

DCLI Board Meeting

Monday, June 20, 2016 @ 7:00 PM at Tys Sniffen's House

Members Present: Bird, Chandik, McClelland (via conference call), Marshall, McGuire, Moscoe (via conference call), and Sniffen

Members Absent: None Visitor: None

A. Road Manager's Report

1. Road Work Update

- a. Work done after 2nd bridge before Palm Dr was done by Jim Walters at his own expense in order to get his water trucks in. Road was ripped and smoothed.
- b. Mac: Damage done to asphalt between 1st bridge and Bear Creek. Tom: Will look into it.
- c. Discussing ripping and grading after 1st bridge to improve drainage, Road is not bad to Palm Cut-off. Tom wants to change priority to not do front of road now, but focus on trouble spots between 2nd and 3rd bridges and up Ramble.

2. Road Work Priorities

- a. Deer Creek Heights is bad. Tom still wants to rip and grade from the 1st bridge to Palm, but to do it later and do work now starting at 3rd bridge rip and smooth. Decision is between focusing on 1st bridge to Palm first or 2nd to 3rd bridge. Mo thinks we should focus on front part of the road since everyone travels on it and it is most visible to more Landowners.
- b. McGuire: Supports Tom's plan and priorities.
- c. Chandik: Is the Board changing past priorities of not spending money at the front of the road because 845s are not paying much ? Tys: He doesn't care who is paying. He wants to focus on road improvements where necessary. Tom: 3rd bridge to Ramble is much worse than 1st bridge to Palm.
- d. Tom: With current limited funds 3rd bridge up is bumpiest section. Tys: How much time ? Tom: Probably 2 weeks. Needs roller. Thinks we should do 3rd to Ramble and see how much money we have available. Ramble and Deer Creek Heights really need attention.
- e. Mac: Can we just do minimal work at front of road ? Tom: We could just scrap it as the grader comes in, but it needs rock and rolling, which we can't do now if we decide to do 3rd bridge to Ramble.

f. Secretary Note: There was no vote or clear decision on this issue, but the thrust of the conversation seems to support the Road Mgr's plan.

g. Tys wants to publish on yahoo group what work we will be doing and solicit cooperation with work and time delays.

h. Moe: We need signage on the road announcing road work. McGuire volunteered.

3. Other Road Mgr Issues

a. Tom has name of welder to fix Lost Valley gate and he will proceed with gate repair.

b. Tom now has Bear Creek Canyon Road Assn support for a locked gate at Bear Creek Canyon and Bear Creek Road and will now support a locked gate at Deer Creek and Bear Creek Roads.

c. Tom: About 2 weeks from June 20 work will start at Jose's to rip and smooth the roadway to Ramble.

d. Road Mgr's Report accepted by acclamation.

B. Treasurer's Report

1. Mac noticed that according to the sequence of checks in the DCLI checkbook, we are missing 100 checks, i.e. sequence starts with the last check in John's checkbook plus 100. Bank may have started later numbering with new checks that Mac has received.

2. DCLI U.S. Federal tax Form 1120-H

a. Any income from sources other than Homeowner Assn Members is taxable.

b. 10% rule says no more than 10% of the Homeowner Assn income **can be spent** on projects unrelated to the Homeowner Assn. If the rule is violated, the Homeowner Assn income exemption may be lost.

c. DCLI funds spent to maintain the 845's portion of the front of the road maintenance may be expenses counted in the 10% and not in the other expenditures relating to DCLI.

d. Tys: Even if we billed the 845s at the regular DCLI rate, we would not exceed the 10% requirement that requires 10% or less of DCLI's expenditures be spent on DCLI related projects (this assumes that all 845 funds collected would be spent on the 845 section of the road).

e. Chandik: Even if Tys is right, the 10% rule only relates to whether or not DCLI qualifies as a Homeowner Assn (and consequently is eligible for the associated income tax exemption). It does not mean that 845 payments to DCLI are Exempt Function Income (as defined in the Form 1120-H instructions). It in my opinion very likely that 845 income is not tax exempt and that DCLI may have to pay taxes on it.

f. Chandik: We need a knowledgeable tax preparer to recommend options for keeping 845 payments out of DCLI income. This might be done by billing the 845s directly as maintenance/improvements are done on the 845 section of the road by the contractor.

g. Mac: Question is should be try to accommodate the small amount of 845 income or just ignore it and file the tax returns as we have in the past. In any event the money must be spent in the tax year it is received. Tys; That is not a problem. He estimates that only \$106 would have been collected in the last fiscal year, even with a revised billing algorithm.

h. Tys: Motion: For FY2015/16 DCLI will pay the taxes due on the income DCLI receives from 845s. Jay: We need to figure out what the rules are and structure response in such a way to avoid paying taxes on the 845 contributions to road maintenance. Vote: Yes = 5; No = 2 Motion passed to pay any taxes due on the 845 income for FY2015/16.

i. Chandik and Bird will consult with tax professionals they know personally.

3. Mac: He needs signatures on checks to pay Jim Walters for rock on Jacks Road and to reimburse Manuela for 14May16 DCLI Spring General Meeting administrative expenses.

4. Tys: Plan to do FY2016/17 DCLI Road Maintenance Fees billing. Mac: Nobody seemed to realize that Residents were going to have to pay more for last year.

a. Total FY2016/17 budget for all projects is \$53,500

b. We didn't realize that the \$14K in our bank account was for overpayment of FY2015/16 Road Dues that was overbilled to Non-Residents. By giving a credit, we will forego collecting these funds, which would normally be part of the FY2016/17 billing.

c. If we bill the \$54K Residents are going to be "shocked" when they were expecting to be billed at a \$40K rate.

d. Mac: Question is are we going to bill at the \$54K rate or at the \$40K rate that he feels people were expecting.

e. Tys: What do we bill out ? Chandik: Bill at the \$40K rate and only do as many projects as we have money for. If we collect more due to better participation or title company collection of unpaid Prior Years Balances Due, we can do more projects.

f. Tys: \$20K in bank minus 5K emergency minus 2.6K due to Walters gives about \$13K available now. We promised \$54K in projects, but will only be able to deliver $\$54 - 13 = \$41K$, which we will bill out.

g. Tys: Final number is \$40.5K for road work and a fixed cost of \$4K giving \$44.5K to be billed out.

h. Tys: How do we treat 845s ? Tom's suggestion: Two budgets. Take \$9K front of the road budget and divide it up among all 94 Landowners including both DCLI and 845s. Then we will take the \$44.5K DCLI budget and run it for only the 79 DCLI Landowners. Mac: He is all for this approach. It is what Gordy has been after for years. Tom: He supports this decision and thinks that DCLI Landowners should pay substantially more than 845s based on mileage traveled.

3. Treasurer's Report accepted by acclamation.

C. Secretary's Report

1. 02May16 DCLI Board Meeting Minutes Approval

a. Minutes approved by acclamation.

2. 14May16 DCLI Spring General Minutes Approval

a. Minutes approved by acclamation.

b. Decision was made to include the above line item budget revisions into this 20Jun16 Board Meeting and to not revise the 14May16 DCLI Spring General Minutes.

3. 18Jun16 DCLI Master Lists Update

a. Tom: Master list revision: Raquelle/Bird should be coded as Non-Resident because they are not living on the parcel in DCLI.

b. No Board objection in recognition of the fact that Raquelle/Bird live on a parcel in Bear Creek Canyon Road Assn.

4. 20Jun16 Mailing of Dennis Smith letter

a. Letter was mailed. No Board comments.

5. FY2015/16 DCLI U.S. Federal Tax Form 1120-H Issues

a. This issue was extensively covered under the Treasurer's report.

6. Manuela request for reimbursement for Spring Mailing & other expenses
 - a. I asked her not to pursue reimbursement in May while we were working on meeting issues. She has now come up with a revised billing and receipts, which I have given to the Treasurer. Mac: He has issued the check.
7. Secretary's Report was accepted by acclamation.

D. Old Business: Tys: Water (Extraordinary Use Fee) Billing

1. Tys: Landowners (including Growers present) at Spring General Meeting expressed support; we just need to implement it. How much and how determined ?
2. Tys: We don't care WHY Landowners have Extraordinary Use delivery. If they have a substantial quantity of deliveries, they should be charged.
3. Moe: Should we allow a limited number of free deliveries ? Tom: Nobody reports their deliveries so we have no way of accurately determining the number of deliveries each Landowner has.
4. Chandik: My understanding is that John and Tom were proposing a flat annual fee adjusted only by mileage.
5. Much discussion followed.
6. Tom: There is an escape clause to the effect that if anyone disputes our billing amount based on the facts we know, they can bring their arguments to the Board and we will decide on a fair and equitable solution.
7. Tys: We need a list of the people who will receive this special Extraordinary Use Fee billing. Everybody must send their list to Tys.
8. Tom will create a proposal along the lines of:
 - a. Two categories: Light = 5-15 loads per yr; Heavy = 16+ per year
 - b. Charge is assumed 20 loads per yr times \$12.80/mile = \$256 per mile per year.
 - c. Annual charge per Landowner is (mileage to Property) X \$256 = \$ billed.
 - d. See D.6. for escape clause.

E. New Business

1. Tys: Work on Little Buck
 - a. Tom: \$3,300 budget for section up to Mary's Gulch. He will not go beyond Sam's gate.

2. Tys: Billing of extra households living on same parcel. Currently we bill Landowner as Resident or Non-Resident and add any other non-family members as Renters and bill a second usage fee.

a. Establish additional billing based on "separate household".

3. Tys: Dave & Tys are concerned about DCLI having "serious and decent" contractors to work on our roads. Tom: Walters is not often available and charges a large premium compared to everyone else we have found. JC put too much rock on road and didn't properly distribute it using bobcat. Dave: JC now has nice grader and will use roller, which may improve his work.

4. Tom: After 3rd bridge to Ramble work, we need to repair asphalt.

F. Tys: Next meeting **Tuesday July 19**.

G. Tys declared the meeting over, but discussion continued with some remaining members.

Submitted July 12, 2016

Ron Chandik, DCLI Secretary