

**Somerset Homeowners Association
Budget Meeting Minutes
Thursday, January 26, 2012**

Board Members: Mike Atkins, Dave Edwards, Ajay Sreenivas
Property Manager: Al Orendorff, **Landscape:** Garret Quackenbush
Community: Ben Oelsner, Gloria & David Knudtson

Due to the late arrival of one board member, there was an initial information meeting that started at 6:40 PM. The president initiated presentation and discussion on the current financial condition of the HPA and the challenges facing the development.

The official meeting started once a quorum of board members was present.

Meeting Started: 7:07 PM

Agenda

- **Year in Review: 2011**
- **Financial Position: 2011**
- **Major Challenges: 2012**
- **Key Operating Objectives: 2012**
- **Proposed Budget: 2012**
- **Homeowner Input**
- **Ratify Budget**

Slides from the presentation are below. Discussion held by those attending, and concern was expressed that due to the way the CCR's are written there is absolutely no way to increase dues or provide a special assessment without firm approval from 66% on the membership. One resident expressed that the process to increase dues did not seem to be presented clearly to the membership. The president reiterated that although the board is looking to increase the "maximum assessment cap," by \$700, that the actual dues increase was planned and stated to be \$200 in the first year and another \$200 in the following year; providing a \$400 total dues increase after the 2nd year. The balance of the allowable increase in the maximum assessment cap would be held back in case emergency repairs are required (special assessment).

A comment from the membership questioned the ability of the board to increase dues to the maximum and the president re-confirmed that the Board CANNOT increase dues without the membership ratifying the budget at a budget meeting; therefore the membership always has the ability to halt any dues increase and the membership is the final authority on any proposed dues increase.

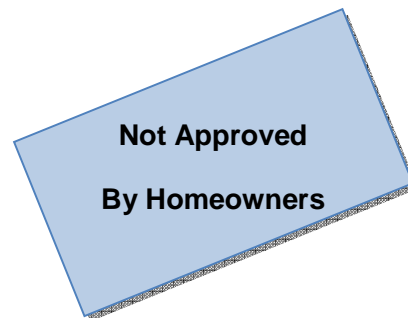
Slides from the presentation are below.

Year in Review – 2011

- 2011 Objectives
 - Pursue increase to Maximum Annual Assessment
 - Align expenses with revenue
 - Assess water rights
 - Annual usage: 60+ acre-ft
 - Current rights: 21 acre-ft

Proposed Assessment Increase (as presented at 2011 Annual Meeting)

- Board had proposed to increase Maximum Annual Assessment from \$1300 currently to \$2400
- What would that have meant?
 - Proposed 2011 annual dues = \$1,500



- Proposed 2012 annual dues = \$1,700
- Why set Maximum Annual Assessment at \$2,400?:
 - Total assessment (dues plus special assessments cannot exceed)
 - Provides ability to handle one time assessments, if necessary
 - Can only increase cap every three years – no flexibility for 3 years to deal with problems if we raise it to \$1,700 now
 - Provides future boards with flexibility to serve needs of homeowners without conducting a house-by-house vote

Assessment Vote Status

	YES	NO	NO RESPONSE
Total Homeowners: 168			
Required to Pass/Fail (2/3, 1/3)	112	56	
Current Status (126 responses)	88	38	42
Add'l Votes Required to Pass/Fail	24	18	

The proposed increase to the Maximum Annual Assessment has not received sufficient approval votes to pass, so the HOA continues to operate with a \$1300 Maximum Annual Assessment, which is fully-utilized through quarterly dues of \$325.

Year in Review: 2011

- Accomplishments
 - Installed irrigation pump in Pond 2
 - Replaced 12 Irrigation zone valves & repaired 4 main line breaks
 - Repaired leak in Indian Pond
 - Repaired underground electric line at West Pond
 - Replaced Clock #1 at West Pond Area
 - Removed graffiti in various area of the Place
 - Replaced 20+ damaged valve box lids
 - Hired new landscape company (Rock Solid)
 - Repaired Pond 7 – UNBUDGETED
 - Repaired Pond 8 – UNBUDGETED
 - Cleared significant debris from 10/26 snow storm – UNBUDGETED
 - Decreased operating expenses by \$10,283 from Budget and \$23,964 from 2010 Actuals

Eagle Pond Repairs



Pond 8 Repairs



Greenwood Island Irrigation Issues



Oct 26th Storm Damage





Expenses: 2010-11

	FY11	FY10	\$ Change
Administrative	\$27,035	\$34,042	(\$7,007)
Capital Expenses	3,423	13,288	(9,864)
Landscape Enhance	2,222	15,540	(13,318)
Landscape Maint.	84,319	97,393	(13,074)
Maintenance	14,449	23,468	(9,018)
Repairs	55,606	28,469	27,137
Utilities	<u>20,173</u>	<u>31,243</u>	<u>(11,070)</u>
Total Expenses	<u>\$207,228</u>	<u>\$243,443</u>	<u>(\$36,215)</u>

Income: 2010-11

	FY11	FY10	\$ Change
HOA Dues	\$217,095	\$222,580	(\$5,485)
Other Income	<u>838</u>	<u>7,603</u>	<u>(6,765)</u>
Total Revenue	<u>\$217,933</u>	<u>\$230,183</u>	<u>(\$12,250)</u>
Total Expenses	207,228	243,443	(36,215)
Net Income	<u>\$10,705</u>	<u>(\$13,260)</u>	<u>\$23,965</u>

Financial Position: Assets

	12/31/2011	12/31/2010
Checking/Savings	\$10,077	\$73
Accounts Receivable	(25)	(650)
Defense Fund	20,135	20,104
Reserve Fund	<u>27,384</u>	<u>27,341</u>
Total Assets	<u>57,572</u>	<u>46,867</u>

Major Challenges: 2012

- Maintenance & Repair of Aging Infrastructure
- Increasing Unit Cost for Utilities & Services
- Significant Unfunded Project Backlog (>\$300k)
- Inadequate Financial Reserves (\$27k)
- Insufficient Water Rights (1/3 of actual usage)
- Flat Revenues

Key Operating Objectives: 2012

- Manage expenses aggressively
- Essential projects only
- Build financial reserves
- Evaluate opportunities to invest in and hold additional water rights (unbudgeted)

Projects: 2012

- Complete clean up from Oct 26th snow storm
- Complete repairs to Pond 4 & waterfall
- Repair irrigation leak by Pond 7
- Repair irrigation leak on grassy knoll
- Repair/re-roof pump house
- Adjust drainage at Bellflower monument area
- Repair under-drain at concrete swale on Niwot Rd
- Connect irrigation timer for volleyball park area
- Reduce energy consumption by completely shutting down irrigation system twice weekly.

Proposed Budget: Expenses

	FY11 Actual	FY12 Proposed	\$ Change
Administrative	\$27,035	\$28,135	\$1,100
Capital Expenses	3,423	0	(3,423)
Landscape Enhance	2,222	0	(2,222)
Landscape Maint	84,319	76,320	(7,999)
Maintenance	14,449	19,350	4,901
Repairs	55,606	49,000	(6,606)
Utilities	<u>20,173</u>	<u>22,100</u>	<u>1,927</u>
Total Expenses	<u>\$207,228</u>	<u>\$194,905</u>	<u>(\$12,323)</u>

Proposed Budget: Income

	FY11 Actual	FY12 Proposed	\$ Change
HOA Dues	\$217,095	\$219,650	\$2,555
Other Income	<u>838</u>	<u>70</u>	<u>(768)</u>
Total Revenue	<u>\$217,933</u>	<u>\$219,720</u>	<u>\$1,787</u>
Total Expenses	<u>207,228</u>	<u>194,905</u>	<u>(12,323)</u>
Net Income	<u>\$10,705</u>	<u>\$24,815</u>	<u>\$14,110</u>
Reserve Transfer	<u>\$0</u>	<u>\$24,000</u>	<u>\$24,000</u>
Income After Reserves	<u>\$10,705</u>	<u>\$815</u>	<u>(\$9,890)</u>

Proposed Budget: Assets

	12/31/201 Actual	12/31/2012 Projected
Checking/Savings	\$10,077	\$10,867
Accounts Receivable	(25)	0
Defense Fund	20,135	20,135
Reserve Fund	<u>27,384</u>	<u>51,384</u>
Total Assets	<u>\$57,572</u>	<u>\$82,386</u>

Homeowner Input

Ratify Budget

The board asked for comments/concerns or objections to the budget. No objections were raised by the membership and the 2012 budget was ratified.

Next board meeting scheduled for February 16, 2012 – location Niwot Inn – Conference Room.

Meeting Adjourn: 7:40 pm

David Edwards motioned; Mike Atkins: 2nd.