Approved
January 21, 2014

PINE MEADOW RANCH OWNERS ASSOCIATION
SPECIAL BUDGET MEETING
NOVEMBER 5, 2013

In Attendance: Tony Tyler, Dan Heath, Bob Burdette, Honey Parker, Secretary; Matt Brown (Area 1); Jeff Hubbard (Area 2); Alan Powell, (Area 3); Tom Deaver (Area 4); Mark Hodgson (Area 5); Mike Gonzales (Area 6); Nick Boyle (Area 7)

Matt Brown (Area 1) was excused.

Tony Tyler called the meeting to order at 6:33 p.m.

Mr. Tyler stated that the purpose of this meeting was to review the proposed 2014 on a line by line basis.

Mr. Tyler had researched what was required from the Community Association Act, which is the State document that governs all Homeowners Association and what they are required to do and disclose. Mr. Tyler found areas where the Board needed to address minor changes in how they present their budget. One is that reserve funds are required and they must also have a line item within the operating budget as a contribution.

Mr. Burdette disagreed with Mr. Tyler's interpretation of the law. He explained that the Board is required to disclose to the owners what the deferred maintenance would be, but there is no legal requirement to have a reserve fund. Mr. Burdette; however, thought it would be foolish to not have a reserve fund and he would support a reserve fund.

Mr. Tyler acknowledged that Mr. Burdette may be correct on the requirement to have a reserve fund; and clarified that he was specifically referencing the requirement to show a line item in the budget with a contribution to a reserve fund. He read, "An association shall include a reserve fund line item in its annual budget. The amount of reserve fund line item shall be determined by the Board based on a reserve analysis or the amount that the Board determines is prudent under the circumstances, or the governing documents if the governing requirements required are not greater than the amount determined under Subsection 6B(1)."

Mr. Tyler noted that the Association already has a reserve fund and they should have a budget for the funds that they have available. Mr. Tyler also suggested that they fund the reserve account on a regular basis each year.

Mr. Gonzales questioned why they would want a budget on a reserve fund. Mr. Tyler stated that the reserve fund can be budgeted the prior year and they could just show a reserve budget of X-dollars and have no expenses. However, if they plan to spend out of that account for the next calendar they should show those planned expenses.

Mr. Burdette stated that this was the first time in six or seven years that they were talking about spending some of the reserve money. Ms. Parker asked if this was the money they had set aside for the road. Mr. Tyler replied that the road money was different. Mr. Burdette explained that the reserve fund is money that was set aside to replace equipment. The overhaul of the grader would come from that fund.

Mr. Deaver clarified that the Association currently has two reserve funds that they were delineated for two totally different uses. One is for overhaul, repair and replacement of existing heavy equipment. The second is a contingency/emergency fund for unforeseen emergencies or expenses. Mr. Deaver did not believe the two funds should be combined. Mr. Tyler was comfortable keeping the two funds separate; however he thought they should disclose the fund and the amount. Mr. Deaver supported disclosure. He was against combining the funds because the line becomes blurred and a future President might not understand the history of the two funds. Mr. Tyler understood the concern and he was not opposed. His primary intent was to raise the questions for discussion.

Mr. Tyler requested that the Board discuss the budget format. Historically it has been presented with fixed expenses and variable expenses, and he was proposing to lump them together as operating expenses to avoid confusion. However, if the Board preferred to keep the fixed and variable expense categories he would support it.

Mr. Deaver disagreed with Mr. Tyler that there was only one category of expenses. He pointed out that fixed and variable expense was a standard business format with slight variation. Knowing the fixed expenses is the basis for setting a budget and that can be adjusted by deleting or adding a line item. The variable expenses are typically adjustable items resulting from decisions and policies. Based on his previous business background and experience, Mr. Deaver felt strongly that lumping all the expenses together was a slippery slope to financial problems.

Mr. Gonzales thought there was less of a risk for financial problems in a non-profit situation. However, he felt they should leave it to the person in charge of the Association finances to determine the simplest way to do it because that person volunteers their time without pay. If Mr. Burdette was comfortable with the current format, they should continue doing it.

Mr. Burdette believed that the purpose of the budget was to communicate information to the owners in a way they could understand. If the Board fails to communicate that information, they were missing a great opportunity to show the owners how the Board spends their money. In past years, owners have thanked them after the Annual Meeting for presenting the budget in this format because it was clear and easy to understand. Mr. Burdette remarked that the Board has no legal requirement to follow the budget even after it is approved by the Board; and in some years they have not followed it. He recalled promising the owners at the Annual Meeting last year that they would be laying asphalt on Tollgate Canyon this year, but that was not done. Mr. Burdette emphasized that the budget presented does not bind the Board in any way. Mr. Burdette explained the difference between fixed and variable expenses. He noted that a fixed expense does not have to be the same amount each year. Mr. Tyler stated that he had misunderstood the concept of fixed and variable expenses and he was comfortable leaving them as separate items.

Mr. Tyler moved through the items for discussion which included a draft 2014 budget, a 2013 compared to 2014 budget, and the Capital Budget. He suggested that they begin with the revenue side by looking at the 2013/2014 combined. Mr. Deaver understood that Mr. Tyler had prepared the 2013/2014 comparison. Mr. Tyler replied that he was correct. The categories were the same as those on the draft budget Mr. Burdette had prepared.

Mr. Tyler liked the breakdown Mr. Burdette had shown for the landowners, part-time owners and full-time owners because it was clear to everyone where the money comes from. It showed a projected $9,000 in revenue. Past due collections was budgeted as $2,000. Mr. Tyler noted that it was not budgeted in past years. He liked the addition of that category in the 2014 budget. Mr. Tyler stated that the Board previously discussed asking the Church for a 20% increase, but since that would not occur until the end of next year, the budget was kept the same for 2014 at $9,036. The SS Lot contribution at $9,000 was also a new category for 2014. The money traditionally collected is approximately $9,000. Mr. Burdette reported that $9,785 had been collected to date.

Mr. Tyler commented on impact fees. He noted that the Board had talked about increasing the impact fee to $15,000; however, they also talked about raising the impact fees by 20%. Therefore, the $5,000 impact fee would increase to $6,000 by a percentage that matched the assessments. Mr. Tyler asked the Board for further discussion and a decision because an increase would have to be voted on at the Annual Meeting. Mr. Burdette clarified that they were looking at a $3,000 difference between the current impact fee and the proposed increase. He pointed out that in a $250,000 budget this would be a $3,000 item or 1%. Mr. Tyler noted that $10,616 was collected for 2013. He anticipated a better marketplace in 2014 and believed that the three additional starts was a realistic number.

Mr. Tyler stated that Other Income is a budgeted category they have always had at $500. Mr. Burdette noted that Other Income is finance charge income, parking decals, power backbone fees, etc. Mr. Tyler preferred to put the Uncollectable Dues on the expense side, but he would leave it on the revenue side if the Board preferred. Mr. Burdette stated that the argument for showing it with the revenue is that the HOA is on a "cash basis" financial statement. This section reflects what they actually expect to deposit into their bank account on a cash basis. It is consistent with how they prepare the financial statements. The Board agreed to leave the Uncollected Dues as Revenue.

Mr. Tyler remarked that currently they had collected $95.5% of the budgeted revenue for last year. He believed the remaining 4.5% was a realistic amount to collect.

Mr. Tyler commented on the Fixed Expenses and requested discussion on the Ranch Manager's salary. He had asked Carol to send a history of Jody's salary, including mileage reimbursements, health insurance and phone reimbursements, as well as the yearly bonuses. Mr. Tyler was particularly interested in the history from Jody's initial hire in 2008 to 2013, and how that evolved. He asked Mr. Burdette and other Board members to share the history on what expectations were given to Jody originally and his employment requirements. Mr. Burdette stated that when Jody was originally hired he was eager to take on the responsibilities of the Ranch Manager. Understanding that the Ranch Manager prior to Jody was paid $35,000 a year, he could not survive full-time on that salary. They also knew that the previous Ranch Manager never worked full-time for the $35,000/year he was paid. Mr. Burdette stated that when Jody was hired he asked for $50,000 per year. The Board made an offer to hire him at $45,000 and evaluate his skills and abilities and revisit his salary at the end of the first year. Mr. Burdette noted that the salary increase from $45,000 to $50,000 after the first year was based on the fact that Jody had met the Board's expectations and he was worth $50,000 per year. Mr. Burdette pointed out that Jody's salary has increased since that time but not every year. However, over the years they added health and dental insurance as a form of a raise. Other years were difficult due to a strained economy and no one received raises, which was another reason why Jody remained at $50,000 for another two years. Mr. Deaver pointed out that Jody had received bonuses.

Mr. Tyler reviewed the salary history that Carol had prepared. His salary for 2013 was $57,750. From 2008-2013 the health insurance premium increased from $672 per month to $1130 per month. The bonuses varied. In 2010, in lieu of a raise Jody was given a $1650 bonus. Mr. Deaver thought Jody had been treated fairly. Currently, his compensation package was well over $70,000. Mr. Tyler could see no reason to change the insurance subsidy and the telephone subsidy. However, he was bothered with the way they handle Jody's mileage. Mr. Tyler thought it was unusual that in addition to mileage reimbursement for Ranch business, he was also reimbursed for commuting from his home in Coalville to the Ranch and back. Mr. Burdette stated that Jody's commuting mileage was never approved by any Board. Mr. Powell thought some of that was due to the fact that Jody stops on his way to pick up parts or to do other Ranch business. Mr. Burdette replied that it would be Ranch business and eligible for reimbursement. Mr. Powell noted that it was the same when Jody was hauling fuel. Mr. Tyler pointed out that the mileage reimbursement has gone from an average of $210 per month up to as high as $400. When he spoke with Jody, he found that Jody was charging for every commuting mile from his home to the Ranch and back to his home. Jody told him that it was the way he has always accounted for his mileage and he has never been told otherwise. Mr. Burdette assumed the mileage reimbursement to and from work was a private arrangement Jody made with Mr. Foster. It was never approved by the Board. Mr. Burdette pointed out that it was also in violation of the IRS policy. If the Association pays him for non-business miles, that amount needs to be added to his W-2 form and they have to match Social Security tax on it. They also have to withhold Jody the Social Security and Medicare Tax.

Mr. Powell wanted to know how Jody submits his mileage. Mr. Tyler stated that his mileage reimbursement is submitted directly to Carol with no oversight, and she pays it as part of his paycheck. Mr. Powell stated that whenever he submits for mileage reimbursement he usually fills out a form. Mr. Burdette stated that when they purchased the Ranger they were told it would be used for Ranch business. The offset of purchasing the Ranger was supposed to be a drop in Jody's mileage reimbursement, but that has not happened. Mr. Deaver thought they should keep in mind that the cost of fuel has increased and he assumed that contributed to the reimbursement increase. Mr. Deaver asked if they were reimbursing Jody for his fuel expense or at the IRS rate. Mr. Burdette stated that his reimbursement was based on the IRS rate of 56.5 cents per mile. Mr. Deaver asked if it would be easier to pay for fuel. Mr. Tyler thought the best approach would be to tell Jody that the Ranch would no longer reimburse his commuting miles for various reasons, including the IRS violation. However, if there is a need for Jody to come to the Ranch on the sixth and/or seventh day of the week, the Board should reimburse that round trip because it would be for something special or out-of-the ordinary. Ms. Parker agreed from the standpoint of fairness, but she understood that it would still be a violation of the IRS regulations.

Mr. Burdette pointed out that it does not snow every day of the week and it may not be necessary for Jody to come up every day. Mr. Deaver stated that Lower Tollgate Road was the reason Jody needed to be there nearly every day to sand. He suggested that Jody keep a log to show his sixth or seventh day and the Association could reimburse him for those days. Mr. Burdette stated that the IRS identifies a regular work week as 40 hours or five eight hour days. However, the IRS does not define the eight hour days. Mr. Burdette remarked that they could reimburse Jody's mileage for any trips beyond his 40 hour work week.

Mr. Tyler stated that he would ask Jody to copy him on everything he sends to Carol. If

Mr. Tyler finds any inconsistencies, the Board could address them at the time.

Mr. Deaver commented on the number of times that Jody makes the trip more than once a day to plow and sand the roads during a heavy winter. Mr. Tyler suggested that instead of the sixth/seventh day requirement, they could ask Jody to log all of his mileage and the Board would reimburse him for all but ten round trips per pay period. Mr. Burdette stated that per IRS regulations, the mileage log for reimbursement needs to show the date, where he traveled, the business purpose and beginning and ending odometer readings. Mr. Powell thought they should tell Jody that they were not paying for his commute, but if he comes to the Ranch extra hours and after hours, those trips would be reimbursed. The Board agreed that Jody should keep a log and the Association would reimburse his extra trips.

Mr. Deaver questioned Jody's telephone reimbursement of $75 per month. Mr. Burdette recalled that when the Board decided on the reimbursement, they wanted Jody to have the ability to receive emails on his cell phone, and that required a data plan in addition to the monthly minutes. Mr. Deaver thought the cost was excessive, even with a data plan. Mr. Powell believed $75 per month was average for one person. Other Board members agreed.

Mr. Tyler stated that in his opinion, giving Jody a raise would depend on whether or not they hire an assistant Ranch Manager. He had already told Jody that if the Board decided to hire an assistant, he should not expect a raise this year because his work load would be lightened.

Mr. Tyler called for discussion regarding the Assistant Ranch Manager. He stated that the Assistant Ranch Manager's salary plus additional payroll taxes, Worker's Comp, health insurance and additional fuel and equipment repairs would total approximately $40,000 based on a $25,000 per year salary. He noted that the Board budgeted $8,000 for a summer helper and the actual cost was $7700. Mr. Tyler stated that if they subtracted the budget for plowing the connector, assuming that it would become the responsibility of the Assistant Ranch Manager, it would drop $6500 from the budget but they would have to add in fuel and maintenance costs for using Ranch equipment. Regardless of how they calculate the numbers, the Association would spend significantly more for labor if they hired an additional person.

Mr. Tyler remarked that the main argument in favor of hiring an assistant would be to have a backup for Jody, who currently spends a lot of time on the Ranch. Jody currently utilizes the Water Company employees for backup. From a safety aspect, Mr. Tyler could not recall any company who allows a laborer to work independently without a second person, particularly using heavy equipment. He stated that another benefit for a second employee would be the ability to expand some of the services on the Ranch.

Mr. Tyler believed the expense was the main argument against hiring an Assistant Ranch Manager.

Mr. Burdette provided a brief history of the Ranch Manager. He stated that at one time the Ranch was run completely without a Ranch Manager. The Association would hire Geary Construction to grade the roads three times a year at a cost of $10,000, and they would grade every road on the Ranch. Every road was graded by one Geary Construction employee. Mr. Burdette pointed out that the Ranch now has someone who works 40 hours per week, but they were saying that as one person he could not grade all the roads. Mr. Burdette stated that when Jody was first hired they had the same number of roads as they currently have and he managed to do all the work. Mr. Burdette did not believe Jody had any more responsibility that when he started and the workload has not been expanded. In addition, the Ranch has purchased more equipment to make the job easier. Mr. Burdette was firmly opposed to hiring a second Ranch manager.

Mr. Tyler thought they should hire an Assistant Ranch Manager, primarily because they do have more equipment available with only one operator. He believed the work could be done faster and more efficient with two people and it would be safer. Mr. Tyler stated that he sees Jody on the Ranch on a regular basis and during the summer he works 50 to 70 hours per week working on the roads, spreading gravel, fixing equipment, etc.
Mr. Burdette pointed out that Jody does that for one part of the year. There are other times when the roads have been graded, the equipment is repaired and there is nothing else to do. Mr. Burdette acknowledged that Jody is a valuable employee, but the nature of the job has significant down time and significant rush time. Mr. Tyler agreed; however, he was trying to capitalize on the rush time.

Mr. Gonzales suggested that due to budgetary constraints, the Board should continue to hire part-time employees like they have been during the summer. Mr. Tyler noted that they have funds available to hire part-time. Mr. Burdette explained that the funds were available because they were not putting as much money into aggregates or asphalt. Mr. Tyler thought that was incorrect because the aggregate budget was the same as last year. The asphalt was different but it matched up with previous years. Mr. Tyler believed the biggest difference was the fact that they were collecting more money than in the past. There was $9300 in additional income just from people moving to the Ranch or building homes.

Ms. Parker asked if there was a third option. She understood that there are times when

Jody maxes out his time and a second person would be helpful. It would also be beneficial to have a second person who knows the Ranch and how to run the equipment in the event that something happens and Jody was unable to work for a while. Ms. Parker asked if it was possible to fund a part-time position. Nick Boyle stated that he was also thinking about a part-time position to see how would work. Mr. Powell asked if they could solicit the use of the Water Company employees and hire them to plow the connector or cover a weekend shift. Mr. Tyler was concerned about liability since they would be using Ranch equipment. There was also an issue of being double-employed.

Mr. Deaver pointed out that the divets on the good asphalt up and down Tollgate that were created by the big winter melt-off three years ago have not been repaired when that is Jody's job. Mr. Deaver also took exception to Mr. Tyler's statement that funds were available. He had the budget 2013 compared to 2014 with comments, and noted that in 2013 they budgeted 35,000 for sealing and asphalt repairs. That amount was cut in half to $18,000. Mr. Tyler replied that the budget has never been $35,000 until last year when they planned to asphalt more roads. Mr. Deaver stated that they still needed to spend $10,000 to seal the existing good asphalt because it is coming apart. He was told that the crack sealing was a temporary fix to get them through the year, and that the good asphalt needs to be properly repaired.

Mr. Tyler stated that the Board had the option to either spend money on labor or on materials. They could bring in a second person and pay more for labor to get more work done, or they could keep the labor the same and use the bulk of the difference in the budget to purchase more materials. He believed that was the crux of the argument for discussion.

Mr. Deaver remarked that if they do the stated goal of machine laid asphalt, Jody would be doing less labor and take on the role of managing the company who is contracted to do the work. Mr. Deaver liked the idea of having a backup for Jody, but as a former business manager, he was concerned about paying employees to sit around four months of the year. Mr. Burdette stated that Geary Construction was currently Jody's backup. Mr. Powell thought the first backup was the Water Company and then Geary Construction. Mr. Burdette noted that Geary Construction has equipment that sits in winter time unless they get a contract like the Ranch to put a piece of equipment in use. Mr. Tyler summarized from the comments that the Board was leaning against hiring a second employee; but possibly increasing the amount budgeted for a contract employee to do more work in the summer time and on an on-call basis in the winter time. Mr. Deaver stated that he asked Jody if he had anyone in mind. Jody had a friend who did work for the Water Company. Mr. Powell knew who he was referring to and recalled that he had done a good job. Mr. Deaver was concerned about employees getting too close, but if it was the same person who had dug Evergreen, he agreed that he had done a good job.

Mr. Tyler asked if anyone objected to the idea of not hiring an Assistant Ranch Manager. Mr. Deaver worried about having a backup for Jody. Mr. Powell did not believe an assistant full-time employee was a necessity at this time. Ms. Parker thought many people on the Ranch would like to know if there are options for when Jody needs backup or would need to be replaced. She believed the owners would like to know that an option was in place. Mr. Deaver stated that if the Board chose to hire a Water Company employee, that person could be on-call during the Water Company's down time in the winter.

Mr. Tyler asked if he should discuss and official backup agreement with the Water Company at a set contribution. Mr. Powell noted that the Board has promised to keep the connector open, and it was an obligation that could not be added to Jody's responsibilities. Mr. Burdette asked who the Board was obligated to. Mr. Powell believed that the Board had promised that to the Ranch the last two years. The members voted to allocate money to plow the connector. Mr. Burdette stated that the Board annually looks at the issue; however, up until three years ago the Association never paid a dime to open the connector. It was always plowed by the people in Forest Meadows similar to the way individuals plow the roads in Pine Meadow.

Mr. Tyler believed the connector was a safety issue. The Pine Meadow side and the Forest Meadow side become separate accesses, and particularly in the winter time both accesses needed to be open in the event of an emergency. Mr. Tyler stated that there were not enough people who live or pay on that route to keep it open without the Association paying for it. Mr. Burdette reiterated that the connector was kept open for years without a contribution by the Association. Mr. Heath stated that the Forest Meadow people kept it open, but it they felt it was unfair because they were part of the Ranch and not a separate entity. They were already paying for the Pine Meadow side and then had to pay again to plow the Forest Meadow side. Mr. Heath agreed that it was important to keep the connector open from a safety standpoint. Mr. Tyler stated that he was not willing to give in on plowing the connector because keeping that section open was valuable for the Ranch. However, it was a Board decision.

Mr. Powell thought the connector had value for both sides because either side could get blocked. Ms. Parker thought it made sense to keep Tollgate Canyon open for many reasons. She clarified that the Forest Meadow owners personally paid to keep the connector open because of the safety issue, but they ran out of donors and came to the Board asking for help because of the safety factor. Ms. Parker remarked that another discussion for another time would be to eliminate the phrasing "Forest Meadow side/Pine Meadow side" because it is very divisive. Mr. Heath and Mr. Tyler concurred.

Mr. Tyler returned the discussion to the budget items. He verified that the Board had decided not to hire a full-time assistant Ranch Manager. Mr. Powell asked if the Board would consider budgeting $16,000 for a part-time position. Mr. Burdette asked if the employee would work a maximum of 29 hours to avoid health insurance. Mr. Powell clarified that he was referring to a part-time seasonal employee, possibly weekends only. Mr. Tyler preferred an on-call employee. Mr. Burdette asked where the $16,000 salary would come from. Mr. Tyler thought $16,000 was too high. He noted that during the summer they paid $8,000 for a summer employee who basically worked full-time hours for four months. If they hired a winter time employee for four months, he assumed that person would be working less than full-time hours.

Mr. Deaver recalled from the last meeting that Jody said he did not have time to plow the connector. However, if they hire a weekend employee to plow the connector, Jody would still be responsible to clear the connector if it snows during the week. Mr. Tyler replied that a weekend employee was only one idea. Another idea would be to have an on-call temporary employee that Jody could call at any time.

Mr. Tyler reiterated that the Board budgeted $8,000 for a summer only helper. He asked if they wanted a temporary labor category and budget $12,000, and try to find someone who is available on an on-call basis during the winter. Mr. Deaver stated that the Board originally talked about budgeting $6500 to have someone with their own equipment plow the connector. Now they were talking about hiring a laborer to use Ranch equipment to plow the connector. He asked if they needed to budget the entire $6500 for the labor, or whether the cost could be cut down to $12.00 per hour, based on the number of hours it took an outside contractor to plow the connector. Mr. Powell pointed out that they would not have to spend all the money that was budgeted. Mr. Tyler suggested that they keep the connector as a separate line item at $6500. The temporary laborer would be strictly a back-up on-call position. Mr. Powell remarked that the on-call employee would do more than just plow the connector. He would be a back up to help Jody with other duties. However, the main responsibility would be the connector. Mr. Deaver favored the on-call status because it could be re-evaluated month to month. The Board concurred.

Mr. Tyler summarized that the Board favored the concept of increasing the temporary employee labor line item to $16,000 for a less than 29 hour per week employee. The snow plow connector would be removed as a line item, and the diesel fuel and equipment repair line items would be increased to cover the cost of the connector. The primary responsibility of the temporary employee would be to keep the connector open and to back up Jody during the winter time. Mr. Powell stated that if the Board begins to see an increase in productivity, they could re-evaluate the benefit of having an Assistant Ranch Manager.

Mr. Burdette remarked that the Ranch has seen a slowdown in productivity over the past four years. They are paying more money, providing more help, and have more equipment and less work getting done. Mr. Burdette suggested that there was a management problem.

Mr. Tyler referred to the payroll taxes, Worker's Comp and health insurance. He asked if payroll taxes still needed to be paid on less than 29 hours. Mr. Burdette answered yes, and stated that he would rework the numbers to include the temporary employee. Health insurance would remain the same because it would not be offered to the temporary employee.

Mr. Tyler suggested dropping the mileage reimbursement line item to $3600 and he would speak with Jody. Mr. Tyler referred to accounting fees and asked for Board approval to talk to Carol about a fixed fee of $1500 per month, rather than have her account for hours. Carol knows the scope of the work and it would be an $18,000 per year contract. Mr. Deaver asked if Carol would still be subject to the fixed rate when she does additional work for the Annual Meeting and mailings. Mr. Burdette stated that the Board would have to describe her Scope of Work. Mr. Deaver asked if the Scope of Work would be reduced. Mr. Tyler replied that it would remain the same. Mr. Deaver asked if there was a chance that the Scope of Work would increase at the same guaranteed pay. Mr. Heath thought they should address that issue if and when that happened. Mr. Tyler did not foresee an increase in the workload. Mr. Burdette believed that paying Carol on contract would automatically lighten her workload because she would no longer have to spend time tracking every hour and preparing the detail each month. Mr. Heath stated that in his experience, people who are paid per job rather than hourly manage their time better and the work gets done quicker. He thought Carol could possibly come out ahead. Mr. Tyler agreed. Mr. Deaver suggested that they look at the monthly averages over the last year to make sure the contract amount matches. Mr. Powell thought an $18,000 budget was appropriate, but he was interested in knowing the actual amount billed in the past. Mr. Burdette stated that the monthly average was $1,518 for the past ten months.

Mr. Tyler stated that if they paid Carol on a fixed fee contract, he would not want the service level to drop because she was guaranteed a certain amount. Mr. Tyler asked the Board to give it further thought and he tabled the discussion to another meeting
Mr. Tyler thought the credit card charges and merchants fees were correct and suggested that they increase the budget slightly because more people are paying by credit card. The income tax return preparation was $250. Mr. Burdette believed that

amount was sufficient for preparing the tax return. Mr. Tyler removed the snow plow connector line item. Mr. Tyler noted that $8,000 was budgeted last year for equipment repairs. He thought that should be increased to $10,000 since the equipment would be operated more often with the temporary employee. Mr. Burdette pointed out that they actually spent less than $5,000 on equipment repair last year. The Board was comfortable keeping the budget at $8,000.

Mr. Tyler thought $1,000 for building repairs was more than sufficient for 2014. He noted that $9,000 was budgeted for diesel fuel last year. They have spent $5,625 to date this year. Mr. Burdette anticipated spending another $1,000 prior to the end of the year. Mr. Deaver suggested budgeting $10,000 since they would be using diesel to plow the connector.

Mr. Tyler noted that the Board budgeted $12,000 for mag water installation for 2013. He thought it was partially successful. Some roads did not need it and other roads still need it. He recalled that they had spent approximately $4,000 and suggested dropping the budget to $6,000 for 2014. Mr. Burdette recalled that they had done a second mag water on the Rotomill at the very bottom. Mr. Tyler reviewed the general budget items. He believed the property tax was a legitimate increase. Mr. Powell stated that in talking with the County Assessor he was told that the Association could make most of their property common area and not pay taxes. It would allow them to build on the lots as long as it was for the benefit of the entire neighborhood. The downside was that the lots could not be sold. Mr. Powell stated that it would also require a legal expense because the lots would have to be annexed into the Ranch boundaries as common area for the Ranch owners. Mr. Powell was still looking into the details. Mr. Tyler suggested that the Board discuss it at their December meeting.

Mr. Burdette noted that two of the lots were taxed by Morgan County and were not included on the list. He estimated the property tax would be approximately $8,000, plus the two lots in Morgan County. Mr. Tyler had the notice on the two lots in Morgan County. One was $644.16 and the other was $104.26. Mr. Burdette did not believe they needed to increase the property tax budget for 2014. However, he preferred to set the amount at $10,000 since it was unknown whether the County would change the valuations.

Mr. Deaver noted that the grader overhaul was taking approximately 30% of the Capital Reserve. He asked if they should increase the budget to $12,000 to replace the money sooner. Mr. Tyler suggested that they work through the rest of the budget before making that decision. The capital reserve analysis he had prepared included the $75,000 emergency fund. Mr. Tyler stated that at a $10,000 contribution they would be fully funded easily if they did not build a maintenance building. Mr. Burdette asked Mr.

Tyler to explain fully funded and what they were funding. Mr. Tyler explained that he had calculated the reserve analysis by taking the current value of the asset depreciated over time and fund it based on partial payments every year into the Capital Reserve. The fully funded balance is an equation that shows whether you are on track to meet your goals for funding capital items.

Mr. Burdette stated that the largest asset showing was a road grader with a $180,000 purchase price to replace it. Mr. Tyler stated that if they take the $50,000, they could push that liability to zero for next year. Mr. Burdette did not agree that it would be zero, but he would take away the $50,000 and drop it to $20,000. Mr. Burdette had the deferred maintenance at $162,000. The tractor was partially worn out, the road grader was partially worn out, and the compactor experienced $5,000 worth of wear. He stated that a large expense would be the culverts inside the Ranch because they were old. Mr. Tyler clarified that they were showing a $162,000 deferred liability and they had $223,000 in income. Mr. Deaver asked if $162,000 was for equipment replacement and the emergency fund. Mr. Tyler replied that the amount was just for equipment replacement before subtracting $50,000 for the grader overhaul.

Mr. Burdette did not believe that was a good number to work with. They could not call the $223,000 a reserve fund because they still had expenses to pay through the end of the year. The remaining operating expenses needed to be subtracted from the total amount. He does that same analysis every month. Mr. Burdette stated that based on his analysis, the total cash was $336,000. $75,000 was the emergency fund, $160,000 was equipment replacement, and the remaining $102,000 was needed to pay the expenses; leaving a surplus amount of $1100. Mr. Burdette stated that the expenses included $65,000 for asphalt, paying Jody's salary through December, office supplies, postage to mail the ballots, property taxes, etc. Mr. Tyler thought it would be helpful to see Mr. Burdette's analysis at each meeting to understand where they stood financially. Mr. Tyler believed $10,000 was a sufficient contribution to the Capital Reserve; however, with the changes they made to the budget, he believed they would end up with a larger surplus. He recommended taking a reasonable percentage of the surplus and putting it in the Capital Reserve.

Mr. Tyler reviewed the variable expenses comparing what was budgeted with what was actually spent. He questioned the increase in postage over what was budgeted last year. Mr. Burdette stated that Carol pays for postage and she is reimbursed. However, the reimbursement was included in the professional accounting and secretarial fee. He believed the $2,000 budget would cover the cost of mailing the notices of the Annual Meetings and the ballots, and leave the Board with additional money to send a newsletter if they ever decided to. Mr. Tyler suggested that they increase the website budget from $100 to $200. Ms. Parker noted that she had paid the $100 for 2013 as a gift to the Board. Mr. Tyler noted that the SSD was a dead issue and the legal fees lines item related to the SSD should be removed from the budget. He thought the Legal Fees–Other was sufficient at $3,000. Mr. Tyler thought the budget for culvert installation could be increased. Mr. Powell thought $3,000 was a lot of culverts. Mr. Burdette noted that $3,000 was the cost to purchase and deliver the pipe. The cost of Installing the culvert was included in Jody's salary, and the fuel cost to run the equipment was already a budgeted line item. Mr. Tyler pointed out that the Association spent $1500 on culverts last year. The Board increased the Licenses and Permits line item to $400.

Mr. Deaver stated that if they were budgeting $18,000 for asphalt, he wanted to know where the $60,000 was that was left over from last year. Mr. Tyler stated that since it was a carryover, it could either be shown as a revenue line item for this budget and then as an expense, or it could be moved to the reserve account balance and then backed out for expenditures. Mr. Deaver favored the revenue/expense versus putting it in the reserve account. Mr. Tyler stated that asphalt is a capital improvement. If the money is earmarked for laying asphalt, it would logically belong in the Capital Reserve budget. Mr. Burdette believed there was agreement among the Board to spend the $65,000 on asphalt next year that was not spent this year. The question is how to account for it. In some respects they were spending money to lay asphalt on property that does not belong to the Ranch. Mr. Burdette recommended that they show that they intend to spend $65,000 on asphalt by listing it as one of the expenses. Ms. Parker stated that since the members expected the asphalt this year, she liked the idea of clearly showing where the money was and that it would be spent next year. Mr. Tyler suggested that they show it as a carryover revenue line item from the 2013 budget to the 2014 budget and then show it as an expense so it zeros out the budget.

Ms. Parker commented on the sledding area previously discussed. She and Mr. Heath had researched the cost of hay bales. She estimated the cost at approximately $200 plus the signage cost. Mr. Tyler replied that it would be a miscellaneous expense.

Mr. Tyler had included the cost of replacing the roller because Jody believed the roller was going out. The suggestion was made to have Geary Construction look at the roller before replacing it. Mr. Deaver offered to look into it. Mr. Deaver clarified that if they put it in the budget they should not imply that it would be a new roller because that cost would be significantly higher. It should reflect the intent to purchase a refurbished roller.

Mr. Tyler suggested that they show the emergency fund as a separate line item from both the revenue and expenses, and fund that at the $75,000 they already have.

Mr. Tyler thanked Mr. Burdette for preparing the budget and the Board members for attending this special meeting on short notice. As a Board, he believed the budget was the most important service they provide for the membership, in addition to day to day activities.

Mr. Deaver understood that there was a candidate running for Treasurer, and asked if they had candidates for the areas that were up for election. Mr. Tyler stated that he would have that answer on Friday. At this point, no one had submitted their names for the two areas up for election.

The suggestion was made to raise the issue at the Annual Meeting regarding dog control. Mr. Tyler was preparing the agenda and asked the Board members to let him know if they had issues they wanted to discuss at the Annual Meeting and he would add it to the agenda. Mr. Tyler noted that the HOA does not control animals. He has had multiple conversations with Animal Control and Summit County has a leash law. If the animal is outside of the owner's individual lot off-leash and there is a complaint, the owner will be ticketed without a warning. People should call Animal Control immediately if they see a dog off-leash. If it becomes a frequent problem, Animal Control would patrol the Ranch.

The meeting of the Pine Meadow Owners Association Board adjourned at 8:37 p.m.