

LAND'S END HOMEOWNERS' ASSOCIATION
MINUTES OF THE BOARD OF DIRECTORS' BUDGET MEETING
January 17, 2023

The following minutes reflect the discussions by the Board of Directors (the "Board") of Land's End HOA (the "Association") at the Budget meeting of the Board conducted on January 17, 2023 at 285 PR 5980, Yantis, Texas 75497.

Brad asked if he had a motion to call the meeting to order. So moved by Beverley and seconded by Joey. All in favor. Meeting called to order at 3.03^{PM}

Attendees Brad Rogers, Cathy Bastyr, Beverley Haynes, Joey Bush.
Absent Paul Tibbets
A quorum is present.

Homeowners in attendance: Bill & Sandra Russell, Mike Dawson, Arlan Jaeger, Kathy Scheumack, Judy Johnson, and Daniel Burke.

NEW BUSINESS

I. HOA Budget

Brad stated that the Board would first discuss the Villas' Budget, followed by the HOA budget and some discussion of the Annual Meeting in February.

The Shared Use Committee have proposed that the operating account begins each year with an opening balance of \$6000. At any time if the amount falls below \$6000, they will transfer funds from the savings account. At the end of the year if they have more than \$6000, they will put the overage into the savings account.

All checks for the villas will be approved in writing by the villas' representative. Currently, the primary representative is Greg Charles and the alternate is Daniel Burke.

There is a situation with the property taxes codes for the villas. Cathy currently pays out on four codes. Brad will meet with Cathy to get the details, and also meet with the villas committee. Brad will then go to the tax office and request that all the villas' codes be reconsolidated into one tax code, which should save on property tax.

The current maintenance fee of \$900 per quarter for home owners is being increased to \$1000 in 2023, as approved by the Villas Committee. The vacant lot owners will continue to pay \$300 per quarter. Beverley will contact Lori to issue a catch-up invoice in February and an increased invoice in the second quarter onwards.

Cathy brought to the attention that the monthly maintenance amounts in the villas budget do not include the tax at 6.25%. Dan will take action on this item.

Brad asked if Wood Company require a Licensed Septic Company to service the septic system? Cathy confirmed that the system cannot be on leaseback or spray on leaseback. Bill explained the State issues a permit to operate a waste water treatment system. The system is required to be maintained by licensed person. Hopco is licensed. The Villas pay for the license annually and the servicing is carried out quarterly. Hopco sends a report to the State confirming the maintenance has been carried out. Cathy confirmed that Hopco also maintain the system in the villas. It is a flat fee plus any repairs and replacement of parts.

Dan will check that there is enough money in the budget to cover this cost due April 1, which is paid in March each year, currently \$250.00.

Currently, the villas' boathouse is insured for \$120,000. The cost to increase the coverage to \$200,000 for the remaining insurance term, which is April, is approximately \$350 and has been sent to Greg. Cathy is waiting on a decision from Greg. Dan will check on this. The agent has been requested to get cover of \$200,000 for the year from April 2023.

Brad explained that since the villas budget has been completely separated from the HOA, and the villas' budget for maintenance will not be announced at the Annual Meeting, as it is only the business of the villas.

Dan will come back to Brad by email on the villas' action items.

The initial HOA proposed budget emailed to the Board was prepared using financials to Nov 2022. Using the financials to end December 2022, the Board discussed the budget numbers line by line. The total income has increased due to the increase in member dues. New construction is expected to be substantially down from 2022. The total expected income is \$130,300 which includes some small miscellaneous items such as gate remotes, resale certificates etc.

Brad stated that we carried over about \$30,000 from income not spent in 2022. Brad asked the Board to consider whether we want to spend that money on roads or whether we want to put it into reserves. Beverley said the cost of rebuilding the PR 5992 from the gate to the clubhouse was just under \$50,000. The financials show that the total spent on roads in 2022 was almost \$60,000, so what were the other items totaling approximately \$9000, which we may or may not need to allow for in 2023. Brad said this was an action item.

Brad returned to the question of what to do with the \$30,000. Cathy said if we chose to put money into the reserves, we have to actually transfer the cash from the operating account to the CD. Brad said if we choose not to put the money in reserves, we need to budget for the \$30,000. Brad agreed the cash has to match the reserves. Bill confirmed the reserves currently match our actual cash on the balance sheet. Brad asked each Board member what their thoughts were. The Board members were all in favor of spending the money on roads, our priority, so that we can rebuild more square feet of road. Brad asked what's the proper reserve for an HOA like ours? Currently Brad estimated we have about 15 months in reserve. Joey said there is no number. Bill

confirmed there had not been a target number in the past. He said there was a rule of thumb for HOAs of about 3 years of annual expenses. Brad said our exposure is a cataclysmic weather event that causes us to spend say \$250,000. Is that acceptable? We want to avoid a special assessment, if possible. Joey asked how much road the additional \$25,000 would give us. Brad estimated 200 square feet of road. Brad asked the Board members to give this some thought.

Brad discussed the amount to allocate to Common Areas R&M. We need about \$7300 for Green Acres, \$5000 for landscaping and \$1000 for gates. Kathy Scheumack asked why Greenacres are mowing the area in the front of empty lots. That area is easement and looks good if we keep it mowed. Home owners are expected to take care of the easement at the front of their homes.

The Board discussed our insurance needs. Cathy said she has been told that insurance is expected to rise. Brad suggested \$3,200 for property and \$1600 for Directors and Officers. The majority of the budget for Office includes Go Daddy and other office expenses. Brad suggested \$13,500. He suggested small increased for the other line items for water, telephone and electricity. The budget for the annual meeting was discussed. Beverley said the wine at \$24 a bottle had not increased since the meeting in May. She said the food would be the same but the amounts of each item would change based on the popularity of the three items last time. No money was spent on bereavement & illness.

The Board then discussed the Xmas lights and the cost to add the stretch in front of the villas. Joey explained because the closest electricity outlet is at the main gate the lights would need to be LED and all the existing lights would have to be changed to LED. At best estimate, \$900 to purchase lights at Villas, plus \$800 for labor at villas, \$800 for replacing existing HOA bulbs, plus \$1200 to put up and take down the existing section. Joey asked if the villas would pay anything. Brad said no, it would be an HOA expense. The lights are stored in a shed near the fire department. Judy and Dan said the fence for the new stretch of lights only goes as far as the front of the Burkes home. It will not go the whole stretch in front of the villas. Dan will take this action item to the Shared Use Committee.

The accounting fees charged by Lori have been minimal so far. Cathy said we need to get a new cost sheet from Lori for 2023. Lori did not bill much in 2022. This first year Bill and Sandra did much of the work, but this will not continue indefinitely. We are not expecting an increase in legal fees.

The total income of \$130,300 less total expenses leaves us with a net income of -\$1,625. Brad will make some small adjustments to bring the expected net income to \$0.

The Board looked briefly at the balance sheet which looks very straightforward and easier to explain than in the past. The total savings and checking accounts are equal to our equity which is essentially our reserves for roads and common areas. The deferred income does reflect the increase in the dues. Checks for dues paid in December are cashed on receipt. There were no questions by the Board. Kathy Scheumack asked what the telephone cost was. No-one knows how many people still use the system as everyone now has mobile phones. There is also a code given to the lodges. Brad said the necessity for the telephone line is something we should discuss.

Bill asked the Board to approve the format of the end of year financial statement to be presented at the annual meeting. The Villas are not included. Bill will add the 2023 budget in the final statement. The format of the statement aligns with budget format. The 2021 numbers may not align perfectly but the total dollars add up. The Board were all in favor of the format.

Beverley asked if the financial statement should be printed and handed out. Cathy thought so. However, Brad said we could email the statements so that members had the opportunity to see the numbers ahead of time. Beverley said the cost was minimal. No decision was made. The Board members will think about this. Brad said he would adjust the 2023 budget and send to the Board members.

Joey advised the Board that the pavilion is currently out of use due to the bursting of a water heater. It is expected that the repairs can be carried out before the Annual Meeting.

Brad displayed a copy of the Powerpoint presentation from last year. He basically kept the format the same, but deleted the wildlife slide from last year which was a presentation from the Lotts. Beverley has provided the numbers for the neighborhood update slides. Tom will update the Sporting Club slides. Caroline will update the flag slide. Kathy Scheumack raised the matter of the deer, and the difference between the previous deer cull in Land's End in 2019 and the present time. Brad asked Kathy Scheumack to give him her contact at Holly Lake. Brad asked for an update on Committee members to add to the slides. There will not be a legislative slide this year.

The financials slide will follow. Brad said he will add a new slide for member input. He is asking members for input into future budgets. Do we want to keep the gym in the Sales Office? The other choice is to improve the boat ramp and add a pier. The next slide is the neighborhood activities. Finally, the voting will take place and then the meeting will adjourn.

Next meeting and walk through of the presentation will take place on Thursday, January 26th.

Brad asked for a motion to adjourn. So moved by Cathy and seconded by Beverley. All in favor. Meeting adjourned 5:05PM.