

Draft Minutes

BOARD OF DIRECTORS MEETING

January 3, 2011

Present were Board members Paul Schlauch, Chris Coyle, Christie Jensen, Gordon Nelson and Dennis Reynolds, ranch manager Steve Coley and office manager Michele Willey. Also attending the meeting were homeowners Nancy Nelson, Carol and George Pucak, Richard Sierzant, Ed and Joanne Anderson, Gwen Ballard, Mardie Schlauch, Mike Gerber, Fritz Anthes, Stephanie McConaughy, Chris Chacos and Deb Romanus.

Paul Schlauch called the meeting to order at 4pm.

- **Minutes**

- **Approve minutes from December 6, 2010.** Nelson moved to approve the minutes. Seconded by Chris Coyle. Unanimously approved, with Schlauch abstaining because he did not attend the December meeting.

Homeowner Issues

- **Homeowner letters and comments -**

- Many of the homeowners in attendance said they were present to discuss the golf budget and the pay-to-play provision. Schlauch said that a group of homeowners had met with him at his home the previous Friday. They expressed concern about the golf course budget, and said they did not want the Board to be surprised at the regular meeting by their presentation.

- Gwen Ballard addressed the pay to play provision of the golf budget. She stated it is contrary to the spirit of the Ranch and cited many sections of the Ranch Declaration that preclude a charge to the membership for the use of what are defined as Common Recreation Elements, which include the golf course. Carol Pucak stated she had submitted a letter to the Board and asked for it to be included in the minutes. She read portions of that letter and requested reinstatement of the \$17 assessment for golf that had been in the Ranch's 2009 budget.

- Jim Kosglow asked the Board to appoint a Golf Advisory Committee and submitted a list of potential committee members.

- Gwen Ballard – Stated that we should check the legality of billing for any other use of the Open Space such as for the RV lot and the Horses.

Fritz Anthes – stated that at the time they moved here the face of the Ranch was the golf course. They play golf 2-3 times a week and he said that they will not pay \$20 each time they play golf at the Ranch He also advised they bring guests to the Ranch to play the course on a regular basis and that if they do not play, those guests will not be paying guest green fees to help support the course.

There were no other questions or comments. Schlauch closed the public comment portion of the meeting.

Schlauch then stated that he had spoken with Dave Firmin, an attorney with HindmanSanchez, a Colorado law firm that specializes in HOA legal matters. He said that the on behalf of the Association he had retained that firm and Mr. Firmin to review the ranch Declaration in regard to billing homeowners for use of the Common Recreation Elements and provide a formal opinion. Reynolds explained that the golf course revenue is allocated to the Ranch general fund. The Ranch does not keep separate bank accounts for each of the functional areas of the ranch, although each area is accounted for within the books. Any budget shortfalls come out of the general fund or common fund reserve. He stated golf course operations have not made any money in the last ten years. Ideally, he stated, over time golf course operations would generate sufficient revenue that it would operate on its own with a \$0 assessment. Coyle made a motion that the Board table any action in response to homeowner comments until the Association had received an opinion from its legal counsel. The motion was seconded and unanimously approved.

Old Business

- **Capital items** – The Board has deferred this item to the February 7th meeting.

- **Horse Boarding** – The Board recently received the written proposal relating to the boarding of horses owned by individuals who are not members of the Ranch HOA. The members of the Board determined they have had insufficient time to review and consider the proposal and accompanying agreement. As a result, the consideration of the proposal was deferred to the next regularly scheduled Board meeting.

- In the preliminary Board discussion of the proposal, Coyle stated there are not enough horses at the Ranch to graze the pastures as they are currently configured. As a result, and given the type of grass in the pastures, the majority of the horses in the herd are obese, which obesity and diet have caused a number of horses to founder. He stated the Board has previously discussed that, as a part of the work of the Open Space Committee, a plan to improve the horse facility and pastures will be considered. Boarding outside horses would

create revenue that can be used to make those improvements. The idea is that the members could sponsor a guest and boarding would not be open to the public.

- Schlauch stated the Board needs to address this and get a sense of the membership as to whether, or how, this proposal should be implemented. Schlauch said that although no action was proposed, the Board would allow comments from homeowners on this issue this point in the meeting.

- Ed Anderson stated that the EPA had come down on a friend of his to clean up after the horses in her boarding facility due to the potential of fouling groundwater. He wondered if the ranch would have to do the same if more horses were allowed. Coyle stated that we are only talking about boarding four extra horses.

- Carol Pucak sees this as a major change. She stated that this has been addressed before in previous years and would cause more traffic and more odors, and more use of common space by other people as well as parking of more vehicles on the Ranch. She questioned how would the Ranch's insurance coverage deal with a guest boarder accident. She stated that in her opinion horse boarding raised many questions and potential difficulties. She asked if public fishing badges were next?

- Schlauch said the Board needed to defer on this issue until a legal opinion regarding charging fees in connection with the use of common elements is received, and closed public comment on this topic.

- **GeoSpatial Logic contract** – Coyle drafted a contract, but had not heard back from Bailey yet regarding use of data he owns.

- **Logging the burnt trees, bids from contractors** – Staff has been working on logging the ranch and has asked area logging companies for proposals so that the work can be finished this winter. Coley stated grinding/chipping entire trees is an option instead of hauling the logs off. The Ranch could use the chips throughout the property, or if they were to be hauled would take much less space than trees. The Ranch staff is continuing to drop trees. The trees have been marked for felling and some would be left in sensitive or wetland areas, or where wildlife is utilizing them. In total, there are approximately 400 trees that need to be felled. A proposal from Timberwolf Logging was for \$40,000, so the projected cost for this work would be approximately \$100 per tree for grinding trees on the property and leaving the chips here. Timberwolf is a full service logging operation. The various

proposals obtained for this project ranged from \$17,000 to \$40,000. However, the lower cost proposals were from individuals whose plans regarding timing and methods of the work were vague and did not inspire confidence. The cost for this project would come out of the fire fund. The larger Cottonwood trees are the ones that are going to be logged. The smaller burnt willows and alders will be left, at least for the time being. Jensen would like to address the wetlands areas and have protection left for the birds. Coyle said we should have an open space meeting first and then decide how to approach which of the burnt trees should be left standing.

No action was taken.

- **Hindman/Sanchez retainer and document review** – Schlauch advised that last year the Ranch retained HindmanSanchez to review the governing documents of the Ranch at Roaring Fork. HindmanSanchez recommended that the articles and bylaws of the Ranch be updated and amended. Schlauch stated that it would not be difficult to amend the articles and bylaws, but that the amendment of the declaration required a 2/3 vote of the homeowners and the approval of ¾ of the mortgage holders. Coyle said that we can change our articles and bylaws by a vote of the homeowners or by action of the Board. It was moved and seconded to have HindmanSanchez prepare a draft of their suggested revisions to the Association's articles and bylaws. . The motion passed unanimously.
- **Board Priorities reports** – Schlauch expressed the thanks of the Board to Dennis Reynolds and Steve Coley for transferring the accounting system from off-site to in-house. Auto withdrawal for homeowner payments has been set up as has the direct deposit for payroll. Vendors need to be set up next.
- Nelson, who is working on capital items, said that he had reviewed the Bourne Engineering Report. He stated that the major areas for capital planning are the condos, water, wastewater, storm water management and golf course irrigation. He stated the Ranch is going to be forced to update the domestic water system in the near future due to regulation from the State of Colorado regarding wells under the influence of groundwater, and that the method of treatment will be beyond that of just chlorination. He stated the Ranch will find out what we need and then will have to figure out how to pay for it. He believes that the Ranch is facing significant changes in the future.
- Jensen is heading up the open space committee. She advised that a meeting will be coming up with them this month. She would possibly like to do a survey to poll the residents about the

open space and see how they think we should use the money. Schlauch said we should research it first and then offer them options. The fire reserve money is available for consultants. Jensen feels that the homeowners know what they want to have done in the open space. Coyle stated the open space committee should go out and see what they like about the area under review what they don't like. Schlauch said the fire was devastating but we can look at it as an opportunity to make things better.

New Business

- **Infrastructure inspections, reviews** – Coley has had the water tested and they will be making a proposal to us soon about the infrastructure and the costs. Financing is available and we will have a report soon.
- **Review horse boarding fees** – There has been an increase in the horse boarding fees. Over the years the fees have gone up a lot. There have been many comments from the horse owners on this. Schlauch said he thinks we should keep the fees at the same level as last year. Coyle said the horse facility cost center showed the association profited from the assessments on horse owners last year. With no new projects in the future, it does not seem like the dues should be raised. Nelson said that feeding the horses by the staff should save us money. Coyle said that the cost could be a wash. We need to wait for the legal opinion and then decide if we need to reduce the horse fees. We will bill the horse owner now at the increased rate, but let them know of the possible decrease later. We would then adjust their balance. No further action taken.

Manager's report

- **Willows were cleared across Hwy 82** – A contractor spent the day clearing out the willows across the road and the Ranch gained some acreage. This work gives staff access to a ditch that has created a swamp on the golf course every year.
- **Condo heat checks** – Five condos (#123, #131, #305, #283, and #255) have had freezing pipes so far this winter. Staff is doing the heat checks weekly. One wall in a condo had to be opened up and there will be a contractor coming in shortly to give a proposal on fixing it so the pipes do not freeze again. Staff had to shut off the water to condo #123 until it could be thawed or repaired.
- **Manager's Priorities for January**
 - Wrangler
 - Payroll, auto-withdrawal, new reports formatted for BOD

- Close 2006 COE permit
- GIS database uploaded
- Capital purchases made with BOD approval – This matter was deferred to the February Board meeting. Coley was asked to make sure the Board gets the manager’s proposal on capital expenditures and all other written material to be considered at a Board meeting at least by the Wednesday before the meeting.

Financial

- **November 2010 financial review HOA dues in arrears** –Reynolds distributed information on the use of Metro Districts as a possible method to raise funds for future capital requirements. Frank Sassolino, CPA is ready to do begin the audit once CPMG closes the books for the 2010 year. There needs to be a year end adjustment from work that was mistakenly allocated to the Waterway fund. The fishing fund shows less than projected revenue as badge sales are down.
- **Foreclosure, superpriority lien** – One property that had been foreclosed on has been sold and the Ranch has received 6 months worth of past due regular assessments from the foreclosing lender as a result of the superpriority lien provided by CCIOA. This foreclosed property is located at 12 Brown Court.
- **City Wide bank account closed will be swept out.** About 1/3 of the homeowners have set up auto withdrawal for payment of their homeowner dues.

Next meeting date

- The next regular meeting of the Board will be held at 4 pm on Monday, February 7, 2011

The Regular Meeting was adjourned.

The Board held an Executive Session.

[Materials submitted to the Board in connection with this meeting follow.]

Proposed member for the Golf Committee:

1. Fritz Anthes
2. Gwen Ballard
3. Dan Bishop
4. Al Koeneke
5. Jim Kosglow
6. Carol Pucak

Submitted Jan 3, 2011 by Jim Kosglow

The following is ~~the material- submitted~~ Carol Pucak submitted to the Board by Carol Pucak. She requested that it be ~~and asked for it to be~~ appended to included in the Minutes of the January 3 Board meeting, and the Board agreed:

January 3, 2011

-Hinman-Sanchez is a law firm that specializes in HOA's that The Ranch has recently consulted. This firm clearly recommends that BOD's considering any changes to the common areas should follow these, among other procedures:

- determine if the changes will be welcome by the community by a somewhat formal poll
- if the response is positive develop specs, and costs, present those to the owners
- a special meeting be held to discuss such plans is recommended
- review by association's attorney regarding such change

-Two such changes have been made by the BOD of The Ranch in the last two months.

-One is the proposed "pay for play" on the golf course

-Minimal notice was given to the owners. Only a footnote in the golf budget "Implement owner fee" was found on the website behind a password.

-No input from owners was solicited. In fact, only one owner was allowed to make an uninterrupted comment in the December meeting and several were not allowed to speak.

-Response 30 to 2 against possible pay to play scenario.

-No plans for implementation of these changes were in place.

-Change in the operations of the golf course may jeopardize the future of the course as well as the relationship with the current operator, who is doing a wonderful job of operating the golf course.

-Only the golf course had assessment reduced

-This \$60 reduction of assessments in 2011 will not offset cost of golf for owners. Those on fixed incomes or with families may not be able to afford to golf on a course of which they are part owners. Many are long time residents who have supported the golf course with their assessments for years.

-It has been stated that the golf course has lost money during the last decade. Per Wranglers and our website, this is not accurate. The golf course showed a surplus in 2007 with an owner assessment of \$17. "Due to anticipated revenues" the assessment was lowered to \$13 for 2009 and remained the same for 2010, resulting in deficits those years. The assessment has reduced to \$8 in 2011 which will create an even larger deficit.

Golf total revenues: 2004 = \$127,925 2005 = \$128,767 2006 = \$145,644

2007 = 171,807 2008 = \$177,915 2009 and 2010 not provided

Net golf revenues: 2007 = \$19,995 2008 = \$9643 2009 = negative \$15,610 2010 = negative est. \$8178

Retained earnings fund balance Jan. 2010 = \$44,690 Jan 2011 est. \$2,9080 2012 est. \$20,902

-By instituting "pay per use" we will be segmenting ourselves by user groups which will inevitably cause controversy and make many of them unaffordable. Together we have been able to afford this great lifestyle that The Ranch offers. Pitted against each other we will ultimately fail.

What reasons can the board have to experiment with a new way to run the golf course that functions very well under the current system? We are asking the BOD to reconsider the decrease in the golf assessment.

1. As I said before: If something isn't broken, why fix it!

2. We would support a \$17 assesment for all home owners. This is the amount that had been charged in past years. In 2010 the fee was reduced to \$13.00, with another reduction in 2011 going \$8.00. Rather than reduce to \$8.00, increase back to the previous \$17.00.

The golf course is key to the community and keeps the values high. Do not implement fees for owners to play, rather increase the monthly HOA dues back to the original \$17.00 across the community to support the golf course.

3. I agree if we de-fund the golf course, it probably won't make it. The minimal reduction in dues is not going to help anybody. If we lost our golf course, it would be very bad for the Ranch in my opinion, and would certainly have a negative effect on all of our property values. I think a more sensible thing to do would be to go back to a higher monthly assessment. It seems to me that most owners would be in favor of that in lieu of having the golf course fall into disrepair, or worse yet, losing it altogether.

4. I agree with you about the golf course. It is a COMMUNITY amenity as it enhances value. I have played the course about 3 times during 15 years of ownership but still am happy to pay for it. It is certainly OK to choose not to use it but it needs to be maintained by the entire community. The segregation of users and non-users is counterproductive. Why don't we just pay the same dues as last year, ie \$5 more than proposed for 2011 and raise enough money for the HOA budget to break even. Understanding the costs of the various amenities is fine but separating them out from an income standpoint and saying one is operating at a deficit is a poor way to run the business of the association.

5. Amen. (In reply to the above email, item #4.)

6. I support your reasoning!

7. While we have not lived in our condo since the mid 90's, we do visit every summer and see many owners golfing. Unless the ownership of the Ranch has changed significantly since we lived there, it truly sounds as if the BOD is out of touch with those who elected them. We are in total agreement that the policy change regarding the golf course sounds "penny wise and pound foolish", and "if it ain't broke, don't fix it"! Why would the BOD even consider such a dumb change to the dues. I know our friends _____ & _____ would agree with this position, but like ourselves, will not be able to attend an early January meeting. Please pass our sentiments on to those in attendance and make sure they understand that the amenities such as golf, open space, fishing, and horse operations were the main reason we purchased our property to begin with, and

continue to be the main reason we still own our condo. We hope the the BOD is open to keeping the golf dues the same, so that this integral part of the Ranch life style is not jeopardized.

8. I agree with you. Count me in.

9. We agree with you ...why fix something that is not broken.

10. Well done. I agree to continue appropriate assessment so golf course breaks even or close enough. Agree this plan has worked successfully in the past. Why change gears now.

I am against pay to play plan. Next we will charge ourselves for a stroll!!

11. My husband and I are in agreement with doing what is necessary to keep the golf course free to use for homeowners and viable for the Ranch. Also let us know if there is any type of petition or group homeowner letter going to the board that we can sign.

12. I am not a golfer but agree with your assessment. I am in favor of not charging on a per use basis and doing it the way it was done prior to the deficit. I will not be at the meeting but want you to know you have my support.

13. Why would we experiment with a system that has worked for nearly 40 years and risk contention and harm to one of our most valuable amenities?

14. Golf has always been an amenity that has been paid for by our assessments. I see no reason to change that.

15. I can't imagine that Tom Vail was not in on these decisions! Why the changes?

16. Well I am supportive of no pay to play. It would be equivalent to paying each time someone went fishing.

17. My understanding after reviewing the covenants, is that according to Section 4.2 which gives a description of our common recreational reserve reflects that the golf course is included and under Section 2.9 & 2.10 all common recreational reserve expenses will be incurred by the whole association. Our monthly dues have always covered the common expenses. This would mean that the concept of "Pay to Play" violates the covenants. If this was acceptable, in the future we could be charged to walk on our common roads.

18. What is important is that we not start creating division within the community based on which amenities you use or don't use or like or don't like. We are all responsible for ALL of the amenities. We are property owners first and facility users second. The amenities are owned by ALL of the property owners whether we use them or not so we are all responsible for their upkeep and preservation.

19. ...I am in total agreement with the movement to reinstate the \$17 monthly assessment for the golf amenity...I'm in total confusion as to the rationale for last year's reduction to \$13, and I'm really baffled by the further reduction to \$8 this year?????? =-/...I am also in agreement with the opposition to the 'pay to play' proposition

19. Unfortunately this is yet another example of the Board's unilateral actions done without the knowledge or consent of the homeowners. The homeowners are informed only after the Board has reached a decision. Now the golf course has come under attack. Although it is a valuable amenity to everyone at the Ranch - golfers and non-golfers alike - members of the Board have taken it upon themselves to change long-standing policies regarding who can use the course and what they have to pay to play. The Board is now systematically removing the financial support provided to the golf course by monthly assessments of the homeowners. The only purpose of such a change, as you say in your email, is to guarantee that the golf course produces a deficit. The deficit can then be used as justification for any new hare-brained scheme that the Board dreams up. Charging homeowners for use of the golf course is one possible scheme. In the extreme, however, the Board could use the mounting golf course losses as justification for closing the golf course and selling the land. Please be sure that you have my full support in fighting this abuse of power by the Board.

20. I think the board has shown poor governance by attempting to change common area usage without sharing the plan and soliciting owner input prior to doing so. Also, I question whether they even have the ability to change to a pay for use plan, doesn't this contradict our HOA documents? The manner in which this was snuck through does not lend confidence that the board is representing us, nor lend trust that they will use good judgment in their decisions for our HOA. I find it hard to believe this has

happened. I wonder if they were all really supportive of this, or if one individual pushed for it and took advantage of the unity dynamic among board members. Doesn't seem to me that they would all be so sneaky and business foolish if they were using independent judgment.

I believe the board has magnified the deficit challenge of the golf course by again lowering the dues to golf; this is unnecessary! Basing a budget on more money than the golf course made last year is irresponsible management. Seems like these tactics would guarantee a loss to the golf course. Why would anyone plan to fail? Was Tom part of this foolishness? Also, depending on other funds we may have to bail out the golf course is self-defeating. Don't we have big capital expenses ahead of us? Why would we spend money in the bank to run the golf course when we have other options? I think we should fund it adequately through monthly dues so we don't have to bail it out later, and we can keep our golf privileges as they have always been.

I disagree with what has been done and how it has been done. I question the business sense

21. it would seem to me that more community process is needed before such changes are implemented. I can see civil disobedience being an unintended consequence of the golf decision and the horse boarding.

January 3, 2011

-The BOD did not inform the owners of this proposal.

-No comments from the owners were solicited prior to the decision.

-No plan is in place to implement this decision. The number of 20 horses has been mentioned.

-Was legal counsel obtained prior to this decision being made?

-What comments did our insurance company have?

Concerns about horse boarding:

1. More traffic, dust, vehicles.

2. More people knowing gate code. Ferriers, vets, trainers, owners, children, etc.

3. More use of common space by non-owners. More dogs, more people, people the public bring in.
4. Public would get to park their horse trailers on R@RF open space
5. Liability issues are HUGE. What if a "boarded horse" damages property, another owner's horse, or a person? What if a member of the public or their horse is harmed while on Ranch property? A fisherman on our open space illegally threatened to sue after the fire. One BOD/association lost a lawsuit brought about by the owners by simply changing the landscaping on common space. How much might The Ranch lose in a lawsuit if an owner, his family, guest or animal are injured by a non-owner or their animal which results from this BOD's major change in common space use.
6. The proposal was made because it is said that there is too much feed and the horses are foundering. This can be eliminated by proper grazing management and improving the condition of the pastures.
7. Public boarding would cause more difficulties for the management of the open space by the staff. Identifying which member of public can legitimately use the open space would be nearly impossible. There is not staff time or money to monitor the open space now and it will be more difficult with public access.
8. Funds generated from our common space should go to the common fund as does revenue from hay production. Earlier notes mention that the funds would be used to enhance the equestrian amenity.
9. If generating revenue for The Ranch is the purpose of public horse boarding then is the next step selling fishing badges to the public, or an annual pass to the public for use of the common space?

Until December 6th ownership of property at The Ranch was a requirement for horse boarding. Allowing non-owners access to our common space is giving away a right that owners alone should have. Many people own property here because of this right.

The market value of our property at The Ranch is based in a large part on the Common Recreation Reserve and the activities reserved for owners and their guests. Allowing non-owners access will lower our property values.

I am requesting the BOD to re-vote this issue after careful consideration of these issues. Please consider the value of our experience on the open space as well as our property values.