

CAUGHLIN RANCH HOMEOWNERS ASSOCIATION
MINUTES OF THE BOARD OF DIRECTORS' MEETING
Wednesday, September 15, 2010, 7:00 P.M.

Board of Directors & Officers Present:

Millie Burke, President
Michael Chern, Vice President
Michael Heffner, Treasurer
Michele Attaway, Secretary
Gina Pedrini, Director
Ken Walters, Director

Others Present

Paul Hershey, General Manager
Linda Jussen, Administrative Assistant
Katrina Rehkop, Secretary
Randy Lisenby, Landscape Supervisor
Shawn Oliphant, Legal Counsel
Gayle Wassenberg, Recording Secretary
17 homeowners

EXECUTIVE SESSION

CC&R Enforcements

There were no specific CC&R violations to be discussed.

OPEN MEETING

The Board of Directors meeting was called to order by President and presiding officer, Millie Burke at 7:00 P.M., at Caughlin Ranch Elementary School, 4885 Village Green Parkway, Reno NV.

Director Burke noted that this evening is the second workshop in the budget process, and questions and comments are welcome.

Manager Paul Hershey announced that his Nevada License was granted September 1, and the management transition is therefore completed, saving a little money because the certification was granted earlier than expected. He apologized that at the last meeting he was unable to answer some homeowner questions—particularly questions regarding the CC&Rs--because he was not yet licensed. Some of the issues have since been taken care of and management is working on the remainder.

MEMBERSHIP OPEN FORUM – AGENDA ITEMS

Director Burke advised that at tonight's meeting, homeowners will have a 2-minute time limit for comments. There were no comments at this time.

CONSENT AGENDA

Approval of Amended March 10, 2010, May 6, 2010, and June 21, 2010 Board Meeting Minutes (Amended to Include Executive Session Minutes)

It came to the attention of the Board that an Executive Session Summary should be included with the Board of Directors' meeting minutes. As a result, the minutes from March 10, May 6, and June 21, 2010 were amended to include a summary of what was discussed at the Executive Sessions.

MOTION: Director Pedrini made a motion, which was seconded, to approve the Consent Agenda. Motion carried unanimously.

BUSINESS ITEMS

Approval of 2010 Budget Report Through July 31, 2010

Paul Hershey noted that there were 2010 Reserve allocations that were budgeted to be spent on repairs and replacements by July 31. That did not happen, and he is working on getting that done within the next 60 days.

Director Burke noted that the report reflects that we are under budget for water usage and she asked Paul if he anticipates that will continue to be the case. He does, and he said he would explain why, when he discusses "forecasting" in the 2011 Budget.

A homeowner asked if it is always a good sign when the report shows that we are under budget. Director Hefner explained that it is good only if you have accomplished what was intended. If allocated expenditures are not made, at first glance it will appear that you are under budget when, in fact, the money is there only because it was not spent as intended.

As to water expense, Paul predicts that at year end, we will be \$35,000 – \$41,000 under budget and 1 - 3% under budget for operations, overall. Paul commended all the work the Budget Committee did and thanked them for providing a wealth of information to him before he even left South Carolina. That is why he was “able to hit the ground running” when he arrived in Reno. Directors Heffner and Burke thanked Larry Hinderks on behalf of the Board and the community for the outstanding job he did as project manager for the Reserve Study.

MOTION: Director Heffner made a motion, which was seconded, to approve the 2010 Budget Report through July 31, 2010. Motion carried unanimously.

Approval of Reserve Study Report Prepared by Western Architectural Reserve Specialists

Paul explained that in a Reserve Study, one looks at the infrastructure and all of the assets, i.e., roads, trucks, buildings, etc. The life cycle of an asset is taken into consideration, along with schedules for maintenance, repairs, and replacement. Under Nevada Statute, you must provide a reserve to maintain those assets. When the Study came out, the Board set out to determine what needs to be done over the next 35 years. In doing so, they took the worst case scenario of all of our assets and either added 30% or detracted 30% of either the life or the cost all the way across the Board. They then asked the question, “If, at any one moment in time, the Association had to repair or replace all of the assets, where would we stand?” Using power point slides, he further explained that the analysis showed that even in the worst case scenario, Caughlin Ranch Reserves will never drop below the 119% funding level. This gave them a benchmark to do some allocation of funds for the future. The Board’s approval of the Reserve Study will open the door for provision of 2011 Reserve Fund allocations.

At Director Burke’s request, Paul clarified that all of the Reserve Study information was inspected by and approved by a Reserve Study Specialist. He now has 90 days to send a form to the State declaring that the Association’s Reserve Fund is 100% funded. Paul advised that homeowners are welcome to review the Reserve Study at the CRHA office.

MOTION: Director Heffner made a motion, which was seconded, to approve the three Reserve Studies—the General Reserve Study; the Class C, Caughlin Creek Study; and the Class D, Mountainshire Study. Motion carried unanimously.

Presentation/Discussion/Approval of 2011 Budget (Operations & Reserves)

Paul advised that from 2004 on, every budget that was presented to the membership was deficit spending. It appears that goals that were set for each year were not being met, so the funds that were not being spent as planned were being moved into the next year.

When the recent Study was completed, they were able to move \$100,000 out of the Reserve element into operations and still fund at 119% plus to the master, Class C Caughlin Creek, and Class D Mountainshire. Now, for the first time in a long time, we are going to be operating on assessments coming in the door instead of operating on prior-year money. We are going to complete the goals that are set by the Board and the membership, and our mission is to bring it in at the same level of excellence—only under budget. Using power point graphs, Paul further explained their findings, goals, budget adjustments, etc.

Paul advised that although there is a downturn in the economy, Caughlin Ranch is not experiencing the impact from unpaid assessments that Southern Nevada Associations are experiencing, where some are operating with a 26 - 40% deficit in accounts receivable from assessments. Caughlin Ranch is looking at only a .0246% deficit for next year. We are monitoring delinquent accounts, and working with members that have hardships; we

intend to do everything we can to assist in keeping a member in good standing.

In the interests of water conservation, Paul is working on a plan to partnership with UNR to provide graduate students a learning structure, which will include grant money and budget-to-performance monitoring. Costs will decrease with a reduction in water usage or by finding another water source. He is planning on removing 120,000 square feet of lawn, to be replaced with xeroscape, and he assured everyone that the aesthetics of Caughlin Ranch will not be compromised.

A homeowner said a portion of unhealthy grass was removed and replaced with plants, which now look worse than the grass did. Paul said he and Randy would look into the reason behind the problem and find a solution.

A homeowner suggested that the water budget be allocated monthly, taking into consideration prior water usage data to determine the expected usage in each particular month of the year. Director Heffner noted that his suggestion is already in the works, and will be reflected in the very near future. The committee has already collected 10 years worth of water usage data from TMWA.

A homeowner asked for an explanation of the line item, "Caughlin Creek Reimbursement." Paul explained that the line item refers to reimbursement of front lawn water usage. Director Pedrini suggested that the line item be changed to "Caughlin Creek Water Reimbursement."

Director Attaway suggested that management provide tonight's power point presentation to the Board members and that it be placed on the website.

MOTION: Director Heffner made a motion, which was seconded, to approve the 2011 Operations and Reserve Budget as submitted. Motion carried unanimously.

Approval of the Candidates Application/Ballot Election Packet

Director Attaway requested that candidates' applications be presented exactly as they are written by the candidates rather than retyped by staff. Recommended revisions to the packet were as follows:

September 24 letter to homeowners:

- Director Burke -- referred to Page 2, last sentence in the second paragraph, and requested that "The Caughlin Ranch Executive Session will be held from 6:00 p.m. to 7:00 p.m.," be changed to "The Caughlin Ranch Executive Session will be held prior to the Board of Directors meeting."
- Shawn Oliphant, Legal Counsel, said the following disclosure should be added: *NRS requires that persons who are being nominated as candidates or who submit their notification must make a good faith effort to disclose any financial, business, professional, personal relationships that would result in a potential conflict of interest.*
- Legal Counsel also recommended requiring a disclosure that the candidate is a member in good standing. Currently the letter states that "we are not accepting applications from anyone who is not in good standing." Legal counsel requested that the letter be revised so that Paragraph 8 of the subsection is included. He also requested that this information be provided to the homeowners in their ballot packets. Legal counsel will give the information to staff so that they can revise the letter.

MOTION: Director Attaway made a motion, which was seconded, to approve the Candidates Application/Ballot election packet, as corrected. Motion carried unanimously.

After the Board approved the above changes, it was noted that on the "Meeting/Ballot Count agenda" for Nov. 8 at Grant Thornton, members' comments (No. 1) should say "limited to 2 minutes per member." Additionally, Legal counsel will provide staff with the NRS number that pertains to the ballot count so that it

can be noted on the agenda for reference.

Director Heffner suggested it would be noteworthy to read the schedule to the homeowners.

- September 23rd Deadline for turning in candidate applications.
- October 14th Candidates' Forum Night.
- November 4th Deadline for submitting ballots.
- November 8th Ballot Count.
- November 10th Annual Homeowners' Meeting.
(Elected candidates will be announced; homeowners will be asked to approve 2011 Budget.)
- November 18th Board of Directors Meeting/Final Budget.
- New Board members will take office on November 21st; their first Board meeting will be in January.

Candidates Forum – Approval of Candidate Form Format

Director Burke addressed the membership: The purpose of the October 14th forum is to provide membership with an opportunity to speak directly to the candidates and ask them questions in order to make an informed decision. The candidates will be given some questions in their packets that they will be expected to answer in their presentations at the Candidates Forum. Director Burke asked if there were any recommended changes to the "Meet the Candidates" flyer. Recommended changes were as follows.

- Director Pedrini: The first line says the forum is scheduled for *Thursday*, October 14. It should read "*Wednesday*, October 14."
- Director Attaway: Number 2 should say "Why did you decide to live in Caughlin Ranch?" Number 5 should be added to number 2, which would then read, "Why did you decide to live in Caughlin Ranch, and what do you enjoy most about living there?"
- Number 3 should say "Please tell us about some of your experiences and accomplishments that would be pertinent to serving on the Board of Directors?"
- The last paragraph should read, "Following the formal presentation period, there will be time for members to ask you additional questions."

Paul advised he will bring in a parliamentarian to oversee the process to ensure "a level playing field," for all of the candidates.

MOTION: Director Chern made a motion, which was seconded, to approve the form format for the Candidates Forum, as corrected. Motion carried unanimously.

Approval of Annual Homeowners' Meeting Information Packet

Director Burke asked the Board if there were any recommended changes to the packet:

September 30 letter to homeowners:

- Director Pedrini: Page 2, the Eaglesnest quarterly assessment is actually \$469 per quarter.
- Director Burke: Page 2, the Promontory Pointe quarterly assessment is \$960 per quarter.
- Director Burke: At the top of Page 2, add "There is no increase in assessment dues for 2011."

November 10 agenda:

- Director Burke: Omit Item 5, regarding "Surpluses."
- Legal counsel noted that the notice for the Annual Homeowners' meeting should not be sent out more than 60 days in advance of the meeting.
- Director Burke noted there are a few minor typos that she will address with staff.

MOTION: Director Attaway made a motion, which was seconded, to approve the Annual Homeowners

Meeting information packet, as corrected. Motion carried unanimously.

MEMBERS' COMMENTS – ANY TOPIC

Director Chern noted that over the last few years, Randy has developed several different styles of xeroscape design. Management is working on a policy or procedure relative to what should and shouldn't be removed. Earlier this year, staff prepared a preliminary power point presentation on xeroscape, and some of those things were addressed. It was Director Chern's suggestion that the presentation be summarized and made available to homeowners either on a CD or on the website because as the designs have evolved, they have gotten better, and there are some very good examples showing how the earlier designs can be redone if needed.

A homeowner from Caughlin Glen requested access to attendance records of Board members who are seeking re-election. He noted that one Board member has missed the last couple of meetings. He was advised that the "absent Board member" has moved to Utah, and that virtually all of the current Board members have attended all of the meetings in the past year, except on two separate occasions when a Director was out of town and participated via cell phone. The homeowner is welcome to verify Board member attendance.

Director Chern noted that he and Directors Burke and Pedrini, are up for re-election. Chris Simon's position will also be filled. Director Burke noted the current Board has been a very dedicated Board, active on committee after committee, and sacrificing a great deal of personal time to move this Ranch forward.

A Caughlin Creek homeowner missed the September 1 meeting and wondered when the minutes will be available. Director Burke advised her that a draft of the minutes is always available at the office thirty days after the meeting. After the final draft is approved by the Board, it is available on the website. Paul offered to answer her questions in the meantime, but she did not have her list. She noted that she was provided a copy of the 2011 Budget tonight, but would like to ask questions after reviewing the document. She was advised she can meet with Paul at any time. Director Heffner said any questions should be asked prior to the Annual Homeowners meeting, because "Homeowner Approval of the 2011 Budget will be an agenda item that night. He encouraged homeowners to take an interest early in the budget process so that any issues can be addressed.

A homeowner asked when homeowners get an opportunity to voice concerns they may have about the budget. Director Burke advised that homeowners are notified of the budget workshops and the first budget workshop is the best time to address concerns. Tonight is the second workshop and questions can still be addressed. The homeowner suggested providing an explanation of any line item increase or decrease from the prior year's budget. Director Attaway said there is still time to add annotations to the 2011 budget relative to any changes from last year, and to get them mailed out prior to the November 10 meeting.

ADJOURNMENT

With all agenda items addressed, the meeting adjourned at 8:20 P.M.

Respectfully submitted by:
Gayle Wassenberg, Recording Secretary
Transcends Transcription Services

Approved by:

Caughlin Ranch Board Member