

MINUTES OF THE  
NOVEMBER 15, 2018  
FINANCE COMMITTEE MEETING

A meeting of the Finance Committee of the Spring Creek Homeowner's Association was held at The Ranch House at Spring Creek on November 15, 2018.

Finance Committee members in attendance by phone were Adam Maberly, George Kallop, Dan Grassetti, Michael Lehman, Dave Conine Marc Segal and Donna Falk. Duncan Goldie-Morrison was not in attendance. Personally in attendance were Bob Pisano, Steve Price, Derek, Goodson, Marti Anderson, Bob Wood, Clay Cook, and Frank Hess. Other persons in attendance by phone were Nancy Oppenheim, Lin Heffner, and Tim Motzer.

The meeting commenced at 9:05 a.m. mst, wherein Dave Conine took roll call. The primary topics of discussion were the HOA's investment portfolio and the proposed budget for 2019. Copies of Bob Wood's Investment Report and the proposed budget for 2019 were previously circulated.

**Investment Report:** Bob Wood presented his Investment Report reflecting amongst other things that while the stock market was down 7 ½ percent since September, that the HOA's was only down 4%. A copy of the Investment Report is attached hereto. Bob noted that a majority of the HOA's stock is in Vanguard Index Funds. Nancy Oppenheim said that too much money was in the stock market. Tim Motzer asked how the HOA portfolio was set up. Bob Wood said that it mirrors the S&P 500. Derek Goodson said that he would coordinate with Bob as to how much cash would be needed for the upcoming year.

Michael Lehman asked about upcoming projects. Derek said that had been accounted for in the proposed budget. Derek also mentioned that because of inaccurate tax strategy guidance from Thompson Palmer CPAs regarding realized investment income that should have been offset by costs, Thompson Palmer CPAs would pay for the capital gains tax earned by the HOA on investments for 2018.

Dan Grassetti then asked if there were only routine expenses, how does net cash flow look based on HOA assessments? Derek explained that the annual budget is calculated on a break-even basis. George Kallop then added that HOA assessments include contribution to the reserve account, and that liquidity is not a problem. Dave Conine then went through the history of HOA investments when managed by Abe Suydam.

**Proposed Budget:** Dave Conine brought up the issue of bidding "security" to an outside firm. He noted that the CCRs require security. Derek then described the services currently provided by security including water, spas, sewer inspection, fire monitoring, snow removal assistance, and security monitoring amongst others. Dave Conine indicated that it would be acceptable for Dan Grassetti to get Request For

Proposals (RFPs) from outside security firms.

Nancy indicated that overnight security was not needed, and that most HOAs have video monitoring and that spa inspection, snow removal assistance, and alarm monitoring are normally handled by private security firms. Bob Pisano said that up to date security services are not readily available in Teton County as proposed by Nancy. Derek further explained that security does not do maintenance, and that actual physical inspection would be needed even with video monitoring. For example, public spas must be physically checked every 4 hours.

George said that the HOA benefits with the current security situation and recommends keeping the same. Dan Grassetti recommended monitoring. He also questioned the \$39 per hour charge for security in the 2019 proposed budget and thought it was above market. Dan also questioned why the HOA would pay for a security vehicle in the proposed 2019 budget given that Spring Creek Ranch had numerous vehicles already. His concern was pooling resources and not double paying for security services or equipment. Donna and others indicated that the HOA did not own this equipment. Dan again indicated that he would look at RFP alternatives.

Nancy also question the \$16,000 cost of a vehicle being charged to the HOA. Lin Heffner said there needs to be a list of what owners can and can't use. Dave said there was not a list and that Spring Creek Ranch Management Company would assist. Derek said he would meet with Lin.

Tim Motzer also questioned the \$39 per hour charge for security. Derek indicated that \$39 per hour is not the wage actually paid. The \$39 per hour includes wages, taxes, benefits, workers compensation, etc. and is assuming wage increases in 2019. Steve Price said that their security contacts the police and fire department if there are problems.

Transportation: Derek explained the transportation system to the airport and early morning flight issues. Nancy questioned the \$123,000 line item charge for transportation in the 2019 proposed budget. Derek explained the cost breakdown, and that the shuttle system was required by Teton County when the Spring Creek development was approved, and is also required by the CCRs. Derek offered to remove the costs of the early morning shuttle, and was told not to do so as this service is widely used and appreciated by homeowners. Dan questioned why the HOA would pay for a transportation vehicle since Spring Creek Ranch had numerous vehicles already. Dan was reminded that the HOA did not own these vehicles.

Dan indicated that there was a need to compile data on usage. George said that the front desk can compile a log for 2019. There was a lively discussion by most all regarding the transportation system. Clay Cook said that the PUD for Spring Creek requires more expansive transportation including renters not using SCRMC. Lin said that she would help compile data in January.

Telephone: Derek explained that the CCRs mandate an electric, cable and campus phone systems. SCRMC is the contact point for all utilities. As agreed in the past in the

2019 budget, SCRMC will provide one person per day as a switchboard operator at an annual charge of \$72,000. Dave indicated that the current telephone system is a good deal for the owners.

Nancy indicated that \$72,000 per year was too high for the current phone system and that it was not needed, and suggested an offsite answering would work better. Dan agreed with Nancy. However, Dave and George felt that a local touch was needed. Derek said that the phone system has been in the budget for at least the last 21 years with much of the cost borne by the commercial entities, including Amangani. Michael Lehman explained why he felt the current phone system should be kept.

Roads: Dave Conine said that there was only one company bid on recent planned road repairs and that they couldn't even get bids from Idaho Falls companies. Derek Goodson stated that the \$260,000 road budget item constitutes the operating cost of the road system. He further stated that capital expenses and reserves for the roads were through Spring Creek Improvement And Service District (SCISD). Steve Price, who is a board member of the ISD said that next fall they planned to rehab the spidering of the roads and they would chip seal the following year in 2020. Derek said that striping, plowing, maintaining the front entrance, parking, paths, laws, maintaining the properties abutting the road, etc. were all part of the HOA operating costs. Nancy Oppenheim indicated that she was happy with the plowing, but felt that the rest of the road maintenance should be bid. Derek said that budgeted money not spent for road maintenance and other operating expenses in a given year was used to offset future year's operating expenses and resulting assessments.

Budget Recommendation: Marc Segal moved to recommend to the Board that the proposed 2019 budget be approved as presented. Dave Conine seconded the motion. There was then further discussion. Nancy wants the management services bid out to Mountain Property Management and Grand Teton Property Management. Dan Grasseti felt that the meeting shouldn't be limited to two hours and that there were more issues. Derek reminded everyone that the Finance Committee doesn't actually approve the budget; but rather, it recommends the budget to the Board for approval. Nancy indicated she would look at other property managers and what services they could provide. George Kallop said that the proposed budget was a good baseline for the next year and that it could always be changed if needed.

Adam, George, Michael, Dave, Marc, and Donna voted in favor of recommending the proposed budget to the Board. Dan voted against the same.

The meeting continued with Derek giving a detailed explanation regarding maintenance of the Harvest Dance units. The cost of oiling the outside of the Harvest Dance units is not from the maintenance budget; but rather, it comes from the reserves. He also explained that legal and professional expenses in the budget included architects to monitor construction. The increase in professional fees was offset by the management fee which will go to zero. There was no increase in that category.

Nancy stated that prepaid assessments were not properly accounted for and that

administrative and accounting expenses should be included in legal and professional fees, and there was also a problem with the amount of administration and management fees.

Employee Housing: Nancy and Dan asked why the HOA was paying for employee housing. Derek explained that HOA does not contribute to employee housing, and asked where they were seeing that line item. The Amangani Employee Housing page was referenced. Derek was then able to explain that this page actually was to show the basis for assessments being charged to Amangani who owns the lot upon which the employee housing is situated, and as such, were assessments collected and not subsidies given.

Storage Expenses: There were no issues.

Endeavor Group: Dan Grassetti felt that the HOA needed a professional contractor rather than Endeavor Group, and that SCRMC should have been providing these services for no additional fee. Dave Conine explained the reason that Jackson Brandenburg and the Endeavor Group were engaged and the value provided over the years.

Architectural Committee Changes: George Kallop said that the majority of those costs were for the Endeavor Group.

Firewood And Shoveling: In the proposed budget, those services will no longer be provided the townhouse owners, who will be treated the same as individual house owners. Dan questioned why this change was being proposed. Derek explained that it was in response to Dan's request to reduce Harvest Dance dues. Townhouse owners will have to order firewood and snow shoveling themselves.

Reserve Study: The 2015 study is out of date. George Kallop will hire an outside group for Harvest Dance, Spirit Dance, and the general common area to make recommendations. George then explained why the repair numbers set forth in Dan's email memo to the Board were not realistic. Derek said that the 2005 and 2015 reserve studies were done by outside third parties. George intends to lay out the real costs for improvements and said that Harvest Dance owners should not be making decisions based on false numbers.

Nancy brought up the need to stage Harvest Dance repairs in terms of safety, particularly the railings. A lively discussion then ensued among George, Nancy, and Dan regarding staging of repairs including the railings.

Tree Cutting was also briefly mentioned by Derek.

Meeting Conclusion: Frank Hess reiterated to Nancy that she would need to get RFPs to be approved by the Board in advance, and that SCRMC's numbers could not be disclosed to Mountain Property Management, Grand Teton Property Management, or any other potential service providers. Nancy confirmed that she would get Board approval of RFPs. The meeting ended at 12:25 p.m. mst.

Spring Creek Homeowners Association  
Investment Account

Amount	Security	Price	11/13/18 Value	Pct Acct	Cost	Unrealized Gain (loss)
Cash Reserves						
26,885	Fidelity Treasury Money Mkt Fund	1.00	26,885	1.4%	26,885	-
Fixed Income						
2,500	Vanguard Tax Exempt Bond Fund ETF	50.07	125,175	6.4%	126,793	(1,618)
2,000	iShares National Muni Bond ETF	106.99	213,980	11.0%	216,406	(2,426)
			339,155	17.4%	343,199	(4,044)
Equities						
1,000	AbbVie Inc	87.73	87,730	4.5%	34,259	53,471
1,000	Automatic Data Processing	144.44	144,440	7.4%	39,413	105,027
2,000	Intel Corp	47.59	95,180	4.9%	39,437	55,743
5,000	Vanguard Index Fds S&P 500 ETF	251.54	1,257,700	64.5%	1,217,049	40,651
			1,585,050	81.2%	1,330,158	254,892
	Total Portfolio		1,951,090	100.0%	1,700,242	250,848
	Value 9/30/18		2,183,224			
	Net withdrawals QTD		(141,031)			YTD: (556,844)
	Investment return: apprm-depr + income		(91,103)			
	Value 11/13/18		1,951,090			



**Spring Creek Homeowners Association  
2019 Operating and Reserve Budget Summary – proposed**

**2019 SCHOA Budget Executive Summary**

- Combined reserve and operating assessments are \$1,943,000 an increase of about \$213,000 or about 12%
- Material operating changes from 2018
  - o Elimination of Management Fee - \$70,000 in 2018
  - o Fees for various services – \$72,000
    - Project Oversight – \$25,000
    - Misc HOA Business – \$25,000
    - Insurance Management – \$5,000
    - Audit, Taxes, and Budget – \$17,000
  - o Insurance
    - Budgeted insurance costs for 2019 - \$145,200 – Decrease of \$17,200
    - Project Common – 2019 Budget - \$19,700 – decrease of \$10,700
    - Spirit Dance – 2019 Budget - \$69,600 – decrease of \$4,600
    - Harvest Dance – 2019 Budget - \$55,900 – decrease of \$1,800
  - o Wage inflation – about 9% or \$63,000
    - Recreation Facilities - \$7,900
    - Accounting/Admin - \$4,600
    - Transportation - \$8,600
    - Security - \$18,600 (it is very hard to find overnight staff)
    - Phones - \$10,300
    - Lawn care - \$3,700
    - Snow removal - \$900
    - Road & Paths - \$2,600
    - Harvest Dance - \$3,100
    - Spirit Dance - \$2,600
  - o Increased services
    - Vehicle Expenses – \$33,600 (Shuttle and Security)
    - Storage - \$19,800 (records and materials)
    - ARC Consulting – \$9,000
    - Tennis court cleaning – \$2,900
    - Newspapers and HOA mail – \$6,200
    - General maintenance (roads, entrances, etc.~15 hours/wk) – \$36,000
    - HD/SD Alarm System Monitoring – HD - \$480/SD - \$5,760
    - HD Repairs & Maintenance – provisions
      - Buildings - \$22,800
      - Landscaping - \$12,000
      - Roads & Paths (incl parking) - \$14,600
    - HD Repairs & Maintenance – provisions
      - Buildings - \$14,400
      - Landscaping - \$5,500
      - Roads & Paths (incl parking) - \$9,00
  - o Updated square footages for SD
    - Recent additions prompted the need to audit
    - Teton County public data used
  - o Eliminated Service
    - Firewood
      - HD – \$17,600
      - SD – \$9,800
      - Inn – \$3,000
      - Granary – \$2,500
      - SCR – \$600
    - Pathway shoveling
      - HD – \$5,900
      - SD – \$3,900

**Spring Creek Homeowners Association  
2019 Operating and Reserve Budget Summary – proposed**

- Impact on each subdivision
  - o SD – \$70,400 or 10%
  - o Sun - \$3,200 or 13%
  - o HD - \$78,800 or 15%
  - o Elk Dance - \$27,700 or 8%
  - o Aman Homes - \$18,600 or 12%
  - o Ridge - \$12,000 or 17%
  - o Aman 2 - \$6,300 or 12%
  - o Ranches (JLC lots) - \$3,900 or 13%
  - o SCR – (\$615) or (3%)
  - o Inn – (\$800) or (4%)
  - o Granary - (\$4,700) or (21%)
  - o Amangani – (\$600) or 4%
  - o JLC – (\$2,000) or 26%
  - o Aman Employee Housing - (\$900) or 22%
- Estimated impact on Homeowner Assessments:
  - o Spirit Dance
    - Choate – increase about 18% or \$280/mo
    - Gruen – increase about 15% or \$200/mo
  - o Sun Dance – increase about 13% or \$66/mo
  - o Harvest Dance – increase about 15% or \$168/mo
  - o Elk Dance – increase about 9% or \$48/mo
  - o Homes at Amangani – increase about 13% or \$70/mo
  - o Spring Creek Ridge – increase about 18% or \$100/mo
  - o Amangani Lots 2nd filing – increase about 12% or \$522mo (total for all 8 lots)
  - o Jackson Land & Cattle – increase about 14% or \$65/mo
  - o SCR Commercial – decrease 3% or about \$51/mo
  - o Inn – decrease 4% or \$66/mo
  - o Granary – decrease 21% or \$388/mo
  - o Amangani Commercial – decrease about 1% or \$52/mo
  - o Jackson Land & Cattle Commercial – decrease about 22% or \$75/mo

**Reserves:**

1. Project Common – 2019 reserve contribution reflects the 2019 level from the 2015 reserve study. Adjustments were made for an estimated Gros Ventre Utility contribution (\$9,000 credit). Projected expenses include:
  - a. Road repairs - \$5,000
  - b. Buck Rail fence - \$10,000
  - c. Fire mowing/tree cutting - \$30,000
  - d. Install irrigation below Choates and Inn - \$15,000
  - e. Misc Vision Committee Items (TBD) - \$5,000
  - f. Endeavor Group - \$3,000
2. Harvest Dance – 2019 reserve contribution reflects the 2019 level from the 2015 reserve study. Adjustments were made for an inflation adjustment (add'l \$20,000), for Fire Alarms (add'l \$12,000) through 2020, for fireplace tiles (add'l \$8,000) through 2028 and deck furniture (add'l \$10,000) through 2019.
  - a. Improvements – as determined by HD Owners - \$700,000

The \$20,000 inflation adjustment adds about \$650/year to each HD. If the adjustment is doubled, the increase would be about \$1,300/year to each HD.

**Spring Creek Homeowners Association**  
**2019 Operating and Reserve Budget Summary – proposed**

3. Spirit Dance – 2019 reserve contribution reflects the 2019 level from the 2015 reserve study. Adjustments made for an inflation adjustment (add'l \$10,000), for Choate decks&sliders (add'l \$20,000) through 2021, and for fire alarms (add'l \$10,000) through 2020. Another \$25,000 adjustment through 2025 is allocated to the Gruen units (excl. 3108 & 3109) to accumulate funds to repair the chimneys. Projected expenses include:
  - a. Choate driveway drainage - \$5,000
  - b. Siding/Roof Provision - \$50,000
  - c. Endeavor Group - \$20,050

The \$20,000 inflation adjustment adds about \$1,050/year to each HD. If the adjustment is doubled, the increase would be about \$2,100/year to each HD.