

Panorama Ranches

RECORD OF PROCEEDINGS 2013 ANNUAL MEETING

January 25, 2014 Missouri Heights Schoolhouse

CALL TO ORDER

The 2013 Annual Meeting was called to order at 6:00 p.m., by Board president Tony Merkel. He laid out some guidelines for speaking at the meeting, and then introduced Association Manager Keith Edquist, to call the roll.

ROLL CALL, NOTICE and QUORUM

Keith Edquist, Association manager, stated that Notice of the meeting had been mailed and that a quorum of owners was present, in person and/or by proxy. He then called the roll. There were 23 owners present and 21 proxies, making a total of 44 owners' votes represented, of the 56 lots. Those who have more than one vote because of proxies or multiple lots were noted. Tony requested a motion to approve the minutes from the last annual meeting held January 19, 2013. There followed a motion to approve these minutes, with a single noted correction, which was seconded and passed. These approved minutes of the annual meeting for 2012 will be posted to the website.

INTRODUCTIONS AND CALL FOR CANDIDATES

Retiring Director Patty Heydenberk introduced the Board of Directors and paid thanks to Susan Burr, Jennifer Lassiter, Tony Merkel and Wayne Hall for their hard work over the last year. Patty is leaving the Board after 8 and ½ years of service herself; all the Directors were applauded. Patty then said that with her retirement and that of Jennifer Lassiter, there is need for two new directors. The Board meets about every two months, Directors serve a minimum two year term, and generally graduate to more responsible Board offices over time. She asked for owners interested in joining the Board to so indicate. Owners Doug Cernonok and Jim Earthman both said they would consider taking a position. Election of Directors was to come later in the meeting. President Merkel thanked Director Heydenberk and Jennifer Lassiter for their service to the Association on behalf of the Board, the Owners and Management. Patty then introduced the Chairman of the Architectural Control Authority for Panorama Ranches, Owner Janver Derrington.

ACA REPORT

Janver said it had been a relatively quiet year for improvements, with not a great deal of activity. He mentioned a fence, a loafing shed, greenhouse construction and a water storage tank on various properties. He said the ACA members remain the same as last year, owners David Zamansky, Ben DeSugny, Doug Lassiter, Hans Brucker, and himself. The ACA should be notified, in advance of the work, of changes, remodels and upgrades to homes and landscape in the community. He reminded owners that any visual changes to home exteriors need to come to the Architectural Control Authority for review.

WATER OFFICER'S REPORT

President Merkel introduced owner and Water Officer Davis Farrar to present the water report, and recap his activities and improvements made to the water system in the last year. This was done by means of a PowerPoint presentation, in which Davis reported on his activities in respect of routine maintenance and testing of the wells, pumps, storage, treatment and delivery systems for domestic water in 2013. He also presented an account of expected 2014 water system activities and maintenance, and a chart showing annual water usage by month. He said there have been no issues with Panorama's water quality in 2013, and reminded owners that Consumer Confidence Reports (CCRs) on the water system are mailed on or before June 30, and are posted on the website for users review.

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He reminded owners that there are no springs in Panorama Ranches, and that any surface water is likely indicative of a leak and should be reported and investigated as soon as discovered. Water Officer Farrar also included a slide of the Panorama Water System, showing its main lines, hydrants, water valves and their relation to the conservation and equestrian easements and open space.

Mr. Farrar's report gave the following as his 2013 activities:

- Monthly H2O Coliform Testing
- Maintenance of and weekly testing of Cl Levels in System
- Annual state mandated testing
- 3rd Qtr. testing on new well & Requested/Received 4th Qtr. Testing Waiver - \$1,500 saved
- Responded to water main break on Sunlight Drive and 3 service line breaks
- Consumer Confidence Reports
- Analysis of water rates
- Attendance at Pan. Board Mtgs.
- Routine System Maintenance – flushing hydrants, exercise valves, inspect water tank

The 4th and 5th bullet points above addressed the 2013 Water System Improvements and some of the operational repair and maintenance expenses incurred in 2013. (The Water Officer's report is available to owners. Check panoramaranches.org or contact management.)

WATER SYSTEM UPDATE/RESERVE STUDY/RESERVE ASSESSMENTS

At this time President Merkel moved to the next agenda item, and Director Wayne Hall spoke about his efforts to complete a reserve study, accompanied by a power point presentation to illustrate his points. A reserve study is simply an inventory of the association's property, an assessment of its age and condition, and the probable current and future costs to maintain that property. In Panorama's case these costs relate almost entirely to the water system, its wells, tanks, pumps, and electrical components. The water system is critical to the property's values and should be the immediate and primary concern of every homeowner.

Wayne explained in some detail the fiduciary duties of the Board, including the duty of care and the duty of loyalty, and the need to keep the homeowner's best interests in mind. He clearly stated that his presentation was not the budget discussion, but assessments levied on owners for the purpose of funding a reserve account clearly play into overall assessment costs.

At the conclusion of these thoughts, there was immediate owner comment on the costs of maintaining the water system, its component materials and their expected life, studies done on breakage of water lines, and expression of distress at seemingly having to pay again for something purchased at the time lots were sold and homes built. There followed extended discussion on the consequences of failing to maintain the water system and underfunding of a reserve account to address its needs. The materials used in the water lines were discussed, and the possibility for line breaks being due to aging materials or simply poor installation originally. The \$30,000 expense of sandblasting the inside of the water tank, and painting the exterior 10 years ago was recounted, and that this maintenance will be needed again in the future.

In respect of all these considerations, Wayne said that the reserve study shows that it will be necessary to increase the reserve component of Panorama assessments, which for 5 years have been steady at \$75 per quarter, or \$300 per year. This has allowed for nearly \$90,000 of improvements to the water system over the last five years, but does not address either the aging of key components or the cost of main line water breaks, four of which have occurred over the last ten years at an average cost of \$4,800 to repair. Water line breaks on Sunlight Drive in each of the last two years have been far more expensive than this average to repair.

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He said that annual additions to the Capital Reserve should be approximately \$50,000, and that annual “predicted” expenditures from the Capital Reserve should be approximately \$9,200 until component replacement ages start arriving. It is important that capital reserve funds should continue to build, allowing for component replacements necessary at the end of their life span. President Hall said the proposed budget would increase capital assessment by \$192 per lot per quarter, and ensures that adequate funds are in place for future repairs and/or replacement as well as ensuring that all current and future owners are contributing to Panorama’s collective property. This will result in optimum property values and comply with Colorado law regarding association reserve funding.

Director Hall said his study was probably not a perfect product in respect of all that might go into a reserve study, but concluded by recommending that owners pass the budget proposed by the Directors, as “to do anything less is not responsible”. (Components of the water system/reserve study completed in 2013 are available to owners. Check panoramaranches.org or contact management)

BUDGET REVIEW

President Tony Merkel undertook a presentation on the actual 2013 expenses and the proposed 2014 budget, including the recommended \$50,000 per year contribution to the reserve fund. He used financial information through December 31, 2013 and, except for the water line expense in repairing the break on Sunlight Drive, the association’s 2013 expenses were largely on target with the budget. However, the water line repair costs caused an overall budget shortfall of \$16,548, which Tony said would have to come from existing reserve funds, further emphasizing the need for increased reserve assessments in 2014.

Wayne Hall made a motion to accept the budget as proposed, seconded by Director Heydenberk. Ensuing discussions pointed out the increase in the repairs line item in operations (from 2013 \$2500, to 2014’s proposed \$17,135), combined with the proposed increase in assessments were going to result in greatly increased assessments. At length a vote was taken on the budget as proposed, which failed to gain a majority. Owners holding proxies for others were required in this matter to vote in the manner each proxy giver had requested, as this question was posed on the association proxies.

The discussions clearly indicated the owners’ understanding of the importance of maintaining the water system, but the proposed costs of funding the reserve account were, perhaps, too high to undertake in a single budget year. Owner Davis Farrar made a motion to reduce the overall \$50,000 reserve funding proposed to \$28,000, which would reduce the \$192 per quarter component for reserve funding to \$100 per quarter. The initial motion was made with some qualifications and was ultimately withdrawn because of those.

Davis made a second motion less the prior qualifications, which was seconded by owner Jack O’Neill. President Merkel agreed, in association with this, that the Board would consider a revision of water rates. Owner Lance Quint felt that income from increased water rates would work to offset some of the assessment funds needed both for operations and the reserve fund. This second motion was voted on after discussion and was passed with a strong majority, proxy holders again voting those votes, this time as they saw fit based on the meeting discussions to that point.

NEW BUSINESS BOARD OF DIRECTORS

President Merkel opened the floor to nominations for the Board of Directors. Owners Doug Cenonok and Jonathon Schuss volunteered and agreed to stand to for election. There being no other nominations, these two owners were elected by acclamation to the Board. The new Board consists of Doug Cernonok, Susan Burr, Tony Merkel, Wayne Hall, and Jonathon Schuss. The Board will set its officers for 2014 at its next meeting.

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OLD BUSINESS

Davis Farrar asked for permission to weed whack the section of open space trail between the Lassiter and Zamansky properties, which after discussion resulted in a motion by Farrar, seconded by owner Dahlia Derrington, for weed whacking for 18 inches on either side of the trail, which was not passed.

Owner Lance Quint spoke about the danger of fires in Panorama and suggested the Board consider mowing the open space. This did not result in either further discussion or action. Owner Lelani Damke asked that flags be placed on the open space property when weed control efforts are made there this coming year, and that owners be notified of weed control dates and have signs posted when and where this work is done. (Garfield County offers a weed cost share program for property owners, see <http://www.garfield-county.com/vegetation-management/index.aspx>, or Google Garfield County weed cost share).

ADJOURNMENT

The Annual Meeting was adjourned at approximately 8:00 p.m.

Respectfully submitted

Keith Edquist, EMRE LLC, Association Manager

PANORAMA RANCHES OWNERS ASSOCIATION, INC.

Tony Merkel, President