

**SPRING CREEK ASSOCIATION BOARD OF DIRECTORS
SPECIAL MEETING MINUTES
SATURDAY, APRIL 1, 2017, 9:00 A.M.
SPRING CREEK ASSOCIATION OFFICE
451 SPRING CREEK PARKWAY, SPRING CREEK, NV 89815**

CALL TO ORDER: Chair Paddy Legarza called the Meeting to order at 9:02 A.M.

DIRECTORS PRESENT: Vice Chair Josh Park, Directors, Pat Plaster, Jim Jeffries, Mike McFarlane

DIRECTORS ABSENT: Travis Mahlke, Paul McAnany

CORPORATE OFFICERS PRESENT: Jessie Bahr – SCA President
Kristine Preston – SCA Treasurer

CORPORATE OFFICERS ABSENT: None

ATTORNEY PRESENT: None

PLEDGE OF ALLEGIANCE:

I. COMMENTS BY THE GENERAL PUBLIC: None.

II. REVIEW, DISCUSSION AND POSSIBLE APPROVAL FOR FURTHER ACTION WITH RESPECT TO THE DRAFT OF THE MUNICIPALITIES STUDY PRESENTED BY HANSFORD ECONOMIC CONSULTING AND MATTERS RELATED THERETO. Catherine Hansford of Hansford Economic Consulting introduced the agenda item stating her firm has been working on the municipalities project for the past few months. She described the current meeting format as a workshop session during which a lot of input from the Board of Directors with the hope of making the presentation a very interactive process. She would like to be able to conclude the meeting with some ideas, thoughts and considerations on how to move forward.

Ms. Hansford provided an agenda for the presentation. The first item on the agenda is to review the purpose of the Municipalities Study and where we are at in the process. The second item is a Ranking Criteria Review which allows for the prioritization of what government options may be most important for the Spring Creek community. The Power Point Presentation is the third agenda item which will include demographics, a financial review, different scenarios that have been examined. The last agenda item will be another ranking criteria exercise. A summary of what has been presented and studied thus far will be presented. Results of the Ranking Criteria will be presented. A final report will be prepared after conducting this workshop and will include the results of the Ranking Criteria that will be done with the group today.

Ms Hansford proceeded with the presentation describing the alternative forms of government that were examined for Spring Creek: specifically, they were asked to look at General Improvement Districts (GID) or Unincorporated Town Structures versus remaining as a Home Owners Association; they did not look at Incorporation as a government option. They collected data from Spring Creek Association and the Elko County Assessor Office as well as comparable data from other small municipalities and General Improvement Districts in Nevada. The data has been used to prepare a financial model. A great deal of research has been included with respect to statutes. A presentation packet was provided to the BOD and the general public. Ms. Hanford read a description of the Ranking Criteria process to be completed this meeting by the BOD and why the ranking is done. She reviewed the weighting worksheet values from 1 to

BOD SPECIAL MEETING MINUTES – APRIL 1, 2017

5 based on importance; 1 = Most Important to 5 = Least Important. She provided additional information on the ranking criteria and gave some examples of how they might be considered. She explained the ranking criteria process will be completed preliminarily by the Board and before the presentation because knowing what the Board's initial thoughts about what criteria are most important to the Board and SCA is key.

Ms. Hansford explained the flexibility of service provisions the community deems important and should be provided versus those which are less important. An example of this might be: If the community were a General Improvement District, a service option might be road maintenance and the Board could determine if that is the sole service provided or whether other services such as recreation or weed control, curbs, gutters and lighting, rodent control or many other types of services are provided to the GID. The Board of Directors are those who would be preliminarily determining the service options and their importance.

Another criteria segment explained was the economy of the community or the level of influence the residents have on a form of government; how much of a voice the residents would have on their government. Ms. Hansford proceeded to touch on the remaining criteria and explain what each is about, giving examples as she covered the entire ranking criteria topic including sources of revenue and how much residents would pay for services and amenities provided by the entity through a combination of HOA assessments, ad valorem taxes and or other charges.

The Ranking Criteria exercise ensued with Board of Directors individually marking their respective weighting on the Ranking Criteria worksheet they were each provided. This is just a bench mark of initial reaction by each Board Member and opinions can be changed after the presentation which will follow this exercise.

The presentation began with the purpose of the study, the demographics of Spring Creek, an overview of a financial review of the Association, the different type of government scenarios explored, key considerations and constraints that go with each different type scenario. After the presentation and review of all the information, the Board will go through a second Ranking Criteria, then the estimated costs will be looked at by scenario from the assumptions used in the model mentioned earlier using estimated budget and revenue sources. One final area Hanford was asked to examine was to take a very broad overview of the water utility and having the potential for a public water utility provision.

Demographics highlights include:

- Spring Creek is an economically stable community.

- Heavily residential community.

- Population – Approx. 13,000 people

- Population Employed – Approx. 6,000

- Jobs Worked outside of Spring Creek – 95%

- Jobs Comprised 33% of Mining, Farming, Oil/Gas

- Unemployment is very low – 1.5% unemployment

- Very Low HOA delinquency rate – Approx. 4%

- Homes Vacant in Spring Creek – 1%

- % of Homes Rented in Spring Creek – 15%

- Spring Creek represents 55% of the Elko County total unincorporated population

- Spring Creek and represents 25% of the total Elko County population which includes Elko, Carlin, Wendover, Wells and all other smaller communities.

- Spring Creek assessed valuation is 23% of the unincorporated county, making up a very large proportion of the unincorporated Elko County operation.

A question was asked from the audience as to whether the percentage of Spring Creek assessed value compared to the percent of unincorporated Elko County population was skewed and whether the it should be relative to one another. Ms. Hansford indicated that would not necessarily be the case depending on the

BOD SPECIAL MEETING MINUTES – APRIL 1, 2017

value of homes/land, types of structures and improvements to property are in place in different areas of the county or in other communities. Depreciation is also a factor where newer communities or structures have less depreciation.

General Financial Health of the Association shows the financial standing of the Association is healthy with a low debt ratio. Assessments represents 75-76% of SCA total revenue which is typical of HOA's in general but a little bit above other HOAs because some of the amenities in Spring Creek are revenue generating; The Golf Course, the Horse Palace, Road revenue that comes from Elko County, use of baseball fields by those who pay a fee. The Association expense ratio are well within the revenue source.

Operating Expenses by function were reviewed over the past 5 years. Largest expense is roads at 43% of annual budget. General Administration of the Association is 26% of budget, 15% is spent on the Golf Course, 12% on Facilities and Security, 4% on the Horse Palace.

All cost projections assume no increase in cost of services or level of service. A comparison is presented using other association costs as a comparison is presented. Ms Hansford made a comparison of road costs by lineal foot per person with Ely and Winnemucca. NDOT funding is not available to Spring Creek for road maintenance but funding for other services may be available from NDOT. The percentage of revenue that is spent on roads in Spring Creek is lower than what other communities spend in the Reno area by comparison.

There are about 4,800 homes in Spring Creek and about 60 Horse Palace passes and about 230-250 Golf passes sold each year. There are about 5,000 rounds of golf played each year compared to Elko which experiences about 21,000 rounds per year.

Annual Amount of Assessments and number of lots were also compared to other communities:

Spring Creek - \$624/yr.

Open Lake Trails - \$2,200/yr. in Northern California

Bear Valley - \$1,400/yr. in Southern California with separate fund for roads

According to the Declaration of Reservations and in today's dollars, Association assessments could be \$850/yr.

Questions were asked by Jan Boyer (Tract 100) about amenities and their condition and possible solutions to increasing usage. Clarification on population numbers by Curtis Calder (Tract 100) and by Lou Ash (Tract 100) GID water usage were addressed.

Ms. Hanford described three different functions that have been modeled that could be handled by different governance structures are proposed for consideration shown below:

1. SCA and DMR – Spring Creek Assoc. and a District for Maintenance of Roads
2. SCA and Road GID – Spring Creek Association and Road GID (the GID provides for maintenance of roads as the only service)
3. SCA and Multi Service GID – Spring Creek Association and Multi Service (GID would provide several different services)
4. Unincorporated Town - In any model you would require an Association. The Committee of Architecture would still require reviews and the Association would handle various small functions/events.

Various services could be handled as the model suggests as follows:

BOD SPECIAL MEETING MINUTES – APRIL 1, 2017

1. Architecture reviews remain with the Association.
2. Roads – defined on the model grid
3. Weed Control – handled by a GID or an unincorporated town
4. Security – handled by the Association and/or in the unincorporated scenario might also have Sheriff services.
5. Parks and Recreation – A GID or an unincorporated town could provide that service
6. Water and Waste Water – Great Basin Utilities now provides but a GID could provide both or an unincorporated town could provide those services and may to have an agreement to provide services to others outside the Spring Creek Association.

Clarification was sought on the difference between a District for Maintenance of Roads (DMR) and a Road GID: According to Nevada Revised Statutes the DMR is very limited and usually by contract for a specific service versus the Roads GID which is broader and a standalone entity.

Clarification was asked on whether waste water could be handled by a GID considering the possibility that Great Basin Utilities might sell the utility or some other option such as a hostile takeover...i.e. if SCA were to form a GID and take over the utility. President Bahr commented on the subject with respect to what the NRS statutes define with respect to eminent domain and the any takeover as a separate process. She explained the need for a backup plan is advisable in the interim and that is what the Board requested of Hansford for the current situation in laying out possibilities for governing structures moving forward.

Ms. Hansford next focused the group on the Considerations on Forming a New Entity. Namely, a new entity would assume ownership of the assets. Namely property, equipment owned by the HOA: examples were cited. Explanation was made that if a GID is formed, approval is required of 75% property owners either in person at a regular meeting or by proxy. Only the common recreational facilities may be transferred without a vote. All other transfers, including formation of a GID, require a 75% vote of property owners.

Other criteria of forming a GID were defined and discussed. Physical parameters of boundaries in Spring Creek tracts and Elko County were addressed. Comment and discussion ensued.

The Ranking Criteria were reviewed the second time with the BOD. The Board is asked to give a ranking from 1-5 for their preferred ranking; 1 being the best option and 5 the worst option. Numerous questions arose among the Board members and discussion and explanation by Hanford Consulting ensued on various aspects of the ranking criteria process.

Additional power Point slides were presented on home values prior to scoring the remaining ranking criteria with additional costs involved in road maintenance, the costs and number of Association staff at all levels required to provide services by position: today versus a new GID, DNR or unincorporated town scenario. Ranking Criteria continued. A comparison of both the preliminary scoring and the secondary ranking scoring ensued.

The issue of a need for a Fire Protection District became a topic of conversation during this process.

The final piece of the analysis study was on the water utility. Ms. Hansford summarized those considerations including the cost of that investment in water utility. Rates would be just as high and debt would have to be incurred if the utility were acquired. Many specifics need to be considered in acquisition of that type of utility and whether a reasonable return on investment is feasible.

An executive summary is included in the packet which is a synopsis of what has been presented.

BOD SPECIAL MEETING MINUTES – APRIL 1, 2017

Review of the weighted scores ensued. Board comment and discussion was offered on various aspects of this study.

Results of the Ranking Criteria were:

1. HOA – maintain the status
2. Multi Service GID
3. GID
4. District for Maintenance of Roads (DMR)
5. Unincorporated Township

Public comment was offered by Lou Ash (Tract 100), John & Julie Featherstone (Tract 400) on the water issues and the top two scores in the ranking criteria.

Clarification and comments were offered by SCA President Bahr and the various members of the Board of Directors. The consensus of the Board and the public is that the study of municipalities by Hansford Economic Consulting was money well spent and the feedback invaluable as SCA determines its future government options.

III. MEETING ADJOURNED: 12:15 PM