

FALLS CREEK RANCH ASSOCIATION, INC.
TOWN HALL MEETING – RESERVE FUNDING MINUTES

A Town Hall meeting of the Falls Creek Ranch Association, Inc. occurred on April 25, 2015. Present were President, Tom Jones; Vice-President, David Hardy, Treasurer, Sue McCarthy; Secretary, Deirdre Heine; and At Large, Nancy Peake. Also present were Eb Redford, K Redford, Byard Peake, Mike Hicks, Lisa Hicks, Don Southworth, Mary Southworth, Larry Hansen, Barry Bryant, Mary Ann Bryant, Karl Deterding, Bill Rebovich, Marge Rebovich, Sara Carver, Doug Parmentier, Les Lynch, Peggy Yotti, John Turner, Sandy Turner, Linda Johnson, Shirley Jones, Debbie Boroff, Phil Boroff, Garrett Sartori and Chris Heine.

The purpose of the Town Hall meeting was to discuss with the membership the reserve study and the BOD proposed reserve policy.

The Association Reserves Study report, which utilized an un-vetted components list provided by Falls Creek Ranch, was a useful tool in establishing the criteria to be utilized in building the component list, as is the methodology of the report. The Board's primary disagreements with the Association Reserves (AR) report were its recommendation not to utilize Special Assessments for capital projects, and its disregard of affordability, resulting in a potential negative impact on property values.

The reserve funding component list and the AR criteria used to determine what was included on that list were discussed. Those criteria are:

1. Be a common element maintenance responsibility
2. Have a limited life
3. Have a predictable remaining life
4. Be above a minimum threshold cost

A minimum threshold level was not dictated, but AR indicated that it was often between .5% and 1% of the annual budget. Members of the board had discussed a minimum threshold level of \$10,000 or 3%. A compromise was agreed to at 1.5%, which equates to about a \$5,000 minimum threshold cost. The original component list was then vetted by members of the BOD, with input from a committee chair and the Ranch Liaison. The largest change made was the elimination of the water distribution piping due to its failure to meet the criteria established by AR. This, along with other changes, brought the component list value down from 1.5 million dollars to \$852,000.

Tom Jones read the Proposed Reserve Policy to the membership, a copy of which is attached to these minutes. This policy proposes funding reserves with 10% of the annual budget, or \$40,000 (whichever is higher), which is considered the standard according to outside CPA's and attorneys that were consulted. The 10% funding this year brings us to a baseline reserve funding level.

Establishing a finance committee to aid in the handling of the complex financial workings of the Ranch was discussed, recognizing the enormous and time consuming responsibilities of the Treasurer. The Ranch's new bookkeeper is experienced with HOAs; we have a CPA advisor and we used AR for our first asset reserve study analysis. It is noted that Association Reserves was hired initially to do the incomplete study of our reserve study. However, after interviewing them, the BOD decided that their expertise was best used on the backend analysis.

The formation of a metro tax district was discussed. It was noted that costs will not go down as a result of forming a metro district and that FCR would be required at such time to establish reserves. Tom Jones noted that it was a complicated legal issue that will require time to evaluate.

While there are no plans at this time to replace the water system piping, it was recognized as a major capital investment that must be budgeted for. It was noted that the BOD should utilize outside expertise to determine the values of the water system components and that the outside consulting expense should be included in the budget. Risk analysis; the time frame involved, the severity of the breakage, and how much risk the Ranch will take (not just the dollar valued involved) will also be considered.

The reserve assessments which longtime residents have paid over the years were acknowledged. The BOD recognizes the need for an ongoing commitment to reserve funding, a commitment that will continue on through future BOD. Tom Jones stated that the AR report has been well utilized and that proper funding is a question of balance and that it will be reviewed annually.

The board was asked if a comparison had been made between FCR assessments and other HOA's in the area. Tom Jones responded that yes a comparison had been made and that it appears that with the possible exception of the Glacier Club, FCR has the highest dues in the area.

There was discussion about how the \$40,000 funding amount was reached. The Treasurer stated that the component list was generated from the balance sheet and fine-tuned by committee chairs and the ranch liaison. This version was sent to Association Reserves for backend analysis. When the report came back to us, the component list was revised to meet the component criteria listed in the AR report, and the AR analysis was then duplicated in-house.

Doug Parmentier stated he would like to see more money allocated to reserves. He suggested that in addition to the \$40,000 that the dues should be raised by \$200 per lot for the upcoming year. He asked for a vote. The straw vote showed the majority of those in attendance were in favor of increasing the budget by \$200 per lot with those funds being allocated to reserves.

Every year the dollar amount of the reserve funding will be evaluated and it will not be a static number. For example, the water system piping can go back onto the component list once a proper and true value is assigned to it. Everything we do in the future will be based on component list planning. With a funding policy now in place, it will be a continuing process.

Mike Hicks read a letter to the BOD, signed by owners of 21 lots, which outlined, among other things, support for the reserve funding to be based on the reserve components list and to include the cost of replacing the underground potable water distribution system on the list. It also outlined its support to avoid special assessments and to see the use of reserve funds restricted to just those expenditures related to reserve components. The letter was initially sent to a select group of neighbors, not to the entire membership. The letter, in its entirety, will be made available to the membership under separate cover.

It was recognized that financially, this was a transition year. We now have a separate reserves bank account. The variable water usage fees have been designated as reserve income and will be deposited into the reserve account annually.

ADJOURNMENT

The Board, by motion duly made by Nancy Peake, seconded and unanimously approved, adjourned the Special meeting at 11:20 a.m.

This document constitutes a true and correct copy of the minutes of the Town Hall Meeting of the Falls Creeks Ranch Association, Inc.

Respectively submitted,

Deirdre Heine
Secretary
April 25, 2015