

CAUGHLIN RANCH HOMEOWNERS ASSOCIATION
Board of Directors Meeting Minutes
1070 Caughlin Crossing, Reno, NV
Wednesday, September 26, 2018

Board Members Present:

Al Dennis, President
Michele Attaway, Vice President
Vincent Ames, Treasurer
Joan Mullen, Director
Mike Chern, Director

Others Present:

Lorrie Olson, Community/General Manager
Randy Lisenby, L & M Superintendent
Sandy Wheeler, Bookkeeper/CAM
Shawn Oliphant, Association Attorney
3 Homeowners

Board Member Absent:

Drew Naccarato, Director

1. Call to Order and Determination of Quorum:

President Dennis called the meeting to order at 6:04 p.m. A quorum was established with five (5) Board Members present.

2. Member Comments: There were none.

3. Accept Board Secretary's resignation and appoint Member to open seat:

President Dennis advised that Secretary Tony Termini has resigned since the last meeting.

Motion: Treasurer Ames moved to accept Tony Termini's resignation; Director Mullen seconded. Motion carried unanimously.

President Dennis introduced Allen Black who is currently on the Finance and Budget Committee; he has agreed to serve on the Board of Directors until the next Annual Meeting.

Motion: Treasurer Ames moved to appoint Allen Black to the Board of Directors; Director Chern seconded. Motion carried unanimously.

4. Appoint Board Secretary:

President Dennis advised Director Naccarato has volunteered to serve as the Board Secretary through the November Meeting.

Motion: Treasurer Ames moved to appoint Drew Naccarato as Board Secretary; Director Black seconded. Motion carried unanimously.

5. Minutes:

5.1. Review & approve July 25, 2018 Board of Directors Meeting Minutes:

Prepared by Bookkeeper Wheeler; reviewed and edited by GM Olson, President Dennis and Treasurer Ames.

Motion: Director Black moved to approve the July 25, 2018 meeting minutes as presented; Treasurer Ames seconded. Motion carried unanimously.

6. Financial Matters:

6.1. Review & accept Unaudited Financial Reports as of July 31, 2018:

Treasurer Ames provided a financial update. He shared that we are in the process of reviewing the Reserve Studies and that the previous Rancher included an article regarding reserve studies; page 14 of that issue. He also shared that on September 25th, he attended a class that was held at our office on the topic of Reserves Studies which he found was very informative.

- The bank statements are being reconciled and the financial reports reviewed and adjusted as-needed monthly by the GL Accountant to ensure CRHA is reporting on a true accrual accounting basis
- The Board has been provided copies of the GL Balance Sheet by Fund and the Statement of Revenues and Expenses as of July 31, 2018
- The Association's cash position through July 31st: Operating cash = \$1,336,446
Reserve cash and CD's: Mountainshyre = \$225,379; Caughlin Creek = \$555,647; CRHA = \$663,992; Grand Total = \$1,445,018
- Through July 31st on an accrual basis, Total (Operating) Income was \$1,301,885; over YTD Budget by \$21,356. At this time, all reserve transfers are being deposited on a quarterly basis
- Total (Operating) Expense was \$1,260,330; under YTD Budget by \$7,022;
Operating Expense = over YTD Budget by (\$22,170); Payroll = under YTD Budget by \$41,550; Repairs and Maintenance = under YTD Budget by \$1,978; Utilities = over YTD Budget by (\$14,335)
- Total (Operating) Excess Revenue / Expense = \$41,555; = \$28,378 under YTD Budget
- Total Reserve Income was \$154,072; of which Interest = \$8,178
- Total Reserve Expenses were \$91,508; 2018 Reserve Budget = \$228,981

GM Olson read the following required statement into the minutes:

The Board is required to review the Association's financial information in accordance with NRS 116.31083. The Association is following paragraph (b) of subsection 2 of NRS 116.3115 and confirms that reserve funds have not been used for daily maintenance.

Motion: Director Black moved to accept the un-audited Financial Report dated July 31, 2018 as presented; Director Chern seconded. Motion carried unanimously.

6.2. Review and Approve Proposed 2019 Draft Budget (no assessment increase proposed):

President Dennis advised that GM Olson prepared the budget which has been reviewed by the F&B Committee.

Director Black commented that there are numerous factors that may have significant impact on the budget which includes, labor costs. The 2019 budget does include an increase for labor as well as savings on other items. The labor costs will continue to increase; we need to keep a close eye on this in the future.

GM Olson shared that CRHA is a member of the Nevada Association of Employers who reports on local labor costs. Superintendent Lisenby provided an evaluation which includes what the current market trends are in regard to landscape labor.

The trend has resulted in a revision to the Revised Employee Salary, Wage and Bonus Structure Procedure for seasonal labor. The 2019 seasonal labor cost was increased by \$61,000.00.

Motion: Treasurer Ames moved to approve the Proposed 2019 Draft Budget as presented; Director Black seconded. Motion carried unanimously.

7. Reports & Updates:

7.1. Finance & Budget Committee (F&B):

Treasurer Ames provided his report during item 4. He did add that the main thing he got out of the Reserve Study class was that the reserve budget must include all the items in the yearly forecast. Once operating funds are deposited into the reserve account, those funds cannot be used for day-to-day expenses. He complimented GM Olson on the work she did on the budget.

7.2. Architectural Control Committee (ACC):

President Dennis stressed the importance and requirement for all owners who want to make changes to the exterior of their homes to submit a request to the ACC. In the past 6 months, we have seen an increase in owners who have not obtained approval for exterior changes. He assured everyone that the ACC is not difficult to work with. Please submit your request first before making any changes.

GM Olson advised any owners who make exterior modifications and/or improvements without prior written consent from the ACC, will be invited to attend a hearing with the Compliance Committee.

7.3. Landscaping, Irrigation/Conservation & Maintenance; L&M Superintendent Lisenby provided the following updates:

Equipment maintenance and tune-ups:

- Utility vehicle required repairs to the front-end suspension and had tires replaced (used for the parks and trash cans throughout CRHA)
- Backhoe – fully operational
- Bobcat had computer problems which required it to be replaced including the screen

Water Conservation Projects:

- Area between Alum Creek and Pine Creek to include moving the water off the paths

Village Green Park:

- Concrete grinding of sidewalks has been completed

Defensible space work continues:

- Filling two to three 30-yard dumpsters per week
- Currently have 2 full-time crews working only on defensible space clean-up, this will be cut in half as we come to the end of the season
- Beginning 2nd round of thinning and removing dead plant material

President Dennis asked what the policy is regarding areas that abut homeowner's fences.

Superintendent Lisenby advised that the first 10 feet from the fence is cleared; the next 20 feet is thinned out by removing dead plant debris. We cannot remove all the vegetation as this will create an erosion issue.

Vice President Attaway asked if a homeowner has a section of their property that is native, are they required to do something with that area?

Superintendent Lisenby advised homeowners are responsible for removing dead plant debris and dead limbs as well as removing and replacing plants that have died and noxious weeds for fire safety.

GM Olson also advised that when we issue notices for maintenance of native areas, we provide a photo depicting what the area should look like once it has been cleaned up.

Superintendent Lisenby advised Steamboat Ditch is scheduled to be turned off by October 11th.

Vice President Attaway asked what the Farmers Almanac says about the weather this winter.

Superintendent Lisenby advised that he has heard both a mild winter and a rough winter and that we will have to wait and see.

Treasurer Ames stated the lawn looks great and wondered if it was the water from the ditch.

Superintendent Lisenby advised that he has the turf tested; a list is provided of what amendments are needed. An order for those specific amendments is placed and then applied. He also believes it is because we are constantly making sure that the sprinklers are adjusted and repaired timely to assure proper watering.

7.4. Community Events:

Vice President Attaway made mention that the Annual BBQ held at the Village Green Park was very successful and resulted in a lot a great feedback. We will be hosting the Annual BBQ there again next year. Guests loved the band on the stage and the Lions Club had an easier time serving.

Bookkeeper/CAM Wheeler advised that comments were made about not having enough shade and maybe next year there could be either tables with umbrellas or another tent rented for shade.

The following are the 2018 Event dates:

- Fall Bird Walk/Watch (meet at Caughlin Ranch office): September 29th
- Garage Sales; individual lots: October 6th & 7th
- Angel Tree for Children and Seniors Citizens: November 1st thru 30th
- Holiday Share Your Wine at Moana Nursery: November 8th
- 34th Annual Members Meeting & 2019 Budget Ratification Meeting: November 14th
- Coffee with the Manager is generally held on the 1st Tuesday of each month

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- New Homeowner orientation is generally held on the 1st Thursday of each month

GM Olson advised that there has been a slow-down in attendance at the New Owner Orientations despite the fact that she raffles a \$10 Starbucks gift card at the end of each session. We continue to receive a steady flow of foot traffic at each Coffee with the Manger.

7.5. Pending Litigation, Executive Session Summary, Community News and Updates:

Attorney Oliphant advised that CRHA is required to provide a periodic update regarding all possible/pending litigation. He advised there are three on-going matters at this time:

- One involves a home that the lender has been authorized to foreclose upon but has not yet done so. We are awaiting completion of that process.
- Second case involves a homeowner who claims he was damaged because an adjoining neighbor's pool structure was built outside the building envelope. A settlement has been reached; this item is on tonight's agenda for review and possible approval.
- A third case involves a seasonal worker who claims he was not hired in 2017 because of his age. This matter went to mediation but was not resolved. It is now under investigation by DETR to determine if there is cause for a charge of discrimination.
- Pending legal matters where discussed in Executive Session

Attorney Oliphant provided a summary of the Executive Session as follows:

- Reviewed the Accounts Receivable Report
- Reviewed the Violation Report
- Reviewed homeowner correspondence regarding notices they received
- Reviewed homeowner correspondence with suggestions regarding access to public trails and parking on public streets

7.6. Community News and information: GM Olson provided the following summary:

GM Olson shared a photo of the tree stump chair that showed someone had added a toilet paper holder. She advised that the wasp nest that was in the chair has been eliminated along with the toilet paper holder.

GM Olson advised the purchase of a new refrigerator (the used one we purchased in 2012 failed) allowed us to eliminate the water cooler service. The purchase of a new phone system and changes to the 1050 alarm system, allowed us to cancel 3 telephone bills. All of which will result in a savings of approximately \$3,440.00 yearly.

GM Olson asked how many signs the Board wants to have installed along the trails to help address complaints from owners who live adjacent to or in close proximity to trails where they are experiencing issues such as parking, trash and other disturbances from visitors using the trail systems.

Vice President Attaway suggested a test project. She recommended placement on the common areas adjacent to the trail heads in the neighborhood that the letter came from.

President Dennis asked Superintendent Lisenby what his thoughts were regarding the signs.

Superintendent Lisenby did not have any issue with the installation of the signs or the recommended areas for installation.

Attorney Oliphant shared the Board received complaints regarding people using the trails. The concerns were parking, trash being left behind, noise that was being created by these individuals as well as people going onto private property. The Board suggested new signage be installed at the trail heads to alert the visitors not to engage in activities that can be disturbing to surrounding residents.

8. New Business:

8.1. Approve renewal of Caughlin Crossing Commercial Center Landscape Services Agreement thru 12/31/18:

GM Olson proposes the same monthly cost thru 12/31/18.

Motion: Treasurer Ames moved to approve the renewal of Caughlin Crossing Commercial Center Landscape Services Agreement thru 12/31/18 as presented; Director Chern seconded. Motion carried unanimously.

8.2. Approve Caughlin Crossing Commercial Center Landscape Services Agreement from 01/01/19 thru 12/31/19:

GM Olson recommends the CCCC renewal of the Landscape Services Agreement to include a 10% monthly increase effective 1/1/2019 through 12/31/19.

Motion: Treasurer Ames moved to approve Caughlin Crossing Commercial Center Landscape Services Agreement from 01/01/19 thru 12/31/19 as presented; Vice President Attaway seconded. No discussion. Motion carried unanimously.

8.3. Approve vinyl picket fence material specifications:

GM Olson advised that the material specifications remain the same regardless of the distributor or manufacturer.

Motion: Treasurer Ames moved to approve vinyl picket fence material specifications as presented; Director Black seconded. Motion carried unanimously.

8.4. Approve request to allow designated CRHA staff to work directly with individual homeowners to assist with approved vinyl picket fence installs:

GM Olson reminded everyone that CRHA has a secondary employment policy for staff; a request has been received for a few of the landscape staff to work directly with and be paid directly by several homeowners who wish to utilize their services which may only be performed after CRHA work hours and on Saturdays. GM Olson is unsure if the anticipated work requires a contractor's license or not. This will be strictly offered as a courtesy to the homeowners since the fence costs increase substantially with a contractor install.

Attorney Oliphant provided clarification that the General Manager has the authority to approve a secondary employment request and that upon approval, the Employee or the Employee's Employer must obtain the appropriate business license, insurance, bonds, and/or contractor licensing as appropriate for the work to be completed.

Attorney Oliphant advised the only exception to hiring a licensed contractor is when the homeowner completes the work on their own; they do not pay for the work to be completed. He further stated that if a worker is being paid by a homeowner to install fencing, a contractor's license is required.

Attorney Oliphant opined that it will not be the homeowner who would get in trouble with the Nevada State Contractor's Board (NSCB), it will be the person(s) completing the work. He added if the Board granted approval, they would be violating its own policy by not requiring a license to be obtained. He restated that in his opinion, a license is required.

Vice President Attaway made the comment that another fencing contractor who observed this type of work and determined the work was being done without a license, would most likely file a complaint with the NSCB.

Attorney Oliphant shared he called the NSCB and asked if he can hire day laborers to install a fence and was advised that he may hire who he wants but that person is still violating the law by contracting without a license.

Superintendent Lisenby addressed the Board and stated that when this policy took affect it created a morale problem. All landscape staff was stopped from doing mowing, weed eating and blowing yards; this type of work does not require a license. He thought that the Board is going in 2 different directions, first you tell them no extra work and now your proposing to approve some staff to do fencing work. He continued by expressing that it is bad enough that other companies are trying to steal our employees; he doesn't need a morale issue that may cause some to leave.

President Dennis responded that the Board is responsible for protecting the Association. If the Association's Attorney is advising against this type of work, he sides with the Attorney. He apologized that the guys won't be able to make extra money but the exposure to them and CRHA is not worth it.

Vice President Attaway addressed Superintendent Lisenby to clarify what he wants is consistency.

Superintendent Lisenby agreed that he wanted it to be one way or the other.

Director Chern agreed with President Dennis and Superintended Lisenby; he elaborated on the morale issue and having a specific policy in place that says no extra work. However, when a window of opportunity is created, the employees that are subjected to this policy may not fully understand the nuances of why you can't do extra work now. When there is a little window of a few people who can do extra work and then that window is closed to others which can make the morale issue even worse.

Attorney Oliphant asked if the morale issue was because CRHA is preventing extra work by staff members within CRHA.

Superintendent Lisenby replied yes and that past Boards had encouraged homeowners to hire the crew members because CRHA's labor wages were so low. It was expected that these employees would stay at CRHA for low labor rates if they were doing director work for homeowners in their off time. A couple of the employees had done quite well and now the majority are being punished because one of them was not following the rules.

Attorney Oliphant stated he is not against employees being approved for secondary employment as long as they obtain the proper licensing for the work that is to be completed.

Motion: Vice President Attaway moved to decline the request to allow CRHA staff to work directly with individual homeowners to assist with vinyl picket fence installs in accordance with the recommendation of the Association Attorney; Director Chern seconded. Motion carried unanimously.

8.5. Approve Mollath v. Sande and CRHA Settlement Agreement & Release:

Attorney Oliphant advised that the case involved a homeowner who claimed he was damaged because an adjoining neighbor's pool structure was built outside the building envelope. The claim was turned into the Association's Directors and Officers (D&O) insurance carrier. CRHA paid the insurance deductible of \$15,000. The insurance company hired an attorney who was able to settle the case; the Sandes agreed to settle also.

Motion: Vice President Attaway moved to authorize the Board President to sign the Mollath v. Sande and CRHA Settlement Agreement & Release as presented; Director Chern seconded. Motion carried unanimously.

8.6. Approve Caughlin Cottages (fence repairs) Settlement Agreement and Release:

Attorney Oliphant advised that this agreement was derived from the Caughlin Cottages Homeowners who asserted that they were not given proper notice regarding the fencing repairs that were completed on their properties. It included that their properties were trespassed on and the work was not to their satisfaction. He negotiated with the contractor APS over several months; a proposed agreement was sent to each homeowner offering a 40% discount (comprised of 20% from the contractor and 20% from CRHA) for the fence repair work only. CRHA will allocate the funds that were collected from the storage of a backhoe tractor in the amount of \$7,304.

Treasurer Ames asked if all 32 owners must participate or if the 16 who have returned the agreement will get the discount.

Attorney Oliphant clarified that each individual who signs and returns the agreement and pays their portion of the repairs will be given the discount. It is not an all or nothing.

Motion: Treasurer Ames moved to approve the Caughlin Cottages (fence repairs) Settlement Agreement, Release and utilize the backhoe storage money for the CRHA portion of this agreement and authorize the Board President to sign the individual agreements; Director Black seconded. Motion carried unanimously.

8.7. Approve renewal of Backup and Disaster Recovery and Managed Services Agreements with Erlach Computer Consultants (ECC):

Attorney Oliphant worked with ECC on suggested edits to the Backup and Disaster Recovery Agreement. No edits were suggested for the Managed Services Agreement.

Attorney Oliphant shared that it is his understanding in talking with Tim Erlach, that he is the middle man for storage of the data. Storage is being done on a cloud server. This agreement is dictated by the technology partner, anything not in their agreement with the technology partner won't be included in their agreement with CRHA. He explained there are 2 outstanding issues at this time.

Attorney Oliphant advised one issue is regarding the warranty which limits liabilities regarding adequate storage and the loss of data due to inadequate storage. He proposed adding a clause to include refund of reasonable costs associated to recover; that was denied so we are at an impasse.

Attorney Oliphant advised the second issue is with Section 5.3, another limited liability that includes a provision that in no event will ECC or its partners be responsible for consequential data including any lost data. He wanted to strike "any loss data" and add a provision if there is a breach to use whatever remedies necessary to recover the data, this too was denied.

Attorney Oliphant is not necessarily recommending that the Board not approve the contract as they have been your vendor for greater than 4 years. However, it was his thought that they should be responsible for protecting and recovering any and all lost data.

Attorney Oliphant shared that the legal field is moving forward with cloud storage.

Director Chern asked Attorney Oliphant how this contract has changed since the last one and stated that it may be possible that the prior one had the same or similar exclusions. He went on to explain that these types of contracts are standard for this industry. He shared that the costs associated with lost data for enterprise level backup; not 2-hour solutions backup, have increased so much that no one wants to be responsible for the cost of recovery when loss happens because there are so many bad guys out there its not a matter of if but when. He continued by stating that CRHA, ECC as well as AXIA who is contracted for cloud storage each does not want to be exposed for loss of data. It is preferred to return the funds you paid, not the funds to retrieve the data. He shared that he too is getting ready to wind down his own business based on this industry wide issue.

GM Olson advised that CRHA does have Cyber Crime insurance; she will get clarification on the limits of coverage.

Attorney Oliphant advised that if CRHA is satisfied with the level of service that ECC has provided and wants to approve the agreement that the Board may wish to approve the agreement with the revisions that have been agreed upon by both parties.

Motion: Vice President Attaway moved to approve the renewal of Backup and Disaster Recovery and Managed Services Agreements with ECC with proposed revisions by Attorney Oliphant; Director Black seconded. Director Chern recused himself; all others voted in favor. Motion carried with a majority vote.

8.8. Approve 2018 Reserve Study Financial Updates: 1070 Caughlin Crossing, Caughlin Ranch Master, Caughlin Creek, Mountainshyre and Pine Bluff (Phase I):

GM Olson advised that updates have been reviewed by the F&B Committee; no further edits were requested. Noted that Caughlin Creek and Mountainshyre percent funded may appear high but are in line with the reserve studies.

Motion: Treasurer Ames moved to approve the Approve 2018 Reserve Study Financial Updates: 1070 Caughlin Crossing, Caughlin Ranch Master, Caughlin Creek, Mountainshyre and Pine Bluff (Phase I) as presented; Director Mullen seconded. Motion carried unanimously.

8.9 Approve Revised Employee Salary, Wage and Bonus Structure Procedure:

GM Olson advised these were revised to allow the L&M Superintendent to evaluate and determine the yearly/hourly increase for returning seasonal employees.

Motion: Vice President Attaway moved to approve the Revised Employee Salary, Wage and Bonus Structure as presented; Director Black seconded. Motion carried unanimously.

8.10 Approve General and Professional Liability Policies effective 11/01/2018:

GM Olson advised that renewal costs suggested by Alpine reflect a 5% increase.

Motion: Director Chern moved to approve the General and Professional Liability Insurance Policies effective 11/1/2018 not to exceed \$3,100; Treasurer Ames seconded. Motion carried unanimously.

8.11 Approve Crime and Cyber Liability, Commercial Insurance Package, Umbrella, and Directors and Officers/Employment Practices Policies effective 11/01/2018:

GM Olson advised that the renewal costs suggested by Alpine reflected a 5% increase for all.

Motion: Treasurer Ames moved to approve Crime and Cyber Liability, Commercial Insurance Package, Umbrella, and Directors and Officers/Employment Practices Policies effective 11/01/2018 with a not to exceed of \$73,000; Director Black seconded. Motion carried unanimously.

8.12 Approve Proposed 2019 Meeting and Other Important Dates:

GM Olson provided the dates. Treasurer Ames asked if she had seen his email regarding certain dates. GM Olson responded that she had not reviewed those dates. However, if a change is necessary, the schedule may be revised in November.

Motion: Treasurer Ames moved to approve the Proposed 2019 Meeting and Other Important Dates as presented; Director Black seconded. Motion carried unanimously.

8.13 Approve Proposed 2019 Community Events:

Motion: Vice President Attaway moved to approve the Proposed 2019 Community Events as presented; Treasurer Ames seconded. Motion carried unanimously.

8.14 Approve General Manager Performance Review Procedure:

President Dennis advise that this was revised since the last meeting to include dates as requested and that Attorney Oliphant has been provided a copy. Attorney Oliphant advise that Employment Attorney Drinkwater also reviewed the procedure and made to additions.

Motion: Treasurer Ames moved to approve the General Manager Performance Review Procedure with the recommended revision made by Attorneys Oliphant and Drinkwater; Director Black seconded. No further discussion. Motion carried unanimously.

8.15 Approve new mailbox standard for Caughlin Creek:

GM Olson advised the CCRK Board and CRHA ACC have both approved the new mailbox standard.

Motion: Director Black moved to approve the new mailbox standard for the Caughlin Creek neighborhood as presented; Treasurer Ames seconded. Motion carried unanimously.

9. Member Comments: There were none.

10. Announce Future Meeting Dates & Adjourn:

Oct. 4th; Continuation of the Executive Board of Directors meeting 5:00 p.m.

Oct. 25th; 2018 Annual Meeting Packet mails

Nov. 7th; Candidate Forum; Meet the Candidates 5:30 p.m. (if necessary)

Nov. 12th; Board Agenda Workshop 4:00 p.m.

Nov. 14th; Annual Ballot Deadline 12:00 noon and Annual Ballot Count Meeting 1:00 p.m. (if necessary)

Nov. 14th; Annual Members Election and 2019 Budget Ratification Meeting 6:30 p.m.

Board of Directors General Business & Organizational Meeting will immediately follow the Annual Members Meeting

Motion: Treasurer Ames moved to adjourn the meeting at 7:27 p.m.; Director Chern seconded. Motion carried unanimously.

Subsequently approved at a duly noticed Board of Directors Meeting on November 14, 2018.



Drew Naccarato, Secretary Board of Directors
Caughlin Ranch Homeowners Association