

Approved
January 16, 2018
as written

PINE MEADOW RANCH OWNERS ASSOCIATION
RANCH MANAGER'S OFFICE
BUDGET MEETING
NOVEMBER 2, 2017

In Attendance: Tony Tyler – President; Dan Heath – Vice-President; Pamela Middleton, Jon Hoffman (Area 1); Tom LeCheminant (Area 7). Andrew Pagel arrived later in the meeting.

Jody Robinson – Ranch Manager

Excused:

Guests: Byron Harvison, Lot D-87.

Tony Tyler called the meeting to order at 6:51 p.m.

Mr. Tyler noted that only four Board members were present. Those present would begin the discussion in the hopes that other Board members would arrive so there would be a quorum to make a recommendation on a proposed budget. If that was not the case, the proposed budget would be circulated to all the Board members via email. Mr. Tyler noted that in the past the Board typically starts with the expenses. They look at each individual category and mark whether or not the amount should go up or down. After compiling all the numbers, they try to create a revenue budget based on that information.

Mr. Tyler suggested that they start with the most current Profit and Loss/Budget versus Actual presented at the last Board meeting. He noted that under Fixed Expenses, Accounting tax prep, they had budgeted \$250; and \$150 has been spent to date. He suggested that they keep the budget at \$250.

Mr. Tyler explained that IPN fees and bank service fees is what the HOA pays to the processor for collecting payments made by credit cards. He recalled that the number typically hovers between \$4,000-\$5,000. The actual was \$4500 last year. He suggested increasing the budget to \$5,000 since more people seem to be paying by credit card.

Mr. Tyler noted that they had budgeted \$10,000 for Equipment Repair and Maintenance; however, \$23,000+ was actually spent. Mr. LeCheminant commented on the diesel fuel. Mr. Tyler noted that diesel fuel was budgeted at \$7500 and they had already spent \$4,000 through October. He believed they would spend the rest before the end of the year. Jody Robinson agreed. Mr. LeCheminant thought they needed a separate line item for gasoline. Mr. Tyler thought that they could keep it all under the same line item and rename it Fuel. Jody recommended that they name it Fuel instead of Diesel because they need gas for the sander, the pump on the water truck, the side-by-side, etc. Mr. LeCheminant asked if they should increase the budget. Mr. Tyler was comfortable leaving it at \$7500 based on the usage this year. He and Jody could not

recall ever spending the full \$7500 on fuel. Mr. Tyler pointed out that it is difficult to budget because the cost of fuel fluctuates. The Board agreed to keep the amount at \$7500, with the opportunity to adjust it later if necessary if there is available money in the budget.

Mr. Tyler noted that under Equipment Repair and Maintenance, large machine repair was \$24,000. Mr. Tyler did not believe the rental fee was a repair and maintenance expense, but he could not find the expense under any other line item. He felt certain that the amount included the roller. Jody noted that the roller rental was \$4200 per month or approximately \$17,000. Mr. Tyler suggested that they create a new category for the roller. The Board agreed to budget \$25,000 for the roller based on a six-month rental. They budgeted \$10,000 for equipment maintenance and repair. Jody anticipated a major repair bill on the dump truck next spring because it is starting to leak oil on the rear main seal of the engine. He was not able to do that repair and he would have to take it to the dealer. Mr. Tyler thought it would qualify as a capital expense and the funds could be taken from the Capital Reserve.

Mr. Tyler noted that previously they had budgeted \$50,000 to go into the equipment reserve. The current balance in the Capital Reserve account was \$210,575. An additional \$50,000 would increase that amount to \$260,000 this year. He asked if the Board thought they should reduce the budgeted amount to \$30,000. Mr. Tyler noted that the two money markets in the amount of \$135,349 and \$75,226 totaled \$210,575, which is considered capital reserve. Jody recalled that the Board previously talked about purchasing a backhoe. It is a piece of equipment that could be used year round.

Andrew Pagel arrived.

Mr. Pagel stated he had prepared a full detail budget for the Board to review, and then they would decide how to truncate and consolidate the expenses. Mr. Tyler explained to Mr. Pagel that the Board had started the discussion with the fixed expenses. He updated Mr. Pagel on their discussion and decisions.

Mr. Tyler asked if Mr. Pagel had prepared anything on a funded reserve basis. Mr. Pagel noted that he had requested that Mr. Tyler send him a breakdown of the information but he had not received it. Mr. Tyler acknowledged that he had not sent the requested information. Mr. Pagel stated that he had increased the equipment repair budget, but since they were creating a separate line item for the roller, that increase would not be necessary. He had the funded reserve at \$260,575.86; including the \$50,000 contribution for this year. However, that amount will not be reflected on the books until the end of the year. Currently, there was still an excess of \$50,000. Mr. Pagel stated that his draft did not have money allocated to the funded reserve and he

had not received the information from Mr. Tyler. Mr. Pagel viewed the fund as a means to cover legal and liabilities and general back-up operational funding. He thought \$50,000 would be for backup and leave the \$210,000 for legal and liabilities. For that reason, he showed a \$0 contribution for 2018.

Mr. Tyler asked if the Board anticipated purchasing equipment in 2018. Mr. LeCheminant stated that Jody could use a backhoe. Mr. Tyler pointed out that purchasing a piece of equipment would reduce the \$210,000 balance. He noted that in the past they generally earmarked \$75,000 to keep in the fund in case of a catastrophic event.

Jonathan Hoffman arrived.

Mr. Tyler noted that the Board had a quorum.

Mr. Tyler suggested that the Board table further discussion on the Reserve Fund until after they complete the remainder of the budget and know the overall budget balance.

Mr. Tyler noted that there was a \$6,000 for Insurance. The actual expense was approximately \$5200. He thought keeping the budget at \$6,000 was sufficient. Mr. LeCheminant noted that the HOA added another truck and they needed to make sure the budget covered the insurance. Mr. Tyler stated that they had only spent \$5,100 of the \$6,000 budget and he thought there was enough money for insurance payments through the end of the year.

Mr. Tyler clarified that the budget is only a target. They do the best they can with the information available; and some years they go over budget and others years they go under. They are not required to keep to the exact budget.

Mr. Tyler noted that under Professional Fees there was nothing for engineering and mileage. The line item for Secretarial Services was the expense for Carol. Mr. Tyler thought that budget should be increased. They had spent \$18,900 out of a \$20,000 and that did not include the Annual meeting in November. Mr. Pagel stated that last year they spent \$20,222 on secretarial services. Over the last four years they have paid Carol an average of \$23,000. He had increased the budget for Carol to \$25,000 for 2018. He believed that as the HOA grows and gets involved in more things, Carol would be an integral part. Mr. Pagel stated that in his experience a common trend is that the more they use the lawyer, the more they will use Carol. He noted that every month Mr. Rosing's bill has charges for telephone calls with Carol.

Mr. Hoffman understood that Carol's service was a fixed expense. Mr. Tyler explained that everything labeled fixed expenses are items that the HOA has to pay regardless of

cost. It is different than an elective expense, which is considered a variable expense. For example, they could choose to send less mailers to reduce the cost of postage. Mr. Tyler clarified that Carol is not on salary. She charges an hourly rate and tracks her time.

The Board increased the budget for Secretarial Services to \$25,000.

Mr. Tyler intended to leave the Property Taxes at \$7600. The taxes for this year would not be paid until the end of the year and he thought the amount was accurate.

Mr. Tyler noted that there was \$1,000 budget under repairs for smaller, miscellaneous items. For example, light bulbs, fixing a heater, etc. It was not intended to be used for major repair items. He thought \$1,000 was sufficient for that line item.

Mr. Tyler questioned why there was an \$1875 cost under Snow Plowing. Mr. LeCheminant asked if it was the cost for plowing from the freeway up to Junction Court.

Mr. Tyler thought the Board needed to talk about the cost to plow the additional route through Forest Meadows. Mr. Hoffman reported that a meeting was held with the Forest Meadow plowers in the area and they estimated \$24,000 based on an approximation of what was spent last year. He believed that FMEEF spent a total of \$45,000 last year. They thought \$24,000 was a fair number and they preferred to estimate higher so they would not have to come and request additional funds.

Mr. Tyler explained that if they budget \$24,000 and the cost is \$30,000 the HOA would pay it. The owners would not have to come back to the Board. It is tracked on a monthly basis and everyone is aware of the cost. That is why it is considered a fixed expense. Mr. Tyler thought the number assumed that the HOA would pay the individual plowers.

Mr. Pagel stated that Amy Wright with FMEEF set up a meeting and he met with the five primary plowers. Mr. Pagel stated that in looking at the meeting minutes from the September Board meeting, the exact motion was that the HOA would manage the plowing for the full loop. Mr. Tyler asked Jody what he thought he and Randy could accomplish in terms of the route. He also asked Jody what he thought the Board should effectively contract out. Jody stated that he planned to plow from I-80 to Junction Court and from I-80 to the winter parking lot. Mr. Pagel remarked that when he told the Forest Meadow group that Jody would plow from I-80 to Junction Court and I-80 to the winter parking lot, they were under the impression from the last couple of years that Jody regularly plows from the intersection of Arapaho and Forest Meadows. Mr. Pagel informed the group that Jody was already overworked and that he had no intention of

plowing to that intersection. Jody stated that they were talking about the connector. Mr. Tyler stated that Jody was plowing the connector, but that was before he was to plow from I-80 to Junction Court. Jody could do one or the other; but not both. Jody remarked that Randy was hired so he could have a day off. Having Randy did not mean they could plow more roads. Mr. Pagel reiterated that he had told the Forest Meadow group that the HOA would plow from I-80 to the winter parking lot and I-80 to Junction Court. He wanted to make sure that was accurate. Jody answered yes.

Mr. Pagel remarked that the Board had agreed to manage the plowing, but they did not have the employees, equipment, or financial capabilities to plow it in an employee-type style. Mr. Tyler agreed. The HOA would not hire additional people to plow. He understood that in the past the plowers send in time cards based on an hourly rate and the Forest Meadow pays them. He explained that his preference would be to give plowers a designated section of road and to agree on a set amount to be paid. However, because not everyone lives on the Ranch and some owners are out of town, he understood that the time card system was a better approach. Mr. Pagel stated that they looked at the numbers from the last few years and set a fixed expense based on that information. For example, if the HOA agrees to manage this, they would only agree to manage the monetary value that was set in the meeting. Whatever they set as a necessary number, once that amount is reached, the Forest Meadow owners have the responsibility to pay any expense beyond that amount. He noted that the group had agreed.

Mr. Tyler stated that traditionally the plowing was not set up to be user friendly for the HOA to manage. He believed that was the issue. Personally, Mr. Tyler did not want the HOA to pay five different people to plow because it would be challenging to manage. He suggested that they come up with a mechanism to create a budget for the cost, and then work with the attorney and the insurance company to find out what they need to do from a contract basis to hire out that scope of work. Mr. Tyler stated that his preference would be to send out a Request for Proposal (RFP) to plow specific sections of road for the winter of 2017/2018 at a fixed cost. He pointed out that regardless of whether it is a fixed cost or an hourly basis, the HOA would only be contracting one person to plow a specific section of road. Mr. Tyler liked the idea of tying it into a fixed contract. If it snows less the plower makes more money, and if it snows more they make less. However, in either case it is less risk for the HOA.

Mr. Tyler suggested that they carry \$24,000 as the amount in the budget, produce an RFP to send to anyone on the Ranch who wants to participate, and come up with a contract and insurance requirements that the plower has to agree to. They could request proposals by December 1st and, if possible, the Board could hold a special meeting to select a plower and sign the contract to start the process.

Mr. Hoffman wanted to know what they would do if a storm occurred before the process was completed. Mr. Tyler replied that it was a risk they would have to take. He pointed out that they did not know the HOA would be plowing it until last month, and were scrambling to create a mechanism to accomplish what was voted on. He thought the Board was doing the best they could in a short time-frame. Once the budget is approved at the Annual Meeting, they could send out the RFP and have a special meeting early in December to mitigate the risk as much as possible.

Mr. Hoffman asked if they needed two weeks to announce a date for the special meeting. Mr. Tyler answered yes; however, they could agree this evening to hold a special meeting. The Board tentatively set December 5th as the date for the special meeting to open the RFPs. Mr. Tyler noted that the Board could formally set the date for the special meeting in December at the Annual Meeting on November 14th.

Mr. Tyler reiterated his suggestion to carry a \$24,000 budget for snowplowing. Mr. Pagel stated that he was waffling between two numbers. Forest Meadow had spent \$45,000 annually over the last four years to plow from Arapaho/Forest Meadow Junction down to I-80. However, actually looking at the data and speaking with Bret Davis, the average number of hours per year is 100 hours for plowing the section from Arapaho to Junction Court. The pay rates vary between \$85 to \$100 per hour depending on whether it is a blower or plower. Mr. Pagel stated that multiplying 100 hours by 1.5 and doing the maximum pay rate of \$100 per hour, the total is \$15,000. Mr. Pagel thought a number between \$15,000-\$24,000 would be an appropriate amount to budget. He explained that his reason for meeting with the Forest Meadow group was because the Board had agreed to manage the plowing and he wanted to present a plausible budget that could actually be approved.

Mr. Pagel noted that \$15,000 would be an additional \$18.75 cost per residence. At \$24,000 it would be an additional \$30 cost per residence. He had put \$15,000 for the budget he had prepared because he thought \$18.75 was a reasonable cost. Mr. Tyler noted that they would not have an exact amount until they get the RFP. Mr. Tyler stated that if Mr. Pagel had real numbers at \$15,000 and \$24,000 they should split the difference and budget \$20,000. After they work on the remainder of the budget they would have a better idea of whether the dues would have to be increased or whether they could reduce the budget in other areas to make up the difference. Mr. Pagel stated that at \$20,000 the increase would be \$24.87 per residence.

Mr. Hoffman asked how they would go about managing the Forest Meadow plow route from Arapaho/Forest Meadows down to Junction Court. He asked if Mr. Tyler was saying that the final option is to hire individuals to plow set sections at an hourly rate.

He was looking for clarification on the record. Mr. Tyler replied that it would entirely depend on the response to the proposals. He would prefer one point of contact rather than having to manage several individual plowers. He assumed that since FMEEF has already been managing it, they would want to continue to manage the process with HOA support. FMEEF would then enter into a contract with the HOA. That would eliminate the HOA from being involved with managing the plowers. The plower would have to meet the requirements of the contract signed with FMEEF.

Mr. Pagel stated that they would also agree that the contract, or the amount paid, is the total amount. Mr. Tyler stated that they would be subject to the terms of the proposal that was submitted and selected. The budget line item of \$20,000 could be negotiated once they receive the proposals and know an actual amount.

The Board reviewed the budget for Taxes. Mr. Pagel stated that he had prepared a proposed budget with more detail and breakdowns in an effort to be more accurate. He had also provided data from the last five years for each of those items. Mr. Tyler noted that the HOA has never budgeted for taxes because it is primarily vehicle registration and taxes. Mr. Pagel noted that because the amount was consistent every year, he was able to budget in those line items. Every year they have spent \$234. The breakdown is \$192 on federal taxes, \$10 on local taxes, and \$32 on state taxes over the last five years. The budget for taxes was set at \$234.

Mr. Tyler noted that Mr. Pagel had budgeted \$1,000 for utilities, and he believed that was sufficient. That concluded the items for Fixed Expenses.

Mr. Pagel pointed out that in his budget, he had moved some items from fixed expenses to variable expenses. He had moved the repairs and equipment to variable expenses because in his opinion they were not fixed expenses. Mr. Tyler explained that they were put under fixed expenses because the definition of fixed is that they are required to pay it regardless of the cost. Mr. Pagel stated that based on that definition, if he added repairs back into the Fixed Expenses, the total would be \$241,534, including the \$20,000 to plow Forest Meadow. Mr. Tyler remarked that it was a budget increase of approximately \$16,000. Mr. Pagel agreed.

Mr. Tyler noted that the Board still needed to discuss payroll later in the meeting after they excuse Jody Robinson.

The Board reviewed the Variable Expenses. Mr. Tyler thought the current amount of \$300 for the Internet was sufficient. He noted that \$3,000 was budget for legal fees and they had already spent \$10,000. Mr. Tyler suggested that they increase the budget for legal fees. Mr. Pagel had increased the amount to \$5,000 on his draft budget.

Ms. Middleton asked if they needed to consider revising the CC&Rs. Mr. Tyler stated that they could either budget for it or take the money out of Capital Reserve.

Mr. Pagel thought they needed deliverables from the attorney because this year they were 326% over budget. The total spent was \$9,797. In the last few years, they were slightly over budget spending approximately \$3,800. For that reason, he increased the budget from \$3,000 to \$5,000. Mr. Tyler noted that Mr. Rosing had created a timeline and his cost estimate was between \$9,000-\$13,000. It depends on how much time is spent actually creating the amendment to the document, how much noticing is required, and the number of meetings required. Mr. Rosing estimated the cost for the Rules and Regulations to be between \$2,000-\$4,000. The total cost to redo the CC&Rs could be anywhere from \$11,000 to \$17,000. Mr. Tyler suggested that they pay that expense out of the capital reserve account because it is a one-time expense. However, the line item in the budget for legal fees should include Mr. Rosing's monthly costs. Ms. Middleton stated that in September his bill was \$1,225. In October the bill was \$600. Mr. Tyler estimated that they were spending \$1,000 per month on legal fees. He noted that in the past the Board has never had an attorney present at every Board meeting, and he thought it was beneficial for many reasons. Mr. Tyler stated that Mr. Rosing charges a fixed cost of \$300 per meeting. For all other work he charges \$250 per hour. The Board agreed to budget \$5,000 for Legal Fees.

Mr. Tyler thought the \$600 budget for Licenses and Permits was too high. That amount was lowered to \$300. The mailboxes were a one-time expense and should be deleted as a budget line item. Mr. Tyler thought \$300 for Office Supplies was appropriate. Postage, Printing and Mailing was budgeted at \$3,000. The ballots still needed to be sent out after the Annual Meeting. Mr. Hoffman asked if they intended to mail the survey. The Board kept the amount at \$3,000.

Mr. Tyler referred to Purchases and Hauling – Aggregate. He noted that they had a \$35,000 budget last year and they spent \$37,000. The Board had agreed to spend an additional \$55,000 on aggregate and sealing this year. The total spent was \$93,148. Mr. Tyler explained that typically they carry a low number for aggregate and then use money from building fees to purchase additional aggregate. They started 2017 with a higher amount because they did not spend a lot prior year. Jody recalled that the budget was normally \$50,000 and the Board reduced the amount last year at the request of a former Board member. Mr. Pagel stated that he had a lengthy discussion with Jody, and his biggest concern was having a budget to spend in the summertime. Jody had said that the more he can do in the summer it makes the winter easier because the roads are better maintained and it is better for the equipment. Mr. Pagel had broken the expenses into multiple sub-categories of sand/winter, asphalt, and road

base. Based on his research and conversation with Jody, he had budgeted \$10,000 for sand/winter. He budgeted \$20,000 for asphalt, which allowed for a three-year cyclical basis for repaving asphalt road. Mr. Tyler stated that asphalt is a one-time expense and that should come from the capital reserve budget. It should not come from the annual operating budget. Mr. Pagel thought it made sense to budget \$20,000 in the normal occurring budget and at the end of the year they would have \$20,000 to transfer to the funded reserve. Mr. Tyler thought it was misleading to show they were spending \$20,000 each year on asphalt when that is not the case every year. He preferred to have that expense come out of the capital reserve, and show the capital reserve number at \$20,000. Mr. Pagel was comfortable with that method, but he wanted to break down the capital reserve into subcategories. Mr. Tyler gave Mr. Pagel a copy of the reserve analysis he had prepared in 2013 to help him understand the reasoning for putting the money into the capital reserve account and how it gets paid out over time.

Mr. Pagel stated that for the sub-category of road base, he had budgeted \$50,000. Mr. Tyler thought this year was an anomaly because they have never spent \$90,000 on road base and aggregate. He thought it would be challenging to increase the budget to anything close to that. Mr. Heath pointed out that \$90,000 also included the chip seal. In looking at the numbers, Mr. Tyler believed they had spent \$38,000 in aggregate for the year. He was comfortable budgeting \$10,000 for sand/winter and \$40,000 for road base for a total of \$50,000 in total aggregate; resulting in a \$15,000 budget increase.

Mr. Tyler noted that Culvert Installation was budgeted at \$2,000. Jody stated that he still had two new culverts that he did not have the time to install. The Board kept the amount at \$2,000.

Mr. Tyler noted that the budget for Miscellaneous Road Projects was \$1200. He thought that should remain the same. It includes items such as signs, sign maintenance, posts, etc. Jody believed they would have to purchase more signs. Mr. LeCheminant asked if it was possible to post speed limit signs. Mr. Pagel had researched previous years and increased the budget to \$5,000 because it encompassed a variety of projects. After further discussion, the Board decided to remove the word "road" and rename the line item Miscellaneous Projects, and increase the amount to \$5,000.

Jody asked if there was a separate category for tools and shop. Mr. Pagel stated that he had initially added a New Equipment category, but he understood that would go under the funded reserve account. Jody clarified that he was talking about miscellaneous tools such as an air gun or other tools. Mr. Tyler thought those items would be under Repairs.

Mr. Tyler noted that the budget for Mag Water has been at \$12,000 for several years. They have been experimenting with mag water applications in an effort to keep the cost down. Mr. Tyler and Jody thought \$12,000 was appropriate. Mr. Pagel had increased the amount in his draft budget to \$20,000; but that was based on previous year's data. He was comfortable with \$12,000.

Jody Robinson left the meeting and the Board discussed payroll.

Mr. LeCheminant stated that Randy Larson's salary is \$45,000; however, they had talked about giving him a raise after 6 months. Mr. Tyler noted that Jody's salary is \$63,000. He believed Jody deserved a raise. He explained that in the past they have either given Jody either a salary increase or a larger bonus. What they do depends on the year. Mr. Tyler suggested that for this year they give Jody a significant salary increase and a significant bonus. He pointed out that Jody spent the majority of the year working entirely on his own. He had very little time off and he did not have help.

Mr. Tyler noted that in the past Jody's bonus has been from \$1500 to \$2500. Mr. Heath recalled that the bonuses were higher.

Mr. Tyler stated that someone with Jody's skill set in the construction industry today would make \$80,000 per year. He recognized that the HOA was getting a great deal paying Jody \$63,000, but he wanted to do whatever they could to make sure Jody did not leave for higher wages. He thought it was important to show Jody that the Board knows he is valuable. Mr. Tyler recommended that they increase Jody's salary to \$70,000 per year and give him a \$3,000 bonus. That would amount to a 10% raise and a 5% bonus.

Mr. Hoffman asked if Randy would get a bonus or not until next year. Mr. Tyler replied that it was up to the Board. He noted that they also give Carol a bonus for Christmas. Mr. Pagel remarked that previously other bonuses were approximately 2-1/2%. At that rate, 2-1/2% of Randy's salary would be \$1125. Mr. Tyler thought \$1125 might be too generous since Randy has only been employed for a short time.

Mr. Tyler stated that Carol's bonus in the past has been \$500. He suggested that they consider an increase for Carol this year. The Board discussed giving Carol and Randy a \$1,000 bonus. Mr. Heath questioned whether Randy's bonus should be as high as Carol's considering the length of time Carol has done work for the HOA. The Board agreed on a \$1,000 bonus for Carol, a \$750 bonus for Randy, and a \$3,000 bonus for Jody. Mr. Tyler noted that the Board never budgets for bonuses. Therefore, the bonuses could be voted on by the Board.

MOTION: Tony Tyler made a motion to provide a \$1,000 bonus for Carol, a \$750 for Randy, and a \$3,000 bonus for Jody. Jonathan Hoffman seconded the motion.

VOTE: The motion passed unanimously.

Mr. Tyler asked Carol to remind him at the Annual Meeting and he would cut the bonus checks.

Mr. LeCheminant asked if the Board needed to vote to increase Jody's salary. Mr. Tyler answered now, because that was part of the Annual Budget.

Mr. Tyler asked Mr. Pagel what the total expense based budget looked like after adding the two salaries for Randy and Jody. Mr. Pagel stated that the total expenses were \$362,934.

Mr. Pagel reviewed the Fixed Expenses that the Board talked about before he joined the meeting to make sure he had the correct amounts. The Board had budgeted the bank service charges at \$5,000. Mr. Pagel had increased that to \$6,000 in his draft based on what was actually spent in previous years. The Board increased the budget amount to \$5500 for bank fees.

Mr. Tyler asked Mr. Pagel to hold the reserve line item at zero until they could see the impact associated with the budget. Currently, they anticipate putting in \$50,000, which would give them a capital budget of \$260,000 at the end of the year. He thought that was a healthy balance. They could take a relook at it next year to see if the amount needed to be increased. Mr. Tyler explained that they typically keep the balance around \$200,000 and earmark \$75,000 for a catastrophic event. The rest is used as a buffer for equipment and major projects.

Mr. Tyler asked for the total payroll expense. Mr. Pagel stated that based on Jody's salary increase of \$70,000 and \$45,000 for Randy; plus payroll tax and insurance, the total payroll expense was \$173,850. Mr. Pagel noted that previously temp help was budgeted at \$22,000 and he decreased it down to \$10,000 because they now have a second full-time employee. Mr. Tyler stated that with the second employee they would not need temp help. He asked Mr. Pagel to zero the temporary help line item.

Mr. Tyler noted that his payroll numbers added up to a different amount than Mr. Pagel's number. He pointed out that Mr. Pagel had doubled the Worker's Comp but having two employees does not double the cost. It is based on the total salary. The salary amount went from \$63,000 for Jody to \$115,000 for Jody and Randy combined. After recalculating some of the numbers Mr. Pagel reported that the total payroll expense was \$165,622.50.

Mr. Pagel had budgeted \$10,000 for property taxes. Mr. Tyler did not believe the property taxes had increased this year. He asked Mr. Pagel if he had backup for the \$10,000. Mr. Pagel stated in December 2015 they spent \$11,392; in 2016 they spent \$9,069. They overspent the budget every year. He noted that the budget was \$10,000 in 2014. Because the tax was \$7600 in 2014 the budget was decreased to \$7600 and the 2015 taxes were \$11,400. Mr. Tyler agreed to increase the budget to \$10,000. Mr. Pagel totaled the Fixed Expenses at \$214,806.50.

Mr. Pagel reviewed the Variable Expenses per their discussion. In terms of snow plowing, Mr. Pagel had the cost of plowing Junction Court to Arapaho at \$20,000. Mr. Hoffman remarked that the assumption was made on the premise that the HOA would be maintaining to Forest Meadow. On the parts of the road that Jody and Randy manage, he wanted to know who dictates what is or is not covered. For example, the decision to stop doing the winter parking lot to Forest Meadow in exchange for I-80 to Junction Court. Mr. Tyler stated that it is based on workload and Jody makes that decision as the Ranch Manager. Mr. Hoffman stated that the motion was made based on the information that Jody was going to plow to Forest Meadow. Mr. Tyler asked if it was made clear during the meeting that Jody would actually do that. Mr. Hoffman answered no, but he was not aware that it was a temporary idea that could change.

Mr. Tyler expressed his earlier opinion that the decision was rushed. He did not disagree with the fact that it should have been plowed, but he thought they could have planned for it better. Mr. Hoffman clarified that he was not asking to change the decision, but he wanted to understand the process for deciding what is managed and what is not. Mr. Tyler explained that the HOA hired Randy to help reduce Jody's workload. It was not to double the capacity of the workload. Jody was working unsustainable hours and he needed help.

Mr. Hoffman stated that he was communicating with the rest of the FMEEF group and they were not aware that this was possible to change because the Board had voted. For that reason, they were a little surprised. Mr. Tyler understood what he was saying, but they were not going to solve it this evening. He assured Mr. Hoffman that they would figure it out. Mr. Hoffman wanted to be sure that distance was included in the RFP.

Mr. Pagel continued with the Variable Expenses. He gave Fuel its own line item with two sub-categories; diesel and gas for vehicles. The Board thought the two categories could be combined as fuel. Mr. Tyler thought they should keep it at \$7500. Mr. Pagel noted that they have been exceeding \$7500. He had budgeted \$12,500. In the past they were spending \$5500-\$8500 on diesel fuel and they now have an additional person

running the equipment. He had increased the budget by 1.5%. Mr. Tyler pointed out that they had only spent \$4,000 of the \$7500 that was budgeted for this year. Fuel prices are currently low and he suggested that they keep it at \$7500 and adjust it next year if necessary.

Mr. Pagel stated that the Variable Expenses totaled \$141,400. The grand total of fixed expenses and variable expenses combined was \$356,206.

For the Income portion of the budget, Mr. Tyler suggested that the Board put a revenue value on everything except the assessments. They could then back out the total revenue costs and figure out what the recommended assessment should be.

Mr. Tyler noted that the \$10,000 Finance Charge Income covers everything, including delinquent assessments, finance charges, fines, PEs, parking decals, etc. Mr. LeCheminant noted that they had actually collected \$7,500 of the \$10,000 that was budgeted. Mr. Tyler stated that the total from everything was 98.6%, which was very good. The Board agreed to keep the Finance Charge Income at \$10,000.

Mr. Tyler stated that \$21,000 was budgeted last year for Construction Assessment Fees. They had collected \$47,000 and expected more before the end of the year. He thought they could increase the amount to \$40,000. The Board agreed.

Mr. Tyler stated that for Total Revenue Assessment for prior years they typically do not budget anything for individual prior years; and instead put \$2,000 for all years.

Mr. Tyler and Mr. Pagel calculated the revenue needed to meet budget. They determined that an assessment of \$350 per 804 lots plus \$73,036; they would still need to make up \$1770 in another category. Mr. Tyler thought it would be easy to reduce a category by \$2,000. Ms. Middleton suggested an assessment of \$355. Mr. Pagel noted that if they increased it to \$375 they could adjust the impact fees down to \$36,000 instead of \$40,000. Mr. Tyler stated that \$375 per 804 lots, they would need to reduce \$40,000 down to \$22,000. Mr. Pagel thought \$350 would be easier to get approved. Mr. Tyler agreed. He thought they could offset it by increasing the construction assessment fees to \$42,000. Mr. Tyler personally thought they should keep the assessment at \$350 per lot. The Board also discussed the possibility of increasing the building and construction fees. Mr. Tyler did not believe that increasing the construction fee would make a significant difference and he suggested that they leave it the same. The Board agreed.

The Board reviewed the fee schedule. Mr. Tyler noted that snow plowing violations were on the fee schedule; however, a snow plowing violation is a violation of the

governing documents. He thought it was repetitive and he suggested removing it from the fee schedule.

Mr. Tyler noted that the Board needed to vote to recommend a budget per the work session this evening; and vote to recommend the fee schedule as revised.

MOTION: Tony Tyler made a motion that the Board recommends the 2018 budget per the discussion this evening, which includes an increase of assessments to \$350 per lot, to be represented in the property assessment and fee schedule. The Board also recommended removing the line item listed as snow plowing violations. Dan Heath seconded the motion.

VOTE: The motion passed unanimously.

Mr. LeCheminant asked the Board to vote on a 96 square foot shed on Lot PI-C-12. The square footage is below the 120 square feet that requires an impact fee, but the materials needed to be approved by the Board. Mr. LeCheminant stated that it was a standard Tuff-Shed with a hardy board. It is a brown color to match the house.

MOTION: Tom LeCheminant moved to Approve the 96 square foot shed on Lot PI-C-12. Dan Heath seconded the motion.

VOTE: The motion passed unanimously.

Mr. LeCheminant noted that he had the completed paperwork for the pool house and it was all signed.

The meeting of the Pine Meadow Owners Association Board adjourned at 8:56 p.m.
