

**Wolf Laurel Road Maintenance & Security Homeowners Association
Minutes of the Meeting of the Board of Directors
December 20, 2019**

The meeting was called to order by President Kessler at 10:00 A.M.

Directors in attendance in person: Simmons, McMillan, Pendleton, Parker, Klumpp, Jantzen, Carrigan

Directors in attendance by phone: Kessler

Director absent: Stone

Staff in attendance: Wyatt, Porche', Connor

Audience: 13 in attendance

Approval of Consent Agenda

1. Approval of November 15, 2019 minutes
2. Receipt of Road Staff Report – see attached
3. Receipt of Security Staff Report – see attached
4. Receipt of President's Report– see attached

Upon motion made and duly seconded, the Consent Agenda was approved.

Finance Report:

Report on financial condition as of November 30, 2019: Louise Wyatt

2019 Collections:

97% of homes have been collected and 81.2% of lots have been collected.

Budget:

Road maintenance is at 92% of their budget and security is at 81% of their budget through November 30, 2019.

Comparing November 2018 to November 2019, road maintenance is 7% more than this time last year and security is 2% more than this time last year.

Report on Special Road Assessment Payments Received to Date:

Wyatt reported payments received as of November 30, 2019 were \$265,987.50. We received \$9,050.00 in December and \$62,000.00 still outstanding.

Treasurer's report on reconciliation of accounts: Ron Stone

Kessler reported that Stone had reviewed the reconciliations and bank accounts. Upon motion made and duly seconded the financial report was approved.

Finance Committee: Caron Jantzen

No Report

WLPOA Liaison: Larry Veatch

Veatch reported there was no WLPOA Board meeting this month and there will be changes made to the Top of the Bald to make it more functional.

ARB: Mike Stapleton

The ARB held its last monthly meeting December 4, 2019. A quorum was present. We discussed open issues and their status.

For the month of November there were:

- 2 tree apps
- 4 minor apps
- 1 major app
- 1 interior app

Remind meeting attendees to call the ARB Admin for ANY projects.

Current newer issues include:

Outdoor lighting after 11:00 PM

Roads: Steve McMillan

McMillan report the heavy equipment rentals used for the Hampton Gap project have been returned, the Hampton Gap project is on hold and 15 loads of gravel for the winter will be purchased.

Security: Lloyd Parker

Parker reported the map is still being edited and advertisements are still being sold. He revisited an ongoing speeder issue and said a fine will be levied for a recent violation.

Facilities: Jim Simmons

Simmons reported sites for the maintenance facility are still being explored: the original site, Hampton Gap and the motel property. Repair work will soon begin at the gate house.

Communication: Kessler

The community event scheduled for Saturday, December 21 will be rescheduled for January.

Kessler is working on the annual letter to property owners that will go out with the 2020 budget and 2020 assessment invoice.

Long Range Planning: Jim Klumpp

Proposal from the Long Range Planning and Governance Committee for an addition to the Policy to establish and manage a reserve fund for financing infrastructure replacement, repair, and improvement. (Policy Manual section III.D.) The policy establishes a procedure for drafting and updating an infrastructure inventory, and requires the Finance Committee to maintain a five year rolling capital expenditure plan to inform the annual budgetary process. All elements to be reviewed and approved by the board. Finally, it describes procedures to fund capital expenditures from the reserve fund. See attached.

The Reserve Policy came from the Long Range Planning Committee and was on the floor for a vote. Motion carried.

Old Business

Wolf Laurel Road Project Evaluation-see attached

Maintenance Facility site update and site suitability for alternate location

New Business

None

Audience Comments:

The board was thanked for their work on the Wolf Laurel Road resurfacing project. A request was made that a florescent street light be turned off, an inquiry was made on the status of the Schlitt property and the board was informed that not everyone is receiving emails from WLRMS.

President's Response:

The ARB is addressing the florescent street light issue. Kessler said WLRMS has been working with Frank Schlitt and would give his contact information to the property owner who was inquiring and said the board was aware of the email problem and that they were working on it.

Next board meeting: Work Session January 8, 2020

Board meeting January 17, 2020

The audience was adjourned from the public meeting.

Respectfully submitted by David Pendleton, Secretary

**Wolf laurel Road Maintenance
Monthly Report
December 11, 2019**

Since last report

Roads:

- Wolf Laurel has received 3 plowable inches of snow which required 4.5 hours paid overtime at time and a half for hourly employee and 6.5 hours overtime by salary employee no cost to Wolf Laurel.
- Wolf Laurel road maintenance crew have cleared and graded out new site at Hampton Gap and English Ridge intersection.
- Overtime hours for this project were 37 hours paid at time and a half and 20 hours for salary employee no cost to Wolf Laurel.

Equipment:

- The motor on the salt spreader has been replaced cost was \$394.92.
- Purchased a new space heater for the shop cost was \$378.00.
- Equipment rental fees for the last month were \$16,450 that is for the Cat 323 tractor, the Cat D6K dozer rented from Carolina Cat. This price includes rental fees, delivery fees and insurance on equipment. The 84-inch roller was rented from Clifton Hamlin Grading LLC for \$4,500 it saved Wolf Laurel approximately \$1,800.

Fuel Usage:

- On road diesel: 112.6 gallons, cost \$325.41.
- Off road diesel: 525.8 gallons, cost \$1261.92.
- Gas: 165 gallons, cost \$453.75.

**Security Report
December 11, 2019**

Staffing: Normal

Upcoming Events: Ski Season

Gate Trends: Barcode Lane-4832
Guest- 1771(176 Ski employees)
Guest and Workers-617
Preserve-69

Rover Trends: Patrolling the Wolf Laurel compound, for hunters and skiers, as well as their regular rounds. They have patrolled 3046 miles at a cost of \$515.36. The jeep has been serviced and winter tires put on.

President's report delivered at December work session:

- WLRMS has received a number of contacts from owners including requests to pay their special road assessment in installments, should an acceptable payment plan be proposed and strictly followed by the property owner through full payment of the special road assessment, we are working with the owners.
- WLRMS received a request for our position on short term rentals, and a letter citing language in the covenants and our current position was sent to the owner.
- WLRMS has received several offers from owners wishing to donate their lots in exchange for being relieved of unpaid assessments. Our policy has been to first evaluate the lot to see if there is a strategic need of the community that would be served by the lot, and if not to decline the donation and refer the owner to a local realtor who would assist the owner in selling their property. Recently, with the owner's permission, we have passed the owner's contact information on to a number of investors who are actively looking for property in Wolf Laurel.
- As president of WLRMS, I contacted my counterparts of Blue Mountain, The Ridges and The Preserve concerning construction deliveries that cross one HOA's road system to a construction destination located in another HOA to determine whether there was interest in formulating a joint construction road deposit or construction bond as a surety protecting our respective road systems. After the holidays I hope this conversation continues. Additionally, various stakeholders inside the gate were alarmed by a false report that we had banned a contractor who provided snow removal. I contacted these stakeholders to assure each the contractor had not been banned.

III. Financial Policies

D. Reserves

1. Establishing the structure for reserve planning

- a. The Association shall maintain a separate depository account to segregate reserves from operating funds, such account to comply with all other policies for accounts of the Association. In the event the cash balance of the account shall exceed FDIC insurance limits, additional reserve account(s) may be established and specific categories of reserves assigned to the new account(s), so long as the separation from operating funds is observed. The Treasurer may maintain the Reserve Account(s) in such insured and available instruments as appropriate to the Association's benefit.
- b. From 2020 through end of fiscal year 2024 the money in the reserve account(s) shall be accounted for on three separate ledgers separating the current Road Maintenance and Security categories, and a new category designated as General Reserve. From 2020 until end of fiscal year 2024 all deposits to "reserves" shall flow only into the General ledger. During this period, the Finance Committee in reviewing a proposal for expenditures from the reserve account(s) shall identify from which of the ledgers the proposal is appropriately funded, or may fund the proposal by withdrawals from an appropriate combination of the ledgers.
- c. Commencing with fiscal year 2025 all funds in the three categories within the reserve account(s) shall be re-categorized into the permanent categories of: Paved Roads; Emergency Recovery; Buildings; Equipment, Vehicles and Trailers; and Fire Mitigation. Each reserve category shall be accounted for on a separate ledger and the Road Maintenance, Security, and General categories shall be discontinued.

2. Funding Reserves; Reserve Budget

- a. Commencing in fiscal year 2020 and continuing through and including 2024, the Association's annual budget shall assign a base contribution to reserves of no less than 3% of the total annual consolidated budget on a line item called "Reserve for Capital Expenditures." In addition, prior to making final year-end adjustments and elections the Association may deposit any excess revenue over expenses into the reserve account(s), categorized as General.
- b. To complete the transitional process, at the beginning of fiscal year 2025 the Finance Committee shall recommend for the approval of the Board an appropriate reallocation of all of the funds from the Road Maintenance, Security, and General categories into each of the five permanent categories: Paved Roads; Emergency Recovery; Buildings; Equipment, Vehicles, and Trailers; and Fire Mitigation.

- c. The Finance Committee shall develop and update annually a 5 year rolling Capital Reserve Plan. The Capital Reserve Plan shall include the anticipated capital expenditures identified by the Infrastructure Inventory to occur during each of the next five years and the estimated reserve monies required to fund the anticipated expenditures and projects, shall set an annual cash balance target for each of the five categories of reserves, and shall recommend an appropriate “Reserve for Capital Expenditures” line item for each annual budget of the Association reasonably consistent with the projected expenditures and target cash balances for each reserve category. The draft Capital Reserve Plan shall be presented to the Board for discussion and approval.

3. Managing the Infrastructure Inventory

- a. The Association shall maintain a current list of those material Capital Assets of the Association reflected in inventories, depreciation schedules, and insurance declaration schedules, together with anticipated future acquisitions of material assets or anticipated capital projects (the “Infrastructure Inventory”). A Capital Asset is material if its replacement cost is of a magnitude that if unexpectedly incurred would be financially disruptive to the Association’s operation, and the absence of the Capital Asset would be unduly disruptive to the ordinary operations of the Association. Capital Assets shall be categorized on the Infrastructure Inventory in one of the five reserve categories. For each material Capital Asset, the information shall include at a minimum the following: year of acquisition, construction, or last replacement; description; original cost; projected replacement year; projected replacement cost in that year; whether the asset contributes directly to services to the community or to general efficiency and effectiveness in the Association; if the contribution is to services, whether the asset contributes to the road maintenance or security mission of the Association. Other information may be added to the inventory in the discretion of the Association.
- b. The Association’s Executive Director or, should the Association not have an Executive Director, the Long Range Planning and Governance Committee shall have primary responsibility for preparing and updating the Infrastructure Inventory. Each year the Roads Committee, Security Committee and Facilities Committee shall update their respective inventories and assessments of assets used by or under the care of that committee, together with identified needs for future acquisitions, and shall provide a copy of such report to the Association’s Executive Director or Long Range Planning and Governance Committee by the date requested. Other committees, members of the Association’s Board, and staff shall be charged with submitting data to the Executive Director or Committee to facilitate this work.
- d. The Executive Director or Long Range Planning and Governance Committee shall annually review and update the Infrastructure Inventory based on the data provided by committees and staff. The Director or Committee shall forward the revised Infrastructure Inventory to the Finance Committee for its review and comment. The report and its review by the Finance Committee shall then be presented to the Board for review, comment, and upon acceptance by the Board, shall become the Association’s plan for

capital asset management.

- e. Although the Infrastructure Inventory should represent both the current assets of the Association and anticipated future expenditures and projects, acceptance of the Infrastructure Inventory by the Board shall not be deemed approval of any future expenditure, project, or time frame identified in such report. Rather, the Board, its committees, and the Association's Staff are expected to employ the Infrastructure Inventory and Capital Reserve Plan on an ongoing basis in developing, approving, and implementing the annual budget of the Association.

4. **Withdrawal from Reserves**

- a. Withdrawals from the Reserves are restricted to expenditures that prolong the expected lifespan, modify for new uses, replace, or add to the Association's capital assets, and that total at least \$1,000 per project or purchase. Capital assets eligible for reserve funding must be (1) owned by the Association, (2) except in the case of land, have a limited useful life expectancy (3) of predictable length, (4) with value over \$5,000 and (5) assist the Association in performing its mission. Eligible expenditures may include land, buildings and facilities, road projects, major equipment, vehicles, information technology systems, major repairs costing more than \$1000 which are expected to extend the life expectancy of a capital asset more than five years, and capital and operational losses in excess of \$5,000 from casualty, legal, and natural disaster events.
- b. Projects and purchases from reserve funding may only commence following approval by the Board of Directors. Approval for removing funds from Reserves to fund a project or purchase must meet the definitions for acceptable expenditures above, be certified to have followed proper policies and procedures by the Finance Committee, and shall require approval by 2/3 of the members of the Board.
- c. Proposals for major projects and purchases (in excess of \$100,000 total expense from reserve and non-reserve funding) shall be initiated with preparation of a draft project description and budget. The proposed budget shall include line items delineating as clearly as possible anticipated sources of funding for the project or purchase and the various expenditures required to successfully complete the project or purchase. The budget shall indicate in-house expenses and the amount of anticipated staff and volunteer time either as line items or in attached notes. Such proposal and budget shall comply with all the requirements for major expenditures outlined in the Association's Financial Policies. The proposal including the budget shall be submitted to the Finance Committee who shall review it for compliance with financial policies and may work with the Officer or Committee submitting the proposal to refine it. The Finance Committee shall then attach their recommendation (favorable or unfavorable) and any comments they wish to include to the Board. The proposal with the magnitude of the total cost indicated (rather than a full line item budget) will then be posted on the Association's website for community review at least two weeks before it will be considered at a Board meeting. Community response shall be invited.

- d. Proposals and accompanying budget for projects and purchases that do not meet the threshold for major projects but meet the definition of eligible expenditures from Reserves shall also be prepared within the guidelines above and submitted to the Finance Committee for the review and recommendation, excluding the mandatory two week community review period. The Finance Committee shall report the proposal to the Board with its recommendation (favorable or unfavorable) and comments.
- e. Transfer of funds from one reserve category to another may be recommended to the Board by the Finance Committee. Such transfer will take effect upon approval by 2/3 of the members of the Association's Board.
- f. Funds to cover normal day to day operations of the Association shall not be taken from the Reserve Account(s). In extraordinary and unforeseeable circumstances, and only when it has been determined that basic core operations of the Association are threatened, a Financial Crisis may be declared by unanimous vote of the Finance Committee and the Association's Board. Following such a declaration, emergency funds may be *borrowed* from the reserve account(s) with the loan amount due to the Reserve Account(s) at the end of the subsequent Fiscal Year.

Approved by the Board of Directors, December 20, 2019

Wolf Laurel Road Project Evaluation

Overview of Wolf Laurel Road post-project evaluation. The full report is lengthy because it includes a timeline of the project, communications to property owners, all contracts and documents, correspondence from our engineers and any other item that sheds light on the project or would be of use in planning the next paving project. The full report will be filed at the WLRMS office for use as a tool prior to mounting a similar project. Significant observations:

- The project was completed as it was originally envisioned within the time period promised.
- The project was completed in strict accordance with the recommendations of the independent project engineer, as their recommendations evolved during the course of the work. When subsurface conditions were encountered, the engineers' recommendations evolved to address conditions. Unacceptable work was rejected and re-done.
- The project benefitted from:
 - Having a clear primary goal "Pave the Road",
 - Having a very strong secondary goal "Demonstrate to the community that WLRMS can honor a commitment to the community to plan, execute, and complete a major project."
 - Having a well-defined scope. In projects of this magnitude it is essential that someone other than the project point person is designated to serve as the guardian of the scope of the project to guard against expansion of the project's scope/budget. When contractors are on site, it is very tempting to have them perform additional projects, but doing so will affect budget, completion time and may jeopardize the primary goal of the project.
 - Addressing funding early, constantly, and post project, and using a blend of funding sources. Had WLRMS not solicited and received voluntary support early in the project, the project would not have been able to begin. WLRMS had accumulated cash reserves for the project over a multi-year period, but these reserves were insufficient to complete the project. Our first major bills on work necessary to determine the technical information to seek bids on the road project were received 3 months before the vote on the special assessment (and to date all special road assessments have not been paid), yet by this time WLRMS had received \$187,777.50 in voluntary support. When the bid process concluded with a definitive contract price, WLRMS looked to the current year's budget to find additional funding. Mid-project the engineers concluded that the project would be materially over budget and while renegotiating price with the paving contractor, WLRMS also approached our principal bank for loan terms if a loan would be needed.
 - Hiring professionals, and qualified professionals. It is essential to the success of a paving project to have an independent qualified engineer to define the technical scope of the project, assist with the bidding and contract process, and to oversee the performance of the contractors work. It is essential to the success of a road project to pre-qualify contractors before seeking bids, and restrict invitations to bid to those

contractors with road building experience, preferably having successful projects with NCDOT.

- The project was over budget, for the reasons listed below. The pre-project budget was prepared honestly, to the best of the abilities of those involved in the process with no intent to deceive or mislead. All materials purchased for the project were verified as used only on for the project, and no additional work was performed.
 - Final cost \$492,731.84 (may be revised after closing 2019 books)
 - Over budget because: The road was found to be in worse condition than expected (even after a geotechnical study that took core drillings) due to not re-surfacing the road sooner and other long deferred maintenance. When road projects are deferred, the cost is not simply shifted to a future date; the cost is significantly increased as road deterioration snowballs. Damage may not be visible. Once water is able to penetrate surface cracks, base integrity can be compromised. Appearance of “spider cracks” indicates need for immediate repair, not sealing.
 - Over budget because: The engineer estimated the surface area of the road incorrectly. The engineers calculated an average width of the road, but did not measure the width at every linear foot, and assumed the road was of a consistent width. The difference in surface area required additional tons of asphalt and added additional cost. Engineers did verify each load of asphalt utilized on the road project to confirm we were not charged for more asphalt than was actually used, and only used, on Wolf Laurel road.
 - Over budget because: We under estimated the cost of in house work. At certain points in the process work that was planned to be performed by third parties was taken in house and performed by WLRMS employees. The cost of in house work was not accurately included in the preliminary project budget as it was perceived to duplicate 2019 budget line items. However, we did not accurately estimate materials, the need to rent equipment, fuel, and hourly wages/overtime. Underestimating the cost of in house work caused the project cost not to align with budget.
 - Over budget because: In the words of the overseeing engineers ‘it is the nature of the beast’. All paving contracts are unit price contracts, i.e. price per ton of asphalt installed, price per yard milled, price per yard repaired. Once a project begins, circumstances arise that require the owner, the contractor and the engineer to work as a team to troubleshoot and solve to achieve the ultimate project goal and scope.
- Imperfect communication to the community is better than delayed communication or no communication. The board effectively used weekly eblasts, sometimes prepared in haste, to keep owners apprised of information, one informational mailing, and word of mouth in the community. Community forums were not done on the project, on its method of funding, or concerning the proposed special assessment, and the absence of such meetings did not adversely affect the success of the project. Instead the board maintained a constant velocity of information to the community on various aspects of the project.
- Vocal opposition to aspects of the project was not representative of the broader community’s view. There were a significant volume of negative comments concerning the

project, its funding method, or other aspects of the project on social media, in community comments received as email, in community comments received at meetings, and in comments made by individuals influential in the WLCC or broader community by word of mouth. Also, WLRMS twice approached WLPOA, first seeking endorsement and promotion of voluntary financial support of the project and second seeking endorsement and promotion of a “yes” vote on the special assessment. Both requests were heavily debated before being declined. Based on this snapshot, the project would have seemed doomed to failure; however, a broader segment of the community financially supported the project enabling it to be completed successfully.

- The Board invested too much energy in debating issues that were “false choices” straining relationships unnecessarily. This major project was complex, could not be reduced to a binary choice, and was driven by factors beyond the control of the community. At times board members clashed over perceived choices to be made in the course of the project and drew support from the community in favor of their preferred choice. However, in the actual course of the project, these choices turned not to be under the control of WLRMS but instead driven by circumstances, condition of the road, and price/available funding. Unfortunately these debates strained some personal relationships and contributed to “burn out” of volunteers unnecessarily.
- A timeline beginning earlier might reduce stress of the project on the organization. Ideally, the project should be identified in the fall before the annual budget is drafted. We requested bids from engineers in February but received no response delaying our initial timeframe while a qualified engineer could be recruited. Ultimately an engineer was retained in April, their report was delivered in June and bids were sought from paving contractors in July during the busy paving season. WLRMS received interest from 2 paving contractors, only one submitted a formal bid. It would be better to engage engineers in the late fall so that their report could be available to put out bids to contractors prior to asphalt companies opening in March when paving contractors’ schedules are not fully booked.