Proposed Bylaw Change – What You Need to Know

This year's election includes an important question: Should we change our Bylaws? There are two different options for changing the same part of the Bylaws—specifically, Article VIII, Section 1a and 1b. This section deals with how much money the Board can spend on buying property or making major improvements without needing a vote from all members.

Changing the Bylaws requires a two-thirds (2/3) majority of members who are present or who vote by absentee ballot at the meeting. To save money, we usually wait until the annual meeting to vote on these changes, instead of holding a special meeting, which would cost the Association about $27,000.

Below, you'll see the current wording of Article VIII, Section 1a and 1b, followed by two proposed options for changing it (Option A and Option B). On your ballot, you can:

- Vote **No** to keep the Bylaws as they are,
- Vote for **Option A**,
- Or vote for **Option B**.

If you leave this question blank on your ballot, it will count the same as a "No" vote (meaning no change).

Approval is based on the total number of members who vote, either in person or by absentee ballot.

EXPLANATION ON: Vote **No** to keep the Bylaws as they are

Existing Bylaw – Article VIII Section 1a and b

ARTICLE VIII

COMMON INTEREST COMMUNITY PROPERTY

SECTION 1. Limitation on Capital Expenditure -

(a) The Association is precluded from the purchase of real property or any capital expenditure in excess of 15% of total equity as determined by the most recent financial audit, unless a majority of the Members in Good Standing present a meeting of the Members in which a quorum is present, vote to approve. The Board of Directors may by a vote of a Supermajority of its directors a meeting of the Board where a quorum is present, approve the purchase of real property or any capital expenditure not to exceed 15% of total equity, as determined by the most recent financial audit. The limitation set forth in Section 1(a)

(b) above shall not apply to a reserve expenditure, a budgeted expenditure or purchase (including one that may have been included in the budget for more than one year in anticipation of the expenditure), or the bidding on or the purchase of real property in any foreclosure action brought by the Association.

What the Current Bylaw Means About Big Purchases and Spending

- The Board cannot spend a large amount of money (more than 15% of the Association's total equity, based on the latest financial audit) on buying property or making major improvements unless a majority of owners at a meeting vote to approve it.
- The Board can approve spending up to 15% of total equity on these things, but only if a "supermajority" (more than a simple majority) of Board members agree at a Board meeting.
- This rule does **not** apply to:
  - Money spent from the reserve fund,
  - Expenses that were already planned for in the annual budget (even if they were planned for several years),
  - Or if the Association is buying property at a foreclosure sale.

In short: For big purchases or projects, the Board needs approval from the owners. For smaller or already-budgeted expenses, or reserve spending, the Board can act on its own.

EXPLANATION ON: Vote for **Option A**

Proposed Change A

The Board of Directors have proposed to amend the Bylaws in accordance with the Bylaws Article VII, Section 1a & d.
The proposed amendment is to make a change to Article VIII, Section 1a and b
This change further restricts the amount of funds the Board can transfer into the capital fund on yearly basis.

SECTION 1. Limitation on Capital Expenditure -

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(b) The limitation set forth in Section 1(a) above shall not apply to a reserve expenditure, a budgeted expenditure or purchase (including one that may have been included in the budget for more than one year in anticipation of the expenditure), or the bidding on or the purchase of real property in any foreclosure action brought by the Association.

(c) The Association shall be limited on the amount of funds transferred each year from the operation fund to the capital fund to 12% of the total annual assessment budgeted for the fiscal year.

Proposed Change A – What Does It Mean?

This proposed change would add a new rule to our Bylaws that will limit the amount of every lot owner's annual assessment that can be contributed to the capital fund each year. The capital fund is used for larger projects and improvements.

What Would Change?

- The Board would only be allowed to transfer up to 12% (current level) of the total annual assessment (the dues collected from all owners for the year) into the capital fund each year.
- The current rule about not spending more than 15% of the Association's total equity on a single project without a member vote would stay the same.
- All other rules about reserve spending, budgeted expenses, and foreclosure purchases would also stay the same.

Why Make This Change?

- This new limit would help control how much of your annual dues can be set aside for larger projects, which can help keep dues from rising too quickly. Any change to the current limitation is only limiting the size of the project. So, owners would only vote if the size of the project exceeds a certain amount. Meanwhile, a group of projects could be completed exceeding the capital limit expenditure as long as each of them is under the limit expenditure.
- Right now, the Board could do several smaller projects in one year, each under the spending limit, but together they could add up to a large amount—without needing a vote from owners.
    - For example, the Board could approve four projects at $400,000 each (totaling $1.6 million) without a member vote, as long as each project is under the limit.
- By limiting how much can be put into the capital fund each year, the Association would need to plan and save for larger projects over time, rather than moving a lot of money all at once.
- The rule that requires a member vote for any single project over 15% of total equity would still apply.
- In past ten years, the Association has not spent more than $430,000 on any one project, so there has not been a need for very large projects.

In summary:

Proposed Change A is designed to give owners more control over how much of their dues are set aside for big projects each year, helping to keep dues stable and making sure large projects are planned carefully.

EXPLANATION ON: Vote for **Option B**

Proposed Change B

The Board of Directors received a proposed Bylaw change by petition from PLPOA members. The petition containing the proposed change and signatures is in accordance with the Bylaws Article VII, Section 1b-e.

SECTION 1. Limitation on Capital Expenditure

(a) The Association is precluded from the purchase of real property or any capital expenditure in excess ~~of 15% of total equity as determined by the most recent financial audit~~ ***five-hundred thousand dollars ($500,000.00), with an annual increase of the annualized Consumer Price Index (CPI), as published by the U.S. Bureau of Labor Statistics for December of the preceding year, plus one percent (1%),*** unless a majority of the Members in Good Standing present ***at*** a meeting of the Members in which a quorum is present, vote to approve. The Board of Directors may***,*** by a vote of a Supermajority of its directors ***at*** a meeting of the Board where a quorum is present, approve the purchase of real property or any capital expenditure not to exceed ~~15% of total equity, as determined by the most recent financial audit~~ ***five-hundred thousand dollars ($500,000.00), with an annual increase of the annualized Consumer Price Index (CPI), as published by the U.S. Bureau of Labor Statistics for December of the preceding year, plus one percent (1%).***

(b) The limitation set forth in Section 1(a) above shall not apply to a reserve expenditure, a budgeted expenditure or purchase (including one that may have been included in the budget for more than one year in anticipation of the expenditure), or the bidding on or the purchase of real property in any foreclosure action brought by the Association.

RATIONALE:

- Before the Board spends significant sums of money on large capital projects, requiring the vote of the Membership will keep the Owners informed and assure the organization is making improvements that are in line with the Owners' needs and wants.
- With the current wording, "15% of total equity as determined by the most recent financial audit", the maximum limit that the Board can spend greatly increases each year. The more assets they approve and purchase or build, the higher the total equity rises. So, 15% of a higher number gives them a higher expenditure limit.
- Example: Under the existing wording in the Bylaws, the Board can spend $998,033 without a vote of the Owners. Had the gymnasium project passed, that limit would have risen to $1,322,033. The proposed wording change would limit the Board's capital expenditure to $500,000 (plus the cost of yearly inflation + 1%) without a vote which is a much more reasonable amount.

2025 ANNUAL MEETING & ELECTION

Pagosa Lakes Property Owners Association
Pagosa Lakes Clubhouse – 230 Port Ave.
Pagosa Springs, CO 81147
Saturday, July 26, 2025
9:00 a.m. Social Hour & Balloting
10:00 a.m. Annual Meeting Begins

ANNUAL OWNER APPRECIATION PICNIC

Immediately following the Annual Meeting
