item were legal fees. She noted that Mr. Rosing, the HOA attorney, was consistently charging approximately $1,000 per month for meetings, phone calls, letter, and other services he provides for the HOA.

Regarding the $15,000 cap for the CC&Rs review, Mr. Bonnitt had spoken to Mr. Rosing and he believed the $15,000 would be rapidly spent. They were anticipating three town meetings over the course of Winter into Spring. Mr. Rosing would need time to make revisions based on feedback at the meetings. Mr. Bonnitt anticipated receiving the largest bill in the next month or two for the work Mr. Rosing has already done researching and revising the CC&Rs.

Mr. Pagel referred to the detail of the legal fees on the Excel spreadsheet. It was separated into CC&Rs review and other legal fees. QuickBooks categorizes the expenses. It is important that the money allocated for the CC&Rs does not go towards other legal fees. Mr. Pagel noted that the budgeted amount was the means equal to the last two years. He believed they had under budgeted for legal fees. Mr. Hutchinson stated that the costs were higher than the budget because the Board increased Mr. Rosing's involvement. Ms. Middleton had spoken with Carol and others about ways to minimize the costs.

The Board analyzed and discussed Mr. Rosing's charges. There was some question as to whether it was necessary for Mr. Rosing to attend every meeting. Ms. Middleton pointed out that having Mr. Rosing present is beneficial because he can warn the Board about certain things they talk about or things that might be stumbling blocks. Mr. Rosing also makes recommendations that can prevent the Board from being sued.

Mr. Hutchinson stated that Mr. Rosing is valuable now because for years no one had a clue regarding the CC&Rs. If the Board wants to save $3,000, they could eliminate that legal service and just be careful. Mr. Pagel believed the $3600 per year saves the HOA potentially $60,000 to $70,000. Attorneys in the State of Utah have to attend Professional Responsibility Civility classes. Ms. Middleton agreed. For her piece of mind, she appreciates having Mr. Rosing attend their meetings. Mr. Bonnitt concurred. Mr. Hutchinson thought they would have a hard time justifying the expense to the membership. He thought they should be prepared to explain it.

Ms. Middleton had ideas about reducing the need for Mr. Rosing to attend their meetings. It would change the structure of their meetings by following the Bylaws that are already in place. The structure would reduce the frequency of public meetings and the need to have a lawyer. Ms. Middleton stated that it would streamline the process. The Executive Committee would still have monthly meetings, and the full Board would meet quarterly and invite the public. Ms. Middleton noted that meeting at the Library will now cost money because the Library is charging for the room. Following the structure of the Bylaws will save the HOA money and they could still handle the plans for construction and additions on a monthly basis. Carol stated that per the Bylaws, the Executive Committee meets every month and the full Board meets every quarter. The

Architectural Committee can meet on a monthly basis as needed and make recommendations to the Executive Committee. The Executive Committee can reach out to the full Board, but the full Board does not have to vote on buildings that are not in their area.

Ms. Middleton suggested that the Board could discuss this later to see what everyone thinks about it and how it would work. She thought it might be a more efficient way to run the meetings and be more responsible as a fiduciary body. Ms. Middleton suggested the possibility of having quarterly public meetings in the winter and monthly meetings in the summer when more people are on the Ranch. She wanted the Board to think about it as a way to reduce the legal fees and other fees incurred. She suggested that having a more inclusive discussion in December.

Mr. Bonnitt agreed with the comments regarding the value of having legal counsel at the meetings, particularly in light of the CC&Rs review. He was not opposed to streamlining the meeting process for efficiency, but he thought it would be more appropriate to take that step after they complete the CC&Rs review process. Mr. Bonnitt remarked that a major reason for revising the CC&Rs was due to the nebulous legal territory they were in because of how the CC&Rs are structured. He believed Mr. Rosing's presence has been very valuable as they navigate through the CC&Rs. Once the CC&Rs are updated and established, he would favor possibly adjusting the meeting structure.

Ms. Middleton stated that the next item was licenses and permits. She noted that $600 was budgeted in 2017 and that amount was reduced to $300 for 2018. However, they had exceeded the $300. Mr. Hoffman asked why the costs had increased in 2018. Carol stated that it was primarily for Utah State Tax, Registrations, and lien fees on delinquent accounts. Renewal of the Department of Professional Licensing with the Department of Commerce was also included in the costs. Carol noted that there could be more in the next two months. The Board agreed to increase the budget to $500.

Ms. Middleton asked if the line item for mailboxes, was an annual expense. Mr. LeCheminant replied that the $7,500 they spent on the mailboxes this year was a one-time expense.

Ms. Middleton noted that they continually go over budget on office supplies. Carol remarked that the office expense included a Home Depot expense for tile for the office. Ms. Middleton commented on postage, printing, and mailing and noted that they came very close to budget in 2017. She assumed they still had mailings for this year. Carol replied that the ballots still needed to be sent. Ms. Middleton asked if the $3,000 budgeted was enough. Mr. Bonnitt noted that next year they would have an additional mailing of ballots on the CC&Rs. He asked if they wanted to account for that now or later. Mr. LeCheminant asked Carol for the cost to send out voting ballots. Carol estimated $1 per ballot. She noted that currently postage is 50 cents and it is supposed to increase. Ms. Middleton asked Mr. Bonnitt if they would be sending more than one mailing. Mr. Bonnitt was unsure. Carol recommended adding an additional $1,000 to the budget for one extra mailing. Mr. Bonnitt thought there might be protocols to follow on the CC&Rs. Mr. Rosing could advise the Board if there are protocols.

Ms. Middleton noted that the line item for equipment repair and maintenance was budgeted at $10,000. They had spent $31,000. Carol noted that $16,000 of that amount were rental costs for the roller and backhoe. Ms. Middleton asked Carol or Andrew for the cost of the roller rental. Carol replied that it is $4,000 each month. For four months, the cost is calculated at $4,060 x 6. Mr. LeCheminant stated that $2500 should be added to the budget for the mini-trackhoe. He thought they should purchase a mini-trackhoe if funds are available at the end of the year. Over time it would save on rental costs and Jody could use it all summer.

Mr. Pagel stated that as equipment purchase costs increase, the equipment rental costs should decrease. Mr. LeCheminant noted that they need the roller two to four months every year. Ms. LeVitre asked why the equipment rental only showed $4,000 if they paid $16,000. Carol replied that it was not listed in the rental category. It was listed in the equipment repair and maintenance. She needed to move the expense to rentals. Mr. Pagel asked if QuickBooks had allocated the expense to the wrong category. Carol answered yes, and she would move it. Mr. Pagel understood that the actual rental cost for 2018 was $16,000 plus $4,000. Carol replied that $20,000 was the total amount spent. Ms. Middleton thought they needed to increase the budget to $20,000. The Board concurred. Carol stated that removing all the roller equipment rental costs from the equipment large machine repair, it leaves $145 in the equipment large machine repair. The equipment rental increases to $20,569.86. The Board agreed to increase the rental budget to $20,000. Carol noted that $20,000 would pay to rent the roller for five months.

Under equipment purchase, Ms. Middleton noted that the HOA purchased the water truck. Mr. LeCheminant explained why he recommended a $5,000 increase for the 2019 budget. Mr. Pagel asked if the small trackhoe was the most important piece of equipment to purchase. Jody answered yes. They use can use it for ditches, culverts, and other things. Ms. Middleton stated that Jody had already spoken with her about the need for purchasing this equipment because they need it the most.

Mr. LeCheminant asked Carol if there was a line item with funds set aside for equipment purchase. Carol replied that it was right below equipment rental and it was budgeted at $35,000. Mr. LeCheminant asked if it could be listed somewhere to show that the money has been set aside for years. Carol stated that they could use the

Capital Reserve Account.

Carol noted that because they purchased the water truck and a new truck for Jody, the Board decided not to allocate construction income from impact fees into the reserve account and to leave it in the operating account to purchase the equipment. She clarified that the money technically came out of the reserve account to purchase the three pieces of equipment this year.

Ms. Middleton thought the amount budgeted for fuel/gasoline was enough. Jody recommended increasing the diesel fuel budget to $6,000 or $7,000.

Ms. Middleton thought they should keep the snowplowing budget the same. She noted that $20,000 was budgeted for plowing Junction Court to Arapaho.

The Board agreed with the budget for aggregate purchasing/hauling and for sand. Ms. Middleton asked if Jody anticipated having to do chip sealing. Mr. LeCheminant stated that chip sealing did not need to be done for another year. Ms. Middleton remarked that the total budgeted under aggregates was $50,000.

Ms. Middleton asked about culverts. Mr. LeCheminant thought a culvert was needed at the corner of Alexander above the McAllister garage and two culverts on Elk. Culverts throughout the Ranch needed to be replaced. Mr. Pagel asked if the $2,000 budget was adequate, or whether it needed to be increased. The Board agreed with $2,000.

The Board discussed the line items under General Road Repair. Mr. Pagel had decreased the amount for miscellaneous road repair from $5,000 to $3,000. He did not believe they should allocate too much for miscellaneous repairs. The money has typically been used for signage rather than actual repairs. The Board agreed with reducing the budget to $3,000.

Ms. Middleton asked Jody if $12,000 was enough for mag water next year. Jody thought the budget needed to be higher to cover inflation costs. The Board increased the budget to $14,000. Ms. Middleton noted that miscellaneous repair budget was reduced by $2,000 and the mag water budget was increased $2,000; leaving the budget for total road maintenance the same at $89,000.

Ms. Middleton stated that the meeting expense was the rental fee for the Sons of Utah Pioneers Building to hold the Annual Meeting. Carol stated that the $113 lunch expense was lunch for the Board at their December meeting at the Library. Ms. Middleton asked if the Board wanted a holiday snack fest at the December meeting again this year. The Board discussed various lunch options as well as the pros and cons of spending HOA money. The Board would make that decision later.

Mr. Hoffman suggested budgeting $500 for meetings to include the Sons of Utah Pioneers Building and the new fee being charged by the Library. Ms. Middleton noted that the Library requires all meetings to be finished by 8:00. Carol noted that last year the Sons of Pioneers building was $220, and she anticipated an increase next year. The Library charges $25 per meeting. Mr. LeCheminant agreed that the meeting expense should be increased to at least $500. Mr. Middleton calculated $125 for meetings at the library and $250 for the Sons of Utah Pioneers Building. Ms. Middleton and Carol thought a $400 budget was adequate.

Ms. Middleton noted that Total Variable Expenses had increased slightly from the 2018 Budget. Mr. LeCheminant asked Carol how much was left over from the construction fees. Carol stated that they had budgeted $42,000 but actually received $75,000. The result is a $33,000 difference. Carol thought the money was allocated to use for roads, but Jody was still under budget and that money would not be used.

Mr. Pagel explained that they needed to look at the total expenses and the total income. They should not be looking at the budget, but rather the actual numbers for 2018. Subtracting the total expenses from the total income is the amount they have left over. In looking at the spreadsheet they were at a negative (-$13,259), which means they spent more than they budgeted. Carol stated that the –($13,259) was the difference in the traded machinery as a loss. Mr. Page remarked that based on the income versus expenses it should be positive not negative. He walked the Board through the year-to-date actual net ordinary income numbers to show that the net income total should be $54,196. He noted that the amount would be reduced after they pay all the expenses through the end of the year.

Ms. Middleton clarified that they could put that money in the capital reserve or set it aside and allocate some of it. Mr. Pagel stated that if they take $54,000 minus two months of projected expenses, any excess could be allocated towards the budget projection for next year.

Ms. Middleton referred to the income and asked if they should use the same numbers that were projected last year. Mr. Pagel explained how he had calculated an arbitrary number for the income. Mr. Hoffman thought Mr. Andrew had budgeted a number that was conservative but still recognized growth.

Ms. Middleton asked about finance charge income. Mr. Pagel understood that finance charges related to late or unpaid balances. Carol suggested that the Board reduce the amount of finance charges collected because people are paying by credit cards rather than paying late. They do not collect as much in finance charges, but they do pay for credit card processing. One account helps pays for the other. Carol noted that they charge 12% on finance charges. She recommended changing the line item to $2,000.

Carol thought the $60,000 for construction impact fees was an unrealistic number because they would need to have 10 new homes next year. At this point, she only had two. Ms. Middleton commented on other assessments that were not outlined in the budget such as the P.O. Box assessment, a delinquent assessment fee, finance charge, fines. Carol noted that those were all part of the $10,000. If they wanted to break those out, she recommended $7,000. Ms. Middleton stated that adding the random charges, aside from the Church Camps, totals $6,195. She thought $10,000 was a better number, taking into account, the road maintenance and service income. Carol noted that the keys are $50 each and two banks of PO Boxes have been assigned. She was unsure how many more banks were left at the bottom of the canyon. Mr. LeCheminant believed there were two or three more banks of PO boxes. They purchased six. Carol noted that the P.O. Box assessments would continue at $75/year per box. The keys will run out eventually. The keys are an escrow account. If a property owner sells, the HOA refunds their $50 or the key can be transferred to the new owner.

Ms. Middleton thought they were right on track for Other Income. Mr. LeCheminant suggested that they lower the projected income for construction impact fees. He recommended keeping the budget at $42,000, which would be seven new construction projects. The question is whether they could get by without $42,000 if the worst-case scenario is that no one builds.

Ms. Middleton assumed the $2,000 collected from assessments owed to the HOA from past years was an accurate number.

Mr. LeCheminant stated that if they could pay for the truck and trailer out of the 2018 reserve, they could reduce the 2019 Budget by $5,000.

Mr. LeCheminant mentioned bonuses. Ms. Middleton recalled that bonuses were done in closed meetings.

Ms. Middleton commented on snowplowing. She had spoken with Mr. Rosing and he had recommended raising assessments to cover future issues that will come up as the Ranch gets more residents. Mr. Rosing suggested that they start slowly raising assessments so when they reach the point of dealing with future issues, it will not be such a shock when necessary to increase the assessments significantly.

Mr. Hutchinson agreed that the assessments are miniscule, but those who live on the Ranch full-time benefit at the expense of everyone else. He used roads as one example. He suggested that the CC&Rs should identify the fact that those who use the roads and services should be the ones who pay for it. Currently, the CC&Rs prohibit the HOA from discriminating between full-time, part-time, and vacant lots. All lots must pay the same assessment. Mr. Hutchinson disagreed. He pointed out that the CC&Rs say an assessment needs to be implemented, but it does not clarify. It has always been interpreted that the assessment needs to be uniform regardless of the benefit. Ms. Middleton thought some people see it like Mr. Hutchinson, but other people want to access their lot and like having a road. Mr. Hoffman stated that if someone sells their lot, the buyer might be looking to buy into a community where there is access. He thought it was difficult to forecast future needs. Mr. Harvison thought there was an argument on both sides.

Carol stated that if they take the bottom line total expenses on the right side of the 2019 budget and divide it by the 800 lots, they would see that the $350 assessment does not cover the base expenses. She estimated a difference of $120 per lot. Carol noted that the money allotted to spend on expenses should be through the dues. The HOA was spending $75,000 from other sources. She believed Mr. Rosing recommended an increase because they need to revalue the dues and cover the expenses. All other income goes to extra roadwork or the Reserve. Calculating the dues based on total expenses resulted in dues at $456.96 rather than the current $350.

Ms. LeVitre understood that Mr. Rosing was trying to say they should begin increasing the dues in small amounts to get closer to the needed amount over time. Mr. Bonnitt asked if there was a vacillating need to increase the dues for next year to meet the 2019 budget. Mr. LeCheminant stated that if the dues are supposed to cover the expense, they would be $11,000 in the red. Mr. Hoffman noted that they were only showing a positive because of construction fees incurred as income. They would need to increase the dues if that was the sole source of income used to cover the expenses. Mr. Bonnitt pointed out that based on the last few years, they were still budgeting low for income from construction fees for next year. He thought all the projections for income were conservative and they did a good job not being too liberal about costs and expenses. In that aspect, he did not believe the dues should be increased. However, if it was decided to increase the dues, they need to make it as close as possible to what they need. He did not believe they should arbitrarily raise the dues based on unforeseen expenses. Mr. Hoffman thought it was worth having a discussion with the two projections. One with a conservative assessment increase and one with a more liberal assessment increase; and weighing what they get with each.

Mr. LeCheminant asked Carol why the dues should cover the $366,000 in expenses. Carol stated that one example is the finance charge income that keeps reducing because people pay dues faster. Another example are the inconsistent SS lot contributions to road maintenance. She pointed out that the $11,000 from the Church and the P.O. Box assessment were the only ones they could count on. Everything else is contribution. Carol stated that she had looked as far back as 2008 found several years where they had no construction fee income. Carol emphasized that they should not count on construction assessment because at some point the Ranch will be built out and there will be nothing else to bring in $40,000. When that happens, they would have to assess everyone an additional $100 to make it up. Carol pointed out that raising the dues an additional $25 would cover the budget and put them in the black. Any other money that comes in could go into the Reserve.

Carol stated that there is an unfunded list that Mr. Tyler had set up through ten years, which shows what they will need to replace everything when it becomes necessary. It covers the roof on the building, replacing pieces of equipment, etc. She would try to find that list. Mr. LeCheminant recalled that the State requires the HOA to keep some money in the Capital Reserves. Carol explained that by law there needs to be a declaration of certain amount of funds for a certain amount of liability. Mr. Tyler had it set up for $75,000 emergency and the rest as a restricted fund. If they needed to purchase a tractor or a piece of equipment, they would have the money rather than having to call for a special assessment.

Carol clarified that her point was that it costs each of the 802 lots $456 to run the Ranch. If they divide the deficit by 802 lots, it will show much they need to raise the dues. Mr. LeCheminant thought they needed to have the payroll discussion before deciding how much to raise the dues.

Ted Bonnitt commented on a teleconferencing solution called the Owl. It is an $800 device that is well-modeled with needed capabilities. He suggested that the Board consider having it for the next regular meeting. Mr. LeCheminant asked Carol to check with the Library on the cost for a data connection. A data connection is required to run the Owl. Carol noted that the Library has Wi-Fi. Mr. LeCheminant stated that the Owl needs to run off an Ethernet; not a Wi-Fi connection. Carol noted that they could also bring in their own hot spot. Mr. LeCheminant remarked that they needed to make sure the hot spot would connect to the Owl. Carol recommended doing the hot spot because if they run it off the Wi-Fi at the library, everyone uses and it will be slow. Mr. LeCheminant asked Mr. Bonnitt to research the specs on the Owl to see if it uses Wi-Fi or whether they need a hard data connection.

Carol stated that if the Board wanted to spend the $800, they should increase the internet budget to cover that expense. Mr. Bonnitt recommended budgeting $1,000 to cover the cost of accessories and what is called the Owl care package for an additional $160.

Mr. Pagel requested that they continue with the budget discussion this evening and talk about teleconferencing equipment at the next meeting. Mr. Bonnitt stated that he would be at the Annual Meeting and on the Ranch during the holidays. They would have time to work on it during that period.

Mr. Pagel wanted to move forward with the payroll discussion. Ms. Middleton asked Carol if the Architectural Guidelines discussion needed to be recorded for the Minutes while Carol was on the phone or if they could do that offline. Carol stated that if it was ready to go and they could get it approved at the Annual Meeting it did not have to be recorded.

Ms. Middleton suggested that they discuss everything that needed to be on the record while Carol was still on the line. Carol noted that the Board needed a motion to approve presenting the Architectural Guidelines at the Annual Meeting.

Ms. LeVitre stated that she was willing to vote on presenting the Architectural Guidelines to the members, but she had not personally reviewed the Guidelines and would like the time to read them as opposed to rushing through it.

Mr. LeCheminant reviewed the Architectural Guidelines. Under Lighting, 4.0, dusk to dawn lighting is not allowed. He interpreted dusk to dawn lighting as spot lights or flood lights on a house that runs from dusk to dawn. The Board agreed. Mr. LeCheminant stated that his wife had asked about the small LED solar lights that people put down their driveways that come on dusk and go off at dawn. Mr. Hoffman thought the intent was not to have glaring filaments exposed. Mr. LeCheminant agreed. Someone thought the LED lights were consistent with the rule that says the lot needs to be illuminated by either a reflective material or lighting for emergency services.

Mr. Pagel thought the intention of the Guidelines was avoidance of light pollution that interferes with enjoyment of the Mountain and the lot. He thought the best way to move forward was to look at the Summit County Light Pollution Ordinance. Dusk to dawn was not definitive or clear and does not address extremely bright lights. It should be stated such that someone could easily report it to the Board and allow the lot owner the opportunity to make an adjustment according to the rules.

Mr. LeCheminant talked about fences. He noted that the Board had voted to allow a three-rail fence over in Forest Meadow. Mr. LeCheminant thought the Guidelines should specify a length limit. Someone stated that when he first moved to the Mountain, he was told that no fences were allowed. It was to be a ranch-like, inclusive, wildlife-friendly environment. He thought the language written was contradictory to that intent because it states, “for the most part fences are not encouraged.” They should decide to either allow fences or prohibit fences and grandfather in the ones that are already installed. He was concerned that as larger and larger homes are being built there would be issues when people do not understand the values of the Ranch, which is primarily wildlife free-roam access. The Board discussed types of fencing that could be allowed and whether to prohibit fencing entirely. A suggestion was made to prohibit decorative and perimeter fences other than in specific cases with Board approval. Another suggestion was to allow enclosures for dog runs or similar uses but prohibit fences. It would be easier for the Board to govern if they prohibit all fences and stipulate perimeter and decorative; and allow enclosures on a case by case approval by the Board. The Board revised the existing language.

Mr. LeCheminant commented on trailers and mobile homes converted to motor homes. He suggested that they change mobile homes to motor homes. Carol noted that the Board could not make the change because it is quoting the CC&Rs. Mr. LeCheminant asked if mobile homes are allowed. Carol stated that mobile homes are not permanent structures. Mr. LeCheminant read the Guideline language and believed they could change mobile home to motor home and limit the length to 30'. Ms. Middleton agreed that it was a CC&Rs revision. The Board could not make the change in the Architectural Guidelines until the CC&Rs are revised and approved.

Mr. LeCheminant asked if they could change May to October in 6.1, which the Board previously changed to 180 days for a temporary structure. Ms. Middleton recalled that the October date was added because it is dangerous to pull trailers on the Ranch in the winter time. Mr. LeCheminant believed it was to deter people from leaving trailers on the Ranch all winter because they had to snowmobile to reach it. Now they have access year-round and snowmobiles are more prevalent. He reiterated that the Board had already approved 180 days for a temporary structure. After further discussion, the Board could not come to agreement. In the interest of time they decided to revisit it later

Mr. LeCheminant referred to Item 5 on the Construction checklist. He noted that 5a asks that the location of the propane tank be identified. Item 7 eliminated "submitted to the Area Representative" and replaced it with "submitted to the ECC".

Someone asked if the Architectural Guidelines address the uptick in large gated entrances that are being built. He believes it affects the character of the overall feel of the Ranch. Mr. LeCheminant replied that nothing says that gates are prohibited. The comment was made that it would fall under decorative fencing. It was written in the CC&Rs that "Only natural fences and natural looking fences shall be permitted as boundary lines. No chain link fences may be used for those purposes". After further discussion, the Board thought they should ask Mr. Rosing for his opinion. The suggestion was made to relook at gates because the entrance gates they are seeing on the Ranch are not simple, fully functional gates. They are 30' tall announcements. Ms. LeVitre thought they should specify a functional gate and prohibit the monstrous entry gates. Mr. LeCheminant stated that they could modify the language after the CC&Rs are revised.

MOTION: Ted Bonnitt made a motion to Approve the Architectural Guidelines as revised this evening based on the noted areas that need to be clarified or modified upon review of the CC&Rs. Byron Harvison seconded the motion.

VOTE: The motion passed. Jan LeVitre abstained from the vote.

Ms. Middleton asked Carol if she had a breakdown of the payroll for the year. Carol stated that currently Jody's salary was $70,000. For health insurance Jody pays 20% and the HOA pays 80%. The 80% paid by the Ranch is $1565.34 per month. Carol anticipated a premium increase of at least 15%. Randy's current salary was $45,000. Health Insurance for Randy was $704.00 on the same 80/20 split. Carol stated that her fee will increase $.50/hour for 2019. Mr. LeCheminant noted that they had budgeted $25,000 for Carol last year.

MOTION: Tom LeCheminant moved to Approve the Budget as revised with additional payroll adjustments, if any. Byron Harvison seconded the motion.

VOTE: The motion passed unanimously.

Carol stated that the Board could tweak the proposed budget and present it at the Annual Meeting.

Carol disconnected from the meeting.

The Board moved into closed session to discuss payroll.

The meeting of the Pine Meadow Owners Association Board adjourned at 9:30 p.m.____