

**Board of Directors
BUDGET MEETING for
Summit Estates at Fischer (SEF)
Summary Meeting Minutes
Wednesday, July 20, 2022
706 Stars and Stripes, Fischer, Texas**

Board Members Present

William (Willy) Conrad, President
Steve Ferrell, Vice President
Nancy Carr, Treasurer

General Membership and Guests Present

Michael Nolen, SMTX Property Management, LLC
Loy Moe, Neighborhood Captain Committee Chairman
Don Fonner, Maintenance Committee Chairman
Joan Conrad (to transcribe summary minutes)

1. CALL TO ORDER AND CERTIFY QUORUM

The Summit Estates at Fischer (SEF) Board of Directors Budget Meeting was called to order at 9:07 am and quorum was met.

2. REVIEW 2022 EXPENDITURES TO DATE

3. REVIEW 2022 INCOME TO DATE

4. EVALUATE EXPECTED EXPENDITURES FOR THE REMAINDER OF 2022

5. UPDATE, AMEND, AND/OR REVISE THE 2022 SUMMIT ESTATES AT FISCHER (SEF) BUDGET (to ensure SEF will not incur any debt and all funds are used in a manner consistent with the Declarations)

Due to the flow of this meeting, Agenda items 2 through 5 were combined into the following discussions:

Mr. Conrad stated that the current budget of \$26, 0000 is going to be tight because Summit Estates at Fischer (SEF) has experienced more expenses than anticipated this year. Mr. Conrad stated that we (the SEF Board of Directors) need to take a hard look at our expenses to date to determine anticipated costs for the remainder of this year as well as 2023.

Mr. Conrad stated that he is concerned about the roads and wants to ensure SEF has sufficient funding to complete critical chip seal repairs this year.

Mr. Conrad stated that, as he prepared this meeting's agenda, he forgot to include one crucial item and that is determining hard expenses. He assigned Mr. Nolen and Ms. Carr the task of creating a calendar of known recurring expenses by determining operating costs that must be paid each year, such as insurance, taxes, management fees, electricity, landscaping, etc. He suggested that they review expenses from 2021 as well as current costs. He also asked that they collaborate to create an **Expense Calendar** for SEF. Not only will this be beneficial to this board of directors, but by keeping it current, it will assist future board members. He reminded everyone that "we are fishing in the dark" because the response received from the previous board was "lose my phone number".

Budget Review

Mr. Conrad recognized that Mr. Nolen and Ms. Carr have been working on the budget and asked each of them to present their information.

Mr. Nolen provided copies of his financial packet, beginning with **Annual Budget – Comparative**. He explained that this report represented YTD Actual, YTD Budget, and YTD Variables (over/under budget) and began discussing each line item.

Mr. Conrad stopped Mr. Nolen to clarify that SEF has received approximately \$48,000 income this year, which includes \$16,000 road use fees and \$2,000 delinquent fees collected. Mr. Nolen confirmed.

Mr. Conrad asked what items were included under "Landscaping". Mr. Nolen responded that reimbursement of supply costs was paid, as well as the first mowing provided by Lone Star Landscaping.

Mr. Nolen continued discussing each line item, concluding with Total Operating Income of \$47,920.03 minus Total Operating Expense of \$19,564.23, resulting in Net Operating Income of \$28,355.80.

Ms. Carr asked Mr. Nolen if he had printed a report including the entire 2022 budget, explaining that the YTD Budget column did not represent the complete financial picture. He had not, but thought that he had it on his laptop (which he brought to the meeting).

Ms. Carr suggested that she present her statements while Mr. Nolen looked for the report. Using SEF's bank statements from Pioneer/Sunflower banks, Ms. Carr stated that she was able to compile a **2021 Expenses** report and presented copies to the

board. Mr. Conrad reminded the board that there was a \$90,000 road repair for which there are no records. At that moment, Mr. Nolen introduced his copy of the **2021 Cash Flow** report and suggested that they use both reports for comparison. Mr. Nolen also handed copies of 2021 receipts and bank statements to Ms. Carr.

Security Camera Contract

Mr. Conrad asked Mr. Nolen the length of time obligated on the FLOCK contract for security cameras. Mr. Nolen stated that it was a two-year contract ending October 2023, but payments of \$4,000 were due annually. Mr. Ferrell asked if there was an early exit fee. Mr. Nolen wasn't sure, but guessed that there might be a way to cancel early. Mr. Nolen presented the agreement letter to Mr. Conrad, but Mr. Conrad asked for the actual contract. Mr. Nolen explained that the 2021 and 2022 annual payments were made in advance. It was agreed that, if the termination fee was substantially less than the annual payment, they should consider canceling the security camera contracts.

Mailboxes

Mr. Conrad stated that Summit Estates at Fischer (SEF) should have enough mailbox slots to last two years. He used the income information from road use fees to determine this estimate.

Continued Review of Expenses

Ms. Carr continued comparing 2021 expenses to current expenses and noted that there were substantial increases in items such as electricity and taxes.

Mr. Conrad asked Mr. Nolen if the line item in his report named **Professional Services** was for mowing expenses. Ms. Carr noted that she posted legal fees under the line-item **Professional Services** in her reports.

During discussions of both expense reports, it was learned that there is an outstanding debit card that was use by a prior board member. Mr. Conrad asked Mr. Nolen the status of that debit card and Mr. Nolen stated that he believes that the card was cancelled when Pioneer and Sunflower banks merged. However, Mr. Conrad expressed concern because his recent experience with his personal bank's sale to another bank produced new debit cards that were mailed to him without requesting they do so. He asked Mr. Nolen to determine that this particular debit card was cancelled and that no new debit cards were issued to prior users. Mr. Nolen stated that all new debit cards would have been mailed to his office. However, Mr. Conrad asked Mr. Nolen to confirm with the bank that there were no outstanding debit cards other than the one issued to this current board.

There was also discussion regarding an American Express credit card charge, but Mr. Nolen confirmed that no American Express credit card had ever been issued to SEF and explained that this was a purchase made by a third party.

Telephone Transfer Fees and Other SMTX Property Management Fees

Mr. Conrad asked Mr. Nolen if the telephone transfer fees were initiated from SMTX Management Company. Mr. Nolen confirmed, explaining that SMTX and Summit Estates at Fischer (SEF) use the same bank. When SEF owes management fees to SMTX, Mr. Nolen transfers funds via telephone transfers. Ms. Carr stated that this method of payment for management fees was not appropriate because there was no documentation provided to SEF nor opportunity for the board's review and approval.

Mr. Conrad stated that, going forward, Mr. Nolen is to provide an itemized invoice for all management fees charged to SEF and presented to the board prior to payment. He described in detail what items are to be shown on each invoice. Mr. Conrad further stated that a separate invoice, with receipts, should be provided to the board for review and approval for charges such as certified mail and other expenses paid on behalf of SEF.

Mr. Nolen stated that he would like to send monthly reports, rather than quarterly management fee reports to SEF as he has been doing. He believes that this would be easier for SEF board members.

Continued Review of Expenses

Referring to her **2021 Expenses** and **2022 Expenses** reports, Ms. Carr and Mr. Nolen stated that the **2021 Expenses** report was used to create the **2022 SEF Budget**. (Discussion stopped for a few minutes while Mr. Conrad made notes.)

Referring to Mr. Nolen's **YTD Annual Budget Comparison** report, Mr. Conrad explained that he made notes of the annual 2022 budget amounts next to the YTD Budget column. Mr. Conrad discussed each category in detail, noting how actual expenditures compared to actual budgeted categories and whether SEF was over or under budget at this time.

Mr. Fonner asked if the board could use new building permits to estimate projected income for the remainder of 2022, but after lengthy discussions, it was agreed that with higher interest rates and inflation, it would be difficult to forecast future income from new builds.

This discussion led to another issue regarding road use fees. Mr. Conrad believes that road use fees should be segregated into a budget item named Capital Improvements. SEF's rules state that road use fees, which used to be called Water Fee, must be used for capital expenditures. Mr. Conrad cautioned the board that road use fee income is not to be used for other expenditures. Mr. Nolen asked for confirmation that only income from HOA fees, delinquencies, and transfer fees can be used for normal operating expenses. Mr. Conrad confirmed and added that the recent purchase of mailboxes should also be included under Capital Improvements.

Mr. Ferrell noted that the 2022 budget should include expenses for work at the Summit Estates at Fischer entrance. Mr. Fonner stated that he had not received bids for repairing the fence that runs along the entrance and past the gate.

Mr. Conrad asked Mr. Nolen to revise the 2022 SEF Budget to exclude the road use fees under the HOA Income budget item and add a new income item entitled Capital Improvements that include two categories: Road Use Fees and Other. Mr. Conrad stated that he has not given up on securing a grant to assist with repairing our roads, but has been busy dealing with other SEF issues. He plans to work through Comal County commissioners to request grant assistance from Alamo Council of Governments.

Mr. Nolen noted that he had anticipated road use fees being less for 2022; therefore, he adjusted projected income by discounting 2021 income by 50% when estimating 2022 income.

SEF HOA Fee and Road Use Fee Increases

Mr. Conrad believes that HOA fees should be increased; however, SEF deed restrictions dictate that they can only be approved by SEF members during General Membership meetings which are scheduled during January or February of each year. That provides time for the board to compile justification for requesting such an increase.

Mr. Conrad proposed doubling road use fees. He has walked each street within the subdivision and has compiled an inventory of which streets require immediate attention and which ones can wait. Based on chip seal at \$16 per foot (which was the high end of estimates for road repairs last year), road repairs could cost SEF over \$400,000 over the next five years. So, if there are roughly 150 lots remaining for new builds, increasing road use fees to \$2,000 generates \$300,000 to apply to road repairs.

Based on the data provided by Mr. Ferrell and the Architectural Review Authority (ARA) members, Mr. Nolen corrected the estimated number of remaining lots to be built down to 114. The amount generated with doubling road use fees on those lots is reduced to \$228,000 projected income.

Mr. Conrad noted that lots have increased in price substantially, and some have increased in price from \$55,000 during 2020 to \$85,000 within months; and in some cases, over \$100,000. With higher lot prices, larger and more expensive homes are being built which justifies increasing road use fees. Mr. Conrad strongly believes that the quality of our roads directly affects the quality of our subdivision. It was agreed that maintaining quality roads is the board of directors' biggest fiduciary responsibility.

Mr. Fonner expressed concern about the size and weight of the commercial trucks traveling on our roads and potential damage they are causing. Mr. Conrad agreed, but he also stated that RINCO (SEF developer) built quality roads with a good base. He thinks that chip seal roads are composed of asphalt oil, and compacted with smaller rocks.

Mr. Moe estimates that these roads are possibly twelve years old. He noted that some roads are in dire need of repair. Mr. Conrad added that the road inventory that he compiled lists streets as Urgent, High, Medium, and Low priorities. They discussed streets that are in urgent need of repair.

As he continued addressing Mr. Nolen's **Annual Budget – Comparative** report, when Mr. Conrad came to the insurance line-item amounts, he asked Mr. Nolen if he had seen Mr. Moe's email addressing concerns whether volunteers are covered by insurance. Mr. Nolen stated that he believes that they are.

Mr. Ferrell inquired if the board should still be looking into insurance covering the bridge. Mr. Conrad stated that he had met with the Canyon Lake Fire Department battalion chief, Jeff Kahanek and discussed our bridge. Mr. Kahanek told Mr. Conrad that this was a well-built bridge, and he had no concerns about moving his equipment across it during an emergency. He told Mr. Conrad there would have to be something as massive as a Sherman Tank floating down the creek in order to destroy our bridge. Mr. Conrad stated that the guard rails could be destroyed much easier; they are not cheap, but may need to be considered a lower priority at this time.

Mr. Fonner added that if a large truck were to take out our guardrails, they could do substantial damage. Mr. Conrad agreed and added that, as the board continues discussion of security cameras, a camera should be placed to capture traffic on the bridge. If a driver should damage their vehicle so severely that they cannot drive away, it would be easier to identify the responsible party; however, if they were still able to drive away, there would be no way to make them pay for repairing the damage. Discussion ensued regarding purchasing cameras and Wi-Fi or storage SD cards to capture traffic. Mr. Conrad and Mr. Fonner will meet to discuss this further.

Continuing Mr. Conrad's review of Mr. Nolen's **Annual Budget – Comparative** report, Mr. Conrad noted that the legal expenses may equal the amount budgeted for 2022. The SEF bylaws and deed restrictions must be revised, and the board will continue to require legal advice during this process. Both documents must be rewritten so they are easier to understand, easier to follow, and made easier to explain to our members. Also, as we near the end of 2022, the board will require legal advice on how to increase HOA dues and other fees. Mr. Nolen advised that, currently there is no charge for resale certificates and SEF charges \$150 for transfer fees.

Ms. Carr stated that \$4,000 has been allocated for legal fees and asked if that was still a viable amount. Mr. Conrad stated that he believes that will cover legal fees for the remainder of 2022, but can be revised later if necessary.

It was noted that the amount spent to date for management fees has already surpassed the budgeted amount by \$1,000.

Ms. Carr requested that the board return to the Legal and Other Professional Fees category and noted that the Certified Mail line-item was also over budget. She inquired who was incurring those fees. Mr. Nolen explained that SMTX Property Management mails delinquent HOA fee letters via certified mail and requests reimbursement from SEF; he also reimburses Architectural Review Authority (ARA) members for sending correspondence via certified mail.

Mr. Conrad asked Mr. Nolen for the status on collecting delinquencies. Mr. Nolen referred to the delinquency list saved on his laptop. He stated that all delinquencies for 2021 and 2022 total \$5,575.00. After calculating additional letters to be sent via certified mail, Ms. Carr will increase the certified mail budget by \$90.00.

Ms. Carr also inquired about whether or not the budget should be increased for the Mailing Fee line-item. Mr. Nolen stated that the only expense from this date forward should be to mail General Membership Meeting notices to members. Mr. Conrad

stated that he hopes to alleviate mailing fees once the neighborhood bulletin boards are installed.

Mr. Conrad built two bulletin boards because Texas law requires that meeting notices must be posted in two conspicuous places. If they are not posted appropriately, meeting notices must be mailed to members. Another option is to invite members to opt in to receive meeting notices via email; however, if they refuse (and meeting notices are not posted), state law requires that members be notified via mail.

One of the largest obstacles to installing these bulletin boards is drilling holes in order to cement posts into the ground. Mr. Conrad noticed that PEC has drilling trucks in our neighborhood and has been attempting to contact them to request they drill holes for us. If they agree to do so, this will save SEF approximately \$300. Mr. Moe offered to contact an SEF member who works for PEC.

Mr. Ferrell asked if the Architectural Review Authority (ARA) should cease sending third notices via certified mail. Mr. Conrad asked Ms. Carr to increase the mailing fee budget by \$110 rather than \$90 previously discussed.

Ms. Carr requested that the budgeted line-item for the website also be increased because there were extra expenses incurred over the \$20 per month fee. She reminded the board that they requested design services on the website and that cost was above the monthly fee. Mr. Conrad asked Ms. Carr to add \$120 over the amount already spent.

As mentioned previously, it was noted that the amount spent to date for management fees has already surpassed the budgeted amount by \$1,000. Mr. Conrad stated that the remaining management fees owed for the remainder of 2022 should only be paid for road use fees and delinquencies. The SEF has paid SMTX Property Management \$4,406 to date which is 8% of collections made on behalf of SEF. According to Mr. Nolen's report, that amount only covers management fees and not reimbursements for certified mail and other costs incurred on behalf of SEF. Mr. Conrad asked Mr. Nolen for an estimate of how much more he plans to collect. Mr. Conrad recommended that Ms. Carr amend management fees to \$4,600.

Mr. Conrad asked Mr. Fonner if he could advise the board on projected expenditures for budgeted line-item labeled Repairs, which includes sub-categories of Labor, Repairs – Other, and Supplies. Before he responded, Mr. Conrad added that he

spent approximately \$250 on road patch materials and plans to schedule two more road “patch parties” this year, resulting in approximately \$500 more for supplies.

Ms. Carr stated that SEF has already spent \$615 on gate repairs earlier this year, but nothing was allocated for Labor. It was suggested that cost be moved to the Repairs line-item. After further discussion, it was agreed that the sub-categories for Labor, Repairs – Other, and Supplies be eliminated, and all expenses regarding repairs be posted to the main line-item under Repairs.

Mr. Ferrell asked if anyone knew the cost for replacing or repairing the gate track. It is already damaged. Mr. Conrad requested that that expense be moved to next year’s budget because road repairs are the highest priority. If the gate should require replacement this year, the board will address the issue at that time. Discussion ensued regarding ideas of how to protect the gate and track. Mr. Fonner stated that he would look at other gated communities for ideas.

Mr. Moe stated that, if the gate should cease to function, individuals attempting to enter or leave the subdivision are stuck. He reminded the board how important it is to have “gate keeper’s” phone numbers posted out front. Mr. Conrad stated that he has been receiving calls although his phone number isn’t posted. Mr. Fonner stated that there should be some type of emergency release when needed. Mr. Moe stated that the emergency back-up should be working if power were to be lost. If the battery back-up isn’t working, we should call a repair service to determine why it isn’t. Mr. Conrad and Mr. Moe will meet to examine the gate. Ms. Carr suggested that checking the batteries and general gate maintenance should be included on a calendar as a reminder. Mr. Conrad asked Ms. Carr to make a note of that.

Mr. Fonner discussed costs related to repairs on the fence line to prevent erosion. His highest estimate is approximately \$2,000 including materials, but if someone would loan a skid steer, the cost could be as little as \$1,500.

Mr. Ferrell inquired about cleaning silt from the culverts. There are specific streets of concern that must be addressed prior to a heavy rain that could completely clog the drain. The drainage ditch on the corner at Let’s Roll and One Nation has already eroded and is 5’ deep in some places. It was noted that a water line owned by Canyon Lake Water Service is exposed. They have been notified.

One option is to hire Craig Clark, the same person who contracts for mowing services. Craig charges \$650 per day for this type of service.

Mr. Ferrell also mentioned that the creek bed should be cleared of Poverty Willows that can obstruct the flow of water. Unfortunately, individual property owners/members, not Summit Estates at Fischer, own the creek beds and the board cannot spray to eliminate those shrubs. However, there is a concern about those shrubs within the ditches. Discussion followed regarding safe methods for removing them, with few solutions for preventing their return.

Mr. Conrad asked Mr. Ferrell and Ms. Carr to provide budget revisions needed for increasing budgeted Repairs category. Mr. Conrad suggested that he and Mr. Fonner drive around to look at culverts and ditches in need of repair.

Mr. Conrad asked Ms. Carr and Mr. Nolen to prepare a draft for budget revisions proposed today. The board can review and vote approval via a telephone meeting.

It was decided that the budgeted amounts allocated for Property Taxes and Electricity are in line with expenditures, so no adjustment was necessary.

Although there may be additional fees related to the mailboxes purchase, it was agreed to only increase the budgeted amount up to \$8,176.66 which is the posted amount spent on the mailboxes.

Mr. Ferrell reminded the board that a line-item should be created for office supplies for the Architectural Review Authority (ARA). A budget of \$200 was agreed upon.

Mr. Conrad summarized the current income versus expenses discussed today. General Income is \$31,920 with expenses to date of \$27,195.49. Capital Improvements Income is \$16,000 with expenses of \$8,176.

Mr. Fonner requested a quote from GVTC for a business line, but they have not responded to date. Discussion followed regarding the most efficient and affordable way to operate security cameras.

Referring to the 2023 General Membership Meeting, Mr. Fonner recommended that the board present each item separately (increase of HOA dues, road use fees, etc.) so that each item requires one vote per property owner. Ms. Carr also recommended that when price increases are explained to members during the General Membership meeting next year, the board should provide a breakdown of what each mail slot costs SEF per property owner. This example was an eye-opener for board members, as well.

6. OTHER BUSINESS

A. SEF Board of Directors and ARA Meeting

Mr. Conrad proposed a called meeting with Board of Directors and Architectural Review Authority (ARA) the following week to discuss desired changes to the SEF Declarations and Deed Restrictions. Mr. Conrad plans to prepare a “wish list” for the attorneys to determine what revisions are legal and how to make those changes.

B. SEF Board of Directors and Block Captains Meeting

Mr. Conrad proposed a meeting with Mr. Moe and the block captains to discuss community wildfire concerns.

Mr. Conrad met with Jeff Kahanek and learned that a Canyon Lake Community Wildfire Protection Plan (CWPP) is already in place. Mr. Kahanek would take that plan and tailor it to SEF, with the main objective of identifying risks and concerns and to mitigate those risks and concerns. The CWPP is not only designed at the community level, but it’s also streamlined to the individual level.

Mr. Conrad would like to create a Community Wildfire Protection Plan (CWPP) committee consisting of neighborhood volunteers. Those volunteers would be trained by the Canyon Lake Volunteer Fire Department to determine wildfire assessments. Once certified, these volunteers would be able to offer individual property owner’s wildfire assessments. It would be up to the property owner to receive an assessment and would further be the property owner’s decision whether to follow through with recommendations.

If we have enough property owners to participate, Summit Estates at Fischer could be identified as a Fire Wise Community, which could have some insurance benefits. The timeline for completion of this project may take a year, but Mr. Conrad believes this knowledge would be of value to our members.

Mr. Conrad asked Mr. Moe to begin conversations with the block captains regarding this project.

Mr. Conrad also spoke with Mr. Kahanek about creating an evacuation plan. Mr. Kahanek explained that Comal County has an evacuation plan in place. Each crisis would determine how and where citizens would be evacuated, and Comal County is responsible for implementing that plan. Mr. Kahanek explained that, once Comal County determines that we must evacuate, they tell us where to go and what routes to take to get there. We become their responsibility.

C. Community Activities

Mr. Ferrell proposed a community night-out, perhaps in October. He suggested a potluck that would bring neighbors together. He mentioned that his cul-de-sac could be used as a gathering place for this event. There is access to electricity and Mr. Ferrell offered use of his outdoor projector to provide movies for the kids. There is also an open field that might be used.

Mr. Ferrell would also like to plan a neighborhood garage sale this fall. Mr. Ferrell believes that this would provide a great opportunity for neighbors to get to know each other by working together on this project. Mr. Ferrell will work with Mr. Moe to coordinate with SEF Block Captains.

Mr. Conrad added how pleased he was that ten neighbors participated in the road repair “patch party”. People worked well together on this community project, and they accomplished a huge feat within a couple of hours.

Mr. Conrad noted that October is National Night Out and Jeff Kahanek, Comal County Fire Chief Battalion, told Mr. Conrad that he would work with our board on a community project for that night. During their discussions, Mr. Kahanek also mentioned that one of his captains lives in our subdivision and he might be able to participate that evening. Mr. Conrad stated that it would be great to have a member of the fire department, who is also a neighbor, serve as our liaison. Mr. Conrad will contact Mr. Kahanek to obtain the captain’s name and contact information.

D. Water Collection/Storage

Mr. Fonner asked if we should have water storage. Mr. Conrad stated that there is a hydrant across from our entrance and another hydrant in front of one of the Fischer homes. Mr. Kahanek is aware of them, and this could definitely be part of the Community Wildfire Protection Plan (CWPP) discussions.

Mr. Conrad believes that Comal County Volunteer Fire Department probably has an agreement with Canyon Lake Water Supply to use water from their reservoir tank in case of a fire. Mr. Fonner stated that there is also a well in the back of that property, but it’s dirty water. (Canyon Lake Water Supply has three wells on SEF property, but the quality of water is not as high as the water source they depend upon from Canyon Lake).

E. Contracts

Mr. Conrad asked Mr. Nolen for all contracts/agreements from vendors/companies entered into by Summit Estates at Fischer (SEF). Mr. Conrad noted that he had a few, but needs access to all of them for review. Mr. Nolen stated that he would provide all contracts to Mr. Conrad.

Mr. Moe reminded Mr. Nolen to please verify whether or not volunteers are covered under SEF insurance policies. Mr. Nolen agreed that he would research the policies and would get back to Mr. Moe.

7. Adjourn Meeting

Mr. Conrad noted the time at 11:17 am and stated that, unless there was an objection, the meeting was adjourned. No objections were made.