

**APPLE CANYON LAKE PROPERTY OWNERS' ASSOCIATION
BOARD OF DIRECTORS MEETING
AUGUST 17, 2013**

APPROVED

2.0 Call to Order – President Deb McNamee called the regular monthly meeting of the Apple Canyon Lake Property Owners Association (ACLPOA) to order at 9:00 a.m. at the Apple Canyon Lake Clubhouse, Saturday, August 17, 2013.

3.0 Pledge of Allegiance – After the Pledge of Allegiance, a quorum was present with the following directors in attendance: Ms. Marge Clark, Mr. Josh Cocagne, Mr. Mike Harris, Mr. Kevin Kavanaugh, Mr. Chuck Larsen and Mr. Erin Winter. Mr. Rick Paulson and Mr. Bob Ballenger were absent. Operations Director Bob Stanger and Recording Secretary Kande Haertel were also in attendance.

President McNamee requested changes to the agenda as follows: To move Property Owner Comments to the end of the meeting; to add 10.1 Community Management Association Act Changes by Dick Brennan, to move items 11.13 and 11.14 to after 11.18 to put all of the budget items together, and eliminate the presentation by Keven Graham. Kevin Kavanaugh moved, Mike Harris seconded, to “Approve the change and addition listed above.” The motion carried unanimously. Note: These minutes use the original motion numbers, but the above changed order.

4.0 Record/Adopt July 13 and July 20, 2013, Board Minutes – Erin Winter moved, Marge Clark seconded, to “Adopt the July 13 and July 20, 2013 with the July 13th Minutes as amended.” Marge Clark requested an amendment to the July 13 Minutes which was accepted. The motion carried with one abstention from Chuck Larsen.

5.0 Treasurer’s Report – Marge Clark gave her report for the month of July, 2013. Highlights of the report included: July revenues were over budget, showing year-to-date (YTD) revenue over budget. July operating expenses were over budget, showing YTD expenses under budget. The above activity results in YTD operating revenues over expenses of \$309,194, which is under budget by \$133,701. As of July 31, 2013, the pool project had a total expense of \$1,943,389. The construction loan will be complete and moving into the term loan. It appears the pool project is coming in under budget. The R&R expenditures for July were \$28,035 and \$215,965 YTD. Kevin Kavanaugh motioned and Chuck Larsen seconded, to “accept the July, 2013 Treasurer’s Report as presented.” The motion carried unanimously.

6.0 Committee Reports

Dam Advisory Panel – Chuck Larsen stated that the annual value test at the downstream end of dam was not performed because the new structure built to prevent auto accidents to the valve was blocking a necessary portion of the value structure. Maintenance has been able to cut a slot to rectify the problem and the test will be done within the next two weeks. It should be noted that the

valve is operable; the test is to verify that it is working properly in the event the lake level ever needs to be lowered.

Campground – Chuck Larsen commented on the WiFi installation. Currently, only half the campground is covered. Both Bob Stanger and Chuck Larsen have additional sources for completing this project at a lower cost and they will be working on this.

Long Range Planning– Chuck Larsen reported Kevin Graham of Planning Resources is working on the new master plan. There is not a lot to report because survey results are still being tabulated. The manual input of the mailed in surveys is holding up the process. It was agreed to wait until after survey tabulation is complete before they make their next report, which should be in the next month or two.

Maintenance – Kevin Kavanaugh reported that the committee has met twice this past month and wants to make a recommendation to the Board to amend the committee’s charge to include the development and review of RFP’s.

Legal – Marge Clark stated that the committee has not met.

Rules & Regulations – Josh Cocagne stated there will be a committee meeting on September 14th.

Trails – Mike Harris reported that the committee met last month. The Marina Bay trail clean-up has been put on hold because of lack of support from Maintenance. There may be a low branch clean-up in the fall. He will be touring trails this next week with Bob Stanger to see where trails may be on private property and how this could be resolved. Deb McNamee questioned why brush that has accumulated is not being taken care of. The Maintenance Department’s shortage of workers was stated as the reason at the last meeting. She also directed Bob Stanger to make burning/cleaning up this brush an imperative. A discussion of burn licenses followed.

Conservation – Erin Winter stated that the committee met on August 3rd. Lake monitoring is on track thru July. The 319 Grant for the watershed plan has been submitted, with feedback expected in January 2014. There are two motions on today’s agenda dealing with conservation. The next meeting will be September 7th.

7.0 President’s Report – The President’s report will be in *The Apple Core*. She reiterated that ACL is looking for new volunteers, looking for new ideas, and people who have experience in areas that can assist ACL.

8.0 Operations Director’s Report – Bob Stanger echoed President McNamee’ request for volunteers. He continues to learn and access new challenges and appreciates the support voiced. He appreciates board, staff, and the community. Activities and amenity usage has begun to decline with a few exceptions. The pool is very well used. Trail use has increased, particularly by vehicles. He cautioned drivers that because of the weather when they are approaching homes, to slow down and don’t create dust.

10.0 Unfinished Business

10.1 Community Management Association Act Changes – Dick Brennan, 01-012, Chair of the Legal Committee, reported that in 2010 the Illinois Legislature enacted the Community Manager Licensing and Disciplinary Act requiring that all community association managers be licensed by the State of Illinois. Because our last community manager has left, it means that ACL is no longer operated by a licensed manager. The General Manager Search Committee must find

someone who has this license or who could get one very, very quickly. It is possible that someone could say that our Acting General Manager is acting as General Manager without a license. Our legal counsel concurs and made suggestions for rectifying this situation. Mr. Brennan proposed to the Board that they adopt a motion which will designate certain members of the Board with specific management duties because volunteers do not have to be licensed. He also stated that Bob Stanger's title should be changed to Operations Manager or Director. Those steps would insulate both ACL and Bob Stanger from being in violation of the Act. President McNamee, on behalf of the Board, thanked Mr. Brennan for all his work on behalf of ACL. President McNamee then requested a motion that would name Bob Stanger to the position of Operations Director and that the following functions would be performed by the following volunteers: Debra McNamee to conduct Association meetings, Marge Clark to manage the funds and the budget, Josh Cocagne to manage records, and Bob Ballenger will administer the contracts. Mike Harris made the motion and Erin Winter seconded. The motion carried unanimously.

11.0 New Business

11.1 Property Owner Citation Appeal – President McNamee requested John Haniacek, 8-141, address the Board. Mr. Haniacek spoke regarding a pathway on the greenway adjacent to his home that leads to his boat dock. He stated that he has used this path with his golf cart for the past 10 years and now finds that what he has been doing is not allowed and had been issued a citation. Board discussion centered on the history of trail usage, designated foot paths, signage on trails and paths, and who has the authority to designate certain areas for certain uses. Following a brief executive session, the Board determined that the citation should be dismissed. The Board also requested a survey of the trails; Bob Stanger noted that this is being done.

11.2 AECC Request for Easement – President McNamee read the narrative. Josh Cocagne moved, Mike Harris seconded, to grant an easement to 1A14 to repair, maintain, or replace the septic field which is located on ACL greenway per AECC's recommendation. If the field should ever be replaced, it must conform to all ACLPOA and Jo Daviess County regulations. The motion passed unanimously.

11.3 Property Owner Refund Request – President McNamee read the narrative. Erin Winter moved, Chuck Larsen seconded, to “partially refund Jim Oberman the \$200 monthly boat slip rental fee he paid before being assigned a Sub-Licensed Boat Slip on July 12. The Sub-Licensed Slip was paid for on July 31st. He is requesting a refund of \$130.” The motion carried unanimously.

11.4 Property Owner Refund Request – President McNamee read the narrative. Chuck Larsen moved, Erin Winter seconded, to grant Michael Forbrook a refund of \$200 for the sublicensed slip he could not use due to weeds. Josh Cocagne questioned the assignment of sub-licenses and the work order approval process. Kevin Kavanaugh noted that it is the Association's responsibility to make certain that the docks can be used. Debra McNamee asked that the Office have Maintenance ensure that the sublicensed slips are clear of weeds and accessible. Megan Shamp noted that it could not be limited to the sublicensed slips; it would have to be all of them. Seth Sample stated that the level of spraying we are talking about would lead to other problems

with Blue-green algae, etc. The weeds protect us against these other blooms. There needs to be a land use change; there is no quick fix for this problem. The motion carried unanimously.

11.5 Placement of Buoy in No Wake Zone – President McNamee read the narrative. Josh Cocagne moved, Chuck Larsen seconded, to have the Rules & Regulations Committee review the current buoy placement and type. Erin Winter questioned why Rules & Regs would need to review this. Further discussion centered on the type of buoys used, the number than exist and could exist, how to manage and pay for the buoys, and guidelines for boaters. A call for a voice vote indicated: Erin Winter, no; Mike Harris, no; Marge Clark, no; Josh Cocagne, yes; Kevin Kavanaugh, no; Chuck Larsen, yes. The motion failed. Erin Winter moved, Mike Harris seconded, to place the buoy at 100’ as requested by Diana Brown. Following discussion, a voice vote resulted in the following: Josh Cocagne, no; Erin Winter, yes; Mike Harris, yes; Kevin Kavanaugh, yes; Chuck Larsen, yes; Marge Clark, yes. The motion carried.

11.6 Future Refund Requests – President McNamee read the narrative. Mike Harris moved, Kevin Kavanaugh seconded, to “to allow the General Manager to approve or deny refund requests at his/her discretion.” Bob Stanger questioned who would be authorizing him to do this. Marge Clark asked if there will there be guidelines or will it simply be “discretion”? President McNamee stated that at this time we want it to read “General Manager” and would count on that person’s good judgment. The motion carried unanimously.

11.7 Ratify Electronic and Phone Vote -- President McNamee read the narrative. Marge Clark moved, Erin Winter seconded, “to ratify the electronic and phone vote held July 31, 2013 to accept the Coventry Health And Life Insurance Company plan for employee health care coverage.” The motion carried with Chuck Larsen abstaining.

11.8 Committee Changes Via Motion of Consent - President McNamee read the narrative. Kevin Kavanaugh moved, Marge Clark seconded, to “Approve the Committee Changes as listed: to accept the resignation of Jan Hedges from the Appeals Board, Kevin Kavanaugh from the Editorial Review Board, Chuck Larsen from the Trails Committee and to appoint Edie Petelle to the Appeals Board, Deb McNamee to the Editorial Review Board, Jan Hedges to the Nominating Committee, Steve Davis to the Nominating Committee, Don Ford as Vice Chairman of the Long Range Planning Committee, and Rich Miranda as Secretary of the Long Range Planning Committee, also to remove Mike Minet from the Trails Committee (has not attended a meeting in over 4 years). It was noted from the audience the Mike Minet had requested to be removed from the Trails Committee some years back. The motion carried unanimously.

11.9 Internet Service at the Campground – President McNamee read the narrative. Chuck Larsen moved, “to approve the transfer of \$100 per month, May through October, totaling \$600 a year; from the Campground Committee’s designated fund to provide Internet service at the campground.” There was no second seconded. The motion died. President McNamee requested discussion to understand why this motion was brought to the Board. Kathy Richards, a member of the Campground Committee, addressed the Board and reported that they made a decision with information that is presently inaccurate. To her knowledge there is no contract with JCWIFI and the resolution will be difficult because of actions by previous management personnel. The work

also remains unfinished and the east side of the campground still does not have WiFi. Megan Shamp stated that ACL is being billed for this service now. She requested help from the Board and Bob Stanger to resolve this. Marge Clark questioned the security on this service and who can use it. Megan Shamp also noted that the clubhouse has free WiFi that is available to anyone who chooses to use it. President McNamee assured Ms. Richards that she and Bob Stanger would work on this issue.

11.10 Signage Wording -- President McNamee read the narrative. Erin Winter moved, Mike Harris seconded, to “approve the Conservation Committee’s recommendation to change the wording on the signage from “foot path” to “path to boat dock”. The motion passed unanimously.

11.11 Greenway Application Review Committee – President McNamee read the narrative. Erin Winter moved, Chuck Larsen seconded, to “approve the formation of the Greenway Application Review Committee as a sub-committee of conservation, the committee charge, and the committee members as listed above.” Marge Clark questioned why the sub-committee is needed? Wouldn’t it be appropriate for the committee do the work without sub-committee? Erin Winter responded that the 2009 Governing Documents were changed in 2012, making this sub-committee necessary. He stressed the need for this sub-committee and to get it working. Marge Clark indicated that she had no problem with changing the language, but still questioned the need for a sub-committee. Kevin Kavanaugh asked if it was possible to revert back to 2009 wording. Erin Winter indicated that if the language were reverted back, it would then be acceptable. Josh Cocagne questioned whether this was part of the Covenants or could the wording be reverted? Erin Winter indicated that this was simply a policy and could be reverted. The original motion and second were withdrawn. Erin Winter moved, Kevin Kavanaugh seconded, to change the wording for pathways, guidelines and requirements for the development of paths on the greenways to say plans for any proposed paths on the greenway must be submitted to the Conservation Committee for the recommendation to the Board of Directors for approval. Erin Winter noted that this is number one on the guidelines. Josh Cocagne asked if anyone knew why that was changed. No one did. The motion passed unanimously.

11.12 Memorial Stone Placement at Hole #6 – President McNamee read the narrative. Kevin Kavanaugh moved, Marge Clark seconded, to “approve the purchase of the memorial stone in memory of the Massingills at hole #6 at a cost of \$325; to come from the Golf Committee’s designated fund.” The motion carried unanimously.

Short recess was called to set up for budget discussion. At the end of the recess, Marge Clark took over the chair at President McNamee’s request.

11.15 Presentation of the 2014 Operating Budget – Marge Clark presented the proposed Operating Budget for 2014. She began by reviewing the expense portion of the proposed budget. Highlights included: change in carrier for the employee insurance policy, ACL’s liability insurance and the number of claims, and administrative salaries. She then asked for questions from the Board. Kevin Kavanaugh noted that these figures are based on a 2012 audited statement and a 2014 budget, which is one difficulty, and due to CICAA requirements, having actuals for

2013 only through May; he still questioned the need for an increase in dues when costs have not been cut. It was pointed out by Megan Shamp that July preliminaries are now included; financials were received yesterday. Marge Clark pointed out the need for two contingency funds, the number of restricted lots and senior exemptions that decrease revenue, changes that Honkamp recommended to the designated funds income and expense, and bad debts that may still be in error because of double entry. Discussion regarding employee expenses (payroll, fringes, etc.) and operating funds followed. Kevin requested that next year the budget be formed on a zero-based budgeting approach. Marge Clark then explained the need to keep \$1M in reserves in order to fulfill the terms of our bank loan for the pool and possible irrigation system. There was significant discussion regarding the new irrigation system, particularly the method of funding and the timing of doing the project. She also provided a history of putting projects on hold for the last several years that has resulted in the R&R fund growing very significantly. She noted that ACL's amenities are suffering because of lack of maintenance and it is time to catch up and also plan for the future. Erin Winter moved, Kevin Kavanaugh seconded, to "approve for publication the 2014 Operating Expense (\$3,551,389) Budget and, per CICAA requirement, publish the budget in the September issue of *The Apple Core*." The motion carried unanimously with six yeas.

Moving on to the operating revenue side of the budget, Marge Clark pointed out highlights including: asset preservations funds have a balance of approximately \$34,000, which are not shown as a separate line on the budget; membership dues that reflect an assumed increase to \$795 annually. Kevin Kavanaugh questioned reporting of the R&R budget and its effect on ACL's complete financial picture and the potential dues increase. Kevin Kavanaugh moved, Josh Cocagne seconded, to "approve for publication the 2014 Operating Revenue (\$3,401,472) Budget and, per CICAA requirement, publish the budget in the September issue of *The Apple Core*." The motion carried unanimously. Later in the meeting, Kevin Kavanaugh motioned, with a second by Josh Cocagne, to amend the amount of revenue to reflect an increase in dues to \$850, which would increase the Operating Revenue Budget number to \$3,548,267. The motion passed unanimously with six yeas.

11.16 Amend Pool Capital Project – Marge Clark read the narrative. Kevin Kavanaugh moved, Chuck Larsen seconded, to "approve the amendment to the pool capital project to allow for annual payments over a five year basis (2014-2018) instead of the three-year schedule (2014-2016) originally approved." Marge Clark indicated that Board approval of this motion is necessary for discussions with the bank regarding the possible irrigation system. She noted that this change would not mean that the irrigation system must be put in. Kevin Kavanaugh noted that the existing loan did not have a prepay penalty. He also noted that the Board needs the ability to potentially extend the loan to five years and potentially put in the irrigation system. The motion carried unanimously with five yeas. Erin Winter was absent from the vote.

11.17 Capital Project for Irrigation System – Marge Clark read the narrative. Chuck Larsen moved, Mike Harris seconded, to "approve the irrigation system capital project, the amount of which is not to exceed \$500,000, to be repaid in five annual installments." Discussion centered on how the bid proposals are being handled and how they will be matched up to show that the

proposals are covering the same items. The motion passed unanimously with five yeas. Erin Winter was absent from the vote.

11.18 Presentation of the 2014 R&R Budget – Marge Clark read the narrative. Josh Cocagne moved, Mike Harris seconded, to “approve for publication the Renovation and Replacement (R&R) budget of \$293,329 net and, per CICAA requirement, publish the budget in the September issue of *The Apple Core*.” The motion carried with five yeas and Kevin Kavanaugh voting nay.

11.13 2014 Due Increase – This motion was not used because it was included in the Fee Schedule, motion 11.14.

11.14 Presentation of the 2014 Fee Schedules for Operating and AECC – Marge Clark presented the Operating and AECC Fee Schedules. Kevin Kavanaugh moved, Josh Cocagne, seconded, to “approve for publication the 2014 Operating and AECC Fee Schedules and, per CICAA requirement, publish as part of the budget in the September issue of *The Apple Core*.” Marge Clark noted that the Fee Schedule changes were the annual dues, corporate golf season pass, aqua class fee, payment plan annual fee, the payment plan late sign-up fee, and clubhouse fees. Discussion followed whether or not ACL is fee-based or dues-based organization. It was generally felt that the fee structure should be carefully evaluated each year. Josh Cocagne questioned whether the dues increase was necessary for 2014, or whether it could be put off in the future. It was generally agreed that it is not only needed to get through next year, but to plan for the future. The list of items on the R&R fund grows tremendously over the years. If dues were raised even more now, then perhaps they would not need to be raised again for several years. Keeping in mind the reserves and R&R funds needed in the near future, the Fee Schedule was amended to increase dues to \$850. The motion passed unanimously with five yeas. Erin Winter was absent from the vote.

12.0 Other – There was no other business.

Property Owner Comments – None

Adjournment – Josh Cocagne moved to adjourn at 12:50 p.m. The motion carried.

Recording Secretary Kandee Haertel

President Deb McNamee

Date

Corporate Secretary Josh Cocagne