

**CAUGHLIN RANCH HOMEOWNERS ASSOCIATION  
MINUTES OF THE BOARD OF DIRECTORS'/BUDGET WORKSHOP MEETING  
SEPTEMBER 2, 2009, 7:00 P.M.**

The following issues were discussed at the September 2, 2009 meeting of the Board of Directors of the Caughlin Ranch Homeowners ("Association" or "CRHA"). The meeting was held pursuant to notice on September 2, 2009, at 7:00 p.m. at the Caughlin Ranch Elementary School, located at 4885 Village Green Parkway, Reno, Nevada. The following Directors were in attendance William Magrath, Jeannie Cassinelli, Millie Burke, Chris Simon, Gina Pedrini, Gail Sande, and Michael Chern. Also in attendance were Michael Trudell, General Manager; John Magness, Assistant Manager; Linda Jussen, Administrative Assistant; Katrina Rehkop, Secretary; Randy Lisenby, Landscape Supervisor; and Michael Chapman, Legal Counsel for the Association. Attached is a sign in sheet for the members who attended.

Chairman Magrath called the meeting to order. It was noted that there was a quorum present to conduct business. Chairman Magrath thanked all the members in attendance. He stated that this was a Board of Directors/Budget Workshop meeting. He stated it has been past practice that the Board invites the Caughlin Ranch Advisory Committee members to attend the first budget workshop in hopes that it will enhance the general understanding of the Association responsibilities and the budget process. Chairman Magrath stated that extra copies of the draft 2010 budget were available for members to follow. He indicated that the first item on the agenda was homeowner's comments. He asked if there were any member comments.

**HOMEOWNERS' COMMENTS**

Chairman Magrath stated he had received a letter from a Juniper Trails resident, and was asked to read it into the record. Chairman Magrath read the letter. It stated that homeowner's neighbor was sent a letter by the Association advising that their trees needed to be pruned as they blocked the visibility on Caughlin Parkway. The author of the letter did not receive any notification from the Association, and suggested that if they had been notified by the Association, they would have pruned their trees. Chairman Magrath continued, the resident's letter stated that someone aggressively trimmed the trees on his property. Evidently someone believed that the branches of the trees on his property blocked the view, and potentially obstructed visibility of traffic. The resident asked that Association's members be informed that the Sheriff's Office considers this to be trespassing and an act of vandalism. The resident requested that any information regarding this act of vandalism be reported to the Sheriff's Office. The homeowner also requested that the Association place an article in the Caughlin Rancher to notify the membership that the unauthorized pruning of someone's trees is an act of vandalism and is considered trespassing.

Chairman Magrath asked if there were any other comments. There being none the Board moved to the items on the agenda. Chairman Magrath stated that due to the full agenda there will be some items will be taken out of order so the Board can take care of business item that needs to be address before the limited time frame.

**LANDSCAPE SUPREVISOR'S REPORT**

Randy Lisenby, Landscape Supervisor provided the Board with an update of the activities of the crew and projects currently underway. He reported that four broken irrigation main lines in Village Green Park had to be repaired. In addition, several clocks needed to be replaced. He reported that the five water conservation projects (approved by the Board) are scheduled to be finished by the end of the season. He reported that the crew are conducting their regular tasks on the maintenance schedule; including, fertilizing, pruning, providing for defensible space, mowing, and cleaning up.

A homeowner asked Mr. Lisenby why the area around the Caughlin Club is so poorly maintained. Chairman Magrath stated that the Caughlin Club project is on hold due to liability issues with the ownership of the parcels. He added that the Association is waiting for the owners of the Caughlin Club to

deed the parcels to Caughlin Ranch or Washoe County. He concluded until the land is deeded, the land does not belong to Caughlin Ranch, and we cannot begin the project and the maintenance of the area.

Chairman Magrath introduced John Magness, the Association's new Assistant Manager, and encouraged members to contact the Association's office regarding any concerns.

### **2009 BUDGET REPORT**

Manager Trudell provided the Board with a brief update on the 2009 Budget through July 31, 2009. The Manager stated that he has provided the Board with three (3) Yardi reports; Budget Comparison Cash Flow (Accrual); the Balance Sheet (Accrual); and Cash Flow (Accrual). At the request of the Board, the Manager has also provided a 2009 Summary of Account Balance for June 2009 through July 31, 2009. The Manager stated that an Exhibit "A" is attached for all the account balances. The Board discussed the 2009 budget provided by the Manager. Upon a motion and a second the Board unanimously approved the 2009 budget report through July 31, 2009.

### **2010 PROPOSED DRAFT BUDGET**

The Board discussed the draft 2010 budget provided by Manager Trudell. Chairman Magrath explained the budget process. He stated that the main purpose of this meeting is to review the draft 2010 budget, and provide any comments the Board and the Association's members have to CRHA staff. Those comments will be taken into consideration. He added any changes will be recommended by the Board and the revision will be brought back to the Board at its meeting/second budget meeting on September 16, 2009. He added the Board will review the revisions to the 2010 draft budget, and the 2010 proposed budget will then be sent to the entire memberships. He stated that unless a majority of the homeowners reject the 2010 proposed budget (either in person or by proxy) at the Annual Homeowners' Meeting, the 2010 budget is ratified. He added that the Board will approve the final 2010 budget at the November 18, 2009 Board meeting.

Manager Trudell reported that the amount of membership assessments for 2010 budget is based on a projection of 2,168 members. It is estimated that the amount of membership assessments required to balance the budget is \$2,004,788. Manager Trudell reported that the amount for non-residential assessments (commercial assessments) for the 2010 budget will be \$131,984.00. He explained that these non-residential assessments are based on the existing commercial and office space within the Caughlin Ranch master planned community.

The Manager reported that there is no proposed increase in assessments for the 2010 draft budget.

The Manager explained the budgeted amount for each line item to the Board. The following represents comments made and questions asked.

The Manager reported on the Salary and Bonus Structure. The Manager noted that the Board adopted an evaluation procedure for the General Manager and a new policy for salaries and bonuses, which is implemented this year. The Manager reported that the new salary policy, for all employees whose salaries are at or exceed the 75th percentile for the range are eligible for wage increase equal to cost of living increase, based on the Consumer Price Index (CPI) Western Urban. The Manager reported that the CPI for January 2009 to July 2009 is 1.6%. Director Burke asked when the Assistant Manager position started and that a 6% increase was proposed for 2010. Director Burke stated that the seasonal employee's bonuses were based if they returned the following season. She stated that they were in bronze category.

A homeowner asked why the cost for the Association rent was so high. He suggested that the Association should get a discount on the office rent and indicated that there were several commercial offices that were offering discounts. Manager Trudell stated that the Association's rent has not increased in the past three to four years. Chairman Magrath asked that homeowner consider the convenience of having the office

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centrally located within the boundaries of the Caughlin Ranch. The Board directed the Manager to negotiate a reduction in office rent.

The Manager reported that telephone expenses have been slightly increased. He added that the 2010 draft budget included a new separate line item for the Caughlin Creek and Mountainshyre entrance gate telephones. The Manager stated that he had modified the 2010 budget reported to correspond to the adjustments made by the Association's accountant in the YARDI budget reports to separate line items for operating expenses and reserves expenses.

A homeowner suggested that the legal fees were too high. The homeowner indicated that the Association could benefit by paying a flat rate as a retainer. Chairman Magrath responded that in the event that there is a situation where the Association is attempting to recover legal fees, if the hours are not accounted, tracked and paid for separately, the Association would not be able to recover those legal expenses. He stated that this was instrumental in recovering the Association's legal fees and costs in the Pappas Case.

The Manager reported that the 2010 draft budget include \$10,000 for bad debt. He explained that there are currently 25 properties in Caughlin Ranch that are in foreclosure; 17 of those are now bank owned. Director Burke asked for clarification. Manager Trudell explained that we have not incurred any bad debt at this time. He added even with the foreclosed properties now owned by the banks, the Association has been able to recover 100% of the assessments owed. In addition, he reported that the state law had change. Previously, the Association could recover only the past 6 months of assessments on a foreclosed property; however, the recent change in the law allows the Association to collect up to 9 months of past due assessments. To-date no bad debt has been charged off. Director Burke suggested that the Bad Debit line item be part of the revenue and illustrated a negative transfer. The manager stated that he thought that the Board wanted this line item treated the same as a reserve, and that a separate bank account be established for the transfer of the bad debt on a monthly basis, so that the funds would be available when the Association was required to write off bad debt. The Board requested that the Association's accountant discuss this with The CFO Group and set this up as soon as possible.

The Manager reported that the Materials and Supplies, Irrigation Repair, Chemical and Fertilizer and Plant Material and Replacement amounts were based on Randy Lisenby's, Landscape Supervisor, and recommendations. He reported that there has been a decrease for these expenses from last year. The Board questioned the reductions to several maintenance expenses. Director Burke asked about the irrigation repairs allocated for 2010. The Board requested that the manager verify all of these line item changes with Mr. Lisenby, and requested that Mr. Lisenby be in attendance at the next meeting to answer the Board's questions.

The Manager reported that Line 66 is sod purchase and native and wildflower seed mix. He noted that this amount has been kept the same as the previous year due to the fact that this budget has been prepared two months sooner than has been done in the past and we are not close enough to the end of the season to know the actual costs.

The Manager reported that Line 75 mobile restroom expense shows a significant increase due to being underestimated for last year.

The Manager explained that the 2010 draft budget shows reserve expense and revenue separately, and more line items were added to illustrate the expense from the reserve accounts. Previous budget did not include this separation or detail. Director Burke expressed her disagreement with the way some of the expenses are being accounted for. Manager Trudell agreed that some of the expenses moved by the Association's accountant from operating to reserve were not reserve expenses. The Board instructed the manager to make the necessary changes in the 2010 budget to reflect operating expenses separately form reserve

expenses. The Board directed that Manager to invite the Association's accountant to attend the next meeting.

The Board discussed the shop maintenance on Line 112. The manager stated that this line item had been moved from the operating expense to the reserve expenses because it is the repair and maintenance of a major component of the Association's common area improvements.

The Manager reported that the 2010 draft budget included water conservation projects. The estimated costs of the projects for 2010 are \$11,100.

Water Conservation Projects	
(1) Bitterroot Road grass planters	\$2,500.00
(2) Castleridge planters	\$1,000.00
(3) Whispering Pines planters	\$1,100.00
(4) Caughlin Creek planters	\$4,500.00
(5) Pond at Caughlin Ranch Entrance	\$2,000.00
Total Water Conservation Projects	\$11,100.00

Manager Trudell explained that the replacement or repair of a major component is identified in the reserve study. He reported normal operating expenses such as the fee paid to NV Energy for monthly charge to the maintenance and operating of the street lights in the private communities.

A homeowner asked why the costs for the telephone entry systems are absorbed by the entire membership. Manager Trudell explained that the members who benefit from those services pay significantly higher assessments. The entire membership does not pay for specific neighborhood services. He explained that the added expenses were taken into consideration when the Class C and Class D membership assessment classifications were created. He indicated that the items are included in the Association's budget as general operating expenses because it is a common area improvement owned by the Association, these improvements are not owned separately by the members who benefit from the service.

Manager Trudell was directed to provide the Board with some cost figures for a Reserve Study specialist for 2010.

A homeowner asked about the collection procedures in place. Manager Trudell explained that the collection agency Nevada Association Service charges the fees directly to the individual, there are no collection fees charged to or paid by the Association.

A DeerCreek homeowner commented that the Association spends too much money on new vehicles, and he looked up the value of a Ford F150 and it sells for around \$35,000. The homeowner indicated that the Association purchased a new truck last year. Manager Trudell explained that the last vehicle purchased by the Association was in 2007 and the Association paid about \$27,000, and received an \$8,000 rebate. He added that the intent of the reserve study is to replace vehicles which are worn out. He reported that the Association's vehicles are getting older and the reserve study provides that when the vehicle is 10 years old, it has completed its useful life expectancy and is replaced. He stated that the vehicle being replaced next year is a 1994 Ford truck. He added that the Association doesn't necessarily spend what is planned in the reserve study each year. The Manager reported there are several items identified in the reserve study that have not been purchased. The Board instructed the Manager to bring this matter to the Board before the final purchase of a new truck next year.

The Manager reported that the State of Nevada Real Estate Division Ombudsman fee will be decreased next year due to \$1 per unit, which is reduced from the current fee of \$3 per unit.

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Director Burke stated the legal expenses for 2010 are significantly lower than 2009. She stated that this amount proposed in her opinion should increase to \$50,000-\$52,000.

Director Burke asked about the irrigation line item expense. She noted that the irrigation budget line item did not change from 2009 to 2010. Manager Trudell noted that he kept the same amount due to the fact there is no increase project for irrigation usage, and the increase in cost should be off set by the reduction in usage created by the water conservation projects. He added that eventually there should be a savings generated by the water conservation projects.

Director Simon asked that Manager regarding the fuel line item and the statement in the footnotes about increase in the cost of oil and oil based products. He indicated that they appeared to be contradictory. The Manager explained that the Fuel and Oil line item was reduced for 2010 based on the current reduction in oil prices, when compared to a year ago. The language in the footnotes referring to the increase in oil prices, and the need to increase the reserve transfers was based on the conditions in 2005, when the reserve studies were last updated, and asphalt and oil based products included in the reserve studies needed to be dramatically increased from the 2000 reserve study assumptions. The Manager agreed that the statements are contradictory, but not when taken in the context of the timeframe being referenced. He added that when the reserve studies are updated next year, all of these parameters will need to be reexamined.

A homeowner stated that he and his neighbors request that the Board freeze Caughlin Ranch employees wages for 2010.

The Board directed Manager Trudell to make the recommended changes to the 2010 draft budget and to bring this revised 2010 draft budget back for review at the September 16, 2009 meeting. Upon a motion and a second, the Board unanimously approved the motion to direct the manager to make the changes to the 2010 draft budget.

#### **RESPONSE TO CAUGHLIN CREEK GATE I RFP BID**

The Manager reported that he had received a bid for the replacement of the pilaster at the Caughlin Creek Gate I exit gate in June, and was instructed to prepare an RFP. He stated that he sent several RFP's to general contractors, gate contractors and masonry contractors for the replacement of the Caughlin Gate I pilaster. The Manager reported that the Association received one bid. The manager opened the only bid received by Association from the contractor interested in the replacement and repair work. The Manager reported that the cost for the replacement of the concrete pilaster is \$19,915. The Board discussed the RFP and the RFP process. There was speculation voiced by the Board members and homeowners regarding the lack of response to the RFP.

Director Pedrini stated that she feels that the Association should make more effort to solicit more RFPs. Chairman Magrath stated that he doesn't feel that it is fair to the homeowners in Caughlin Creek/DeerCreek to wait while the Manager solicits additional bids. Manager Trudell explained that one of the stipulations in the RFP was that the concrete pilaster needed to be engineered by a licensed civil engineer. He added that the current design had failed due to the weight of the gate arm suspended from the pilaster, and without an engineered plan, the pilaster would most likely fail again.

Chairman Magrath stated that if we send out other RFP, we might lose the one contractor who is willing to do the work. He stated that it is not fair to those homeowners who pay premium assessments for being in a gated community and have the gate broken for months. The Board discussed the Caughlin Creek repair. Chairman Magrath reminded everyone that this item was on the last agenda but did not get resolved due to time restraints. A motion was made to accept the bid on the condition that the reason for not bidding previously was the liability insurance required, and if no contractor identifies the insurance issue as a reason, the Manager is to accept the bid. Upon a second, the motion passed unanimously.

Mike Chapman, legal counsel recommended that the Board accept the bid. He stated there is only a small profit margin for this kind of bid and he feels that is why there weren't more bids received. There are also legal issues to consider if this bid is not accepted since the amount is now public knowledge. The Board took no further action.

#### **CONTRACTOR SELECTION FOR THE 2009 PATH/ PRIVATE SEALING**

The Manager reported that eleven RFPs were sent out to various contractors for the 2009 path and private street sealing program. He reported that three bids were received. The Manager opened all of the responses to the RFP. The Board discussed the outcome of the RFP. Upon a motion and a second the Board unanimously accepted the bid to contract out with Sierra Maintenance for the 2009 sealing project.

A homeowner stated that the slurry seal job performed in the MountainShyre subdivision was inadequate according to a homeowner who was a former inspector for the City of Reno. The Manager explained the Association's maintenance program outlined in the reserve studies for the paths and private streets, and stated that the Association uses a different product and a different procedure than is used by the City of Reno. The Manager stated that there are a number of different procedures; the City of Reno may use an open graded slurry seal which is a different product and procedure, and would be a much higher price per square foot than the product used in sealing of the Association's paths and private streets. The homeowner questioned who was the engineer used by the Association to determine that the procedure used by the Association is adequate. The Manager stated that there are a number of engineers who stand behind this procedure and sealing products.

#### **CAUGHLIN CREEK IRRIGATION**

The Board discussed the Caughlin Creek Irrigation. Chairman Magrath stated that the Board never officially established an amount for irrigation reimbursement. Manager Trudell stated that the Caughlin Creek members had a Special Assessment meeting on July 23, 2009. He reported that the majority of the votes approved the Special Assessment for the 2009 irrigation reimbursement in the amount of \$16,281. The Board was asked to confirm the \$20K previously discussed. The Board discussed the front yard irrigation system in Caughlin Creek. It was stated there is concern that the Caughlin Ranch crew spends 6 to 8 hours a week (during the irrigation season) for irrigation repairs. The Board indicated that the cost of materials and supplies used for the irrigation repair are invoiced directly to Caughlin Creek. There is also an issue regarding passed years' reimbursement. Chairman Magrath recommends that a sub-committee be formed to fully investigate these matters. Directors Pedrini, Burke, and Magrath were appointed to the sub-committee. Upon a motion and a second the Board appointed the sub-committee to research matters and reported back to the Board. Chairman Magrath emphasized that it is the goal of the Board to break even, not to make a profit. The Board thanked Larry Morris for bringing this issue to their attention.

#### **BOARD OF DIRECTORS ELECTION/CANDIDATE INFORMATION**

The Board discussed the election and candidate information of the executive Board. The Manager reported that on August 24, 2009, the application for eligibility to serve on the executive Board was sent to the entire membership. Manager Trudell stated that the Association members will elect 3 new Board members in November. The newly appointed Board members' term will take effect November 21, 2009. He reported that the following Board members terms will expire on November 21, 2009: Bill Magrath, Gail Sande and Jeannie Cassinelli. Chairman Magrath reported that the Senate Bill 183 passed during the 2009 legislative session. He reported that the maximum term of office for the executive board has changed from a 2 year term to a 3 year term. He added that this was a very important change in the law. Chairman Magrath and Manager Trudell testified in 2007 and 2009 to allow HOAs to extend the terms of the executive board members.

Chairman Magrath explained that the Association's First Amendment to the Bylaws will all the term of office for a member of the executive board to be extend to the maximum of a 3 year term. The law requires the terms to be staggered to prevent the entire Board from being replaced at the same time. He added that

the new term and staggered terms will be incorporated in this upcoming election. Chairman Magrath stated that the length of the terms could be decided by the total number of votes a candidate receives. Chairman Magrath stated that the candidate with the highest number of votes will have a three (3) year term ending in November 2013. He added that the 2 individuals who receive the second highest votes will receive a two year ending in 2011. In the following election in November 2010 the four board vacancies up for election would declare that 2 individuals who receive the most votes will receive three year term ending 2013 and the persons with the next two highest numbers of votes will be elected to a one year term ending in 2011. Then one year later in 2011, three vacancies will exist for election to a three year term ending in 2014. He concluded this will allow the staggered terms for upcoming elections. The Board agreed. Upon a motion and a second, the Board unanimously voted to approve that the candidate with the highest number of votes in the upcoming election will receive a 3 year term, and the next two candidates with the highest number of votes will receive 2 year terms, thereby ensuring staggered terms for the executive board members.

Chairman Magrath stated that the deadline for the candidate applications is September 15th,. He stated that SB 451 Section 19 (5) and Section 23 required the election of the board to be conducted by secret ballot. The Association has made arrangements to have the accounting firm of Grant Thornton to conduct the counting of the secret ballots in conformance with state law. He added that the Board will review the ballot packet at its meeting on September 16, 2009. The deadline to receive the ballots at Grant Thornton will be November 2, 2009 at 5:00 p.m. The ballot count and homeowners meeting will be conduct on November 6, 2009 at 1:30 p.m. at the office of Grant Thornton. The election results will be announced at the November 12, 2009 annual homeowner's meeting.

The Board discussed a Candidate forum night. The Board instructed CRHA staff to scheduled a date for the Candidate forum as near as possible to when the ballot packet would be sent out. CRHA staff indicated that the ballot packet was scheduled to be sent out on September 28. The Board requested that CRHA provide the Candidate forum date at the next meeting.

#### **ACCEPTANCE OF THE CAUGHLIN CLUB DEEDS**

The Board discussed the Caughlin Club boundary line adjustments. Manager Trudell recommends that the Board not allow the Caughlin Club to relocate their Drainage Easement. Manager Trudell suggests that the Caughlin Club prepare the deed for Parcel 2 of Parcel Map No. 5000 to be deeded to the Caughlin Ranch Homeowners Association, and encourage the Caughlin Club to deed Parcel 3 to Washoe County. The Association would maintain both common area parcels according to the Caughlin Ranch Development Standards Handbook. The Manager recommended that the Board approve the acceptance of Parcel 2 so that the work can be started. The Board discussed the Caughlin Club deeds. The Board instructed that the Mike Chapman, legal counsel, and Manager Trudell meet with the Caughlin Club owners in the next two week and report back to the Board with their recommendations.

The remaining agenda items were postponed to the next meeting on September 16, 2009.

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Mildred Burke  
Secretary