



DALLA MEADOWS COMMUNITY ASSOCIATION

Annual Meeting
November 30, 2020

Meeting Package
November 30, 2020
plus results

DMCA Annual Meeting Summary

Meeting Date	November 30, 2020	Meeting Time	6:00 pm – 8:00 pm
DMCA Board Attendees (minutes and updated financial report approval date):			
<input checked="" type="checkbox"/> Tom Bennett (12/4/2020)		<input checked="" type="checkbox"/> Don Scholl - (12/5/2020)	
<input checked="" type="checkbox"/> Caroline McAndrews (12/4/2020)		<input checked="" type="checkbox"/> Andrea Sokolowski (12/4/2020)	
<input checked="" type="checkbox"/> Gordon Mull (12/4/2020)			
Lot Owner Attendees:			Proxies - designee:
Bouliane (2 lots)	Ratcliff		Benasutti - Bennett
Freed (Board vote only)	Rytlewski		Snelling - Mull
Hooper	Seaman		VerStraete - Seaman
LaCorte	Snelling (left before votes)		Young (2 lots) - Mull
Lindler (Board vote only)	Snowbarger		
Lummis (2 lots; Board vote only)	Szwarc		
	Wilson		
#	Agenda Item	Decision/Discussion Conclusion	
1	Welcome	<ul style="list-style-type: none"> Attendance was taken (see listing above), and lot ownership changes were reviewed (pp. 5-7). 	
2	Review of 2020 Activities	<ul style="list-style-type: none"> Updates were provided on DMCA legal, water and financial activities (pp. 8-20). 	
3	2021 Operating Budget	<ul style="list-style-type: none"> As result of hiring a new water operator and some increases in water operating cost, annual dues to cover the operating cost will need to increase by \$265 per year per lot (pg. 22). <ul style="list-style-type: none"> All 19 lot owners present at the meeting voted in favor of the increased annual assessment. To pass, the operating budget needed a majority vote from the lot owners present at the meeting. 	
4	2021 Reserve Funding	<ul style="list-style-type: none"> The new reserve fund collection beginning in 2021 was presented (pp. 23-27). Two attendees advocated for an initial reduced reserve collection amount and increasing the charge in future years, the board did not support this position. The board reiterated that collection should have began several years in the past and increasing the annual collection amount to the “catch up” amount could negatively affect future home sales and be more of a hardship to lot owners. 	
5	2021 DMCA Board Vote	<ul style="list-style-type: none"> The 5 candidates for the board were voted into office with the below results (for/against or abstain due to lack of presence – pg. 28). To pass, a candidate needs a majority vote from the lot owners. The 2021 board members are: <ul style="list-style-type: none"> Tom Bennett (23/19) Caroline McAndrews (24/18) Gordon Mull (23/19) Don Scholl (24/18) Vince Snowbarger (23/19) 	
6	Meeting Close	<ul style="list-style-type: none"> The meeting adjourned at 8:10 pm 	

DMCA Annual Meeting Summary

- Summary of 2021 Common Assessment (Operating and Reserve)

2021 DMCA BUDGET			
	2021		Comments
	Operating Budget	Reserve Funds	
Income			
HOA Dues	\$31,530		Dues raised \$265/Lot for increased water cost
Reserves Collection	50	\$42,435	
Tap Fees	50		
Fines for Violations	50		
Collection Charges from Lawsuit	50		
Water Overage Payment	50		
Transfer from Savings or Reserves	50		
Other	50		
Total Income	\$31,530	\$42,435	
Expenses			
Water Utility			
Water Operator	\$13,200		Cost reflects new water operator charges (\$1100/month) and his expected expense based on historical cost
Chlorine	\$400		
Testing Activity	\$900		
Testing Lab	\$3,000		Based on historical cost
Parts	\$2,000		
CO Registration	\$75		Annual dues
Electricity (Pump & Tank)	\$1,800		
Meter Reading	\$1,600		Based on historical cost
Water System Major Maintenance	50	\$13,000	2021: Water Meter transmitter & reader
Administration			
U. S. Post Office Box/Postage	\$300		
Office/Copy	\$150		
WEB Site	\$500		
Annual Meeting/Special Meeting	\$150		
Social (e.g., Yearly Picnic)	\$250		
Misc. (e.g., HOA Leader, CO Assoc, MS Office, etc.)	\$500		
Legal and Professional			
Tax Preparation/Accounting/Review	\$1,000		
Attorney/Legal	\$2,000		
Audit	\$500		
Insurance			
Insurance	\$2,100		
Contingency			
Contingency	\$1,000		
Total Expense	\$31,425	\$13,000	
Operating Net	\$105		

- 2021 DMCA Board
 - Tom Bennett
 - Caroline McAndrews
 - Gordon Mull
 - Don Scholl
 - Vince Snowbarger

Agenda

- Welcome
- Neighborhood Updates
- 2020 in Review
 - Activities
 - Financial Review
- 2021 Planning
 - Budget
 - Reserve Funding Plan
 - Vote for Next Board
 - Q&A and Closing

2020 DMCA Board

- President – Caroline McAndrews
- Vice President – Gordon Mull
- Secretary – Andrea Sokolowski
- Treasurer – Caroline McAndrews
- Insurance Lead – Don Scholl
- ARC Chairman – Tom Bennett

Neighborhood Update

◦ Moved

- Darrell & Catherine Hartigan
- Ronald Beaumont & Dominique Cone
- Jeffery & Barbara Scott & Perry Oliver
- Ryan & Ashley Deppen
- Marc & Kya Woodruff

◦ New

- John & Greta Rytlewski (Lot 29)
- Kevin & Christine Duis (Lot 36)
- Todd Weibel & Kathryrn Majors-Foley (Lot 42)
- Marvin Lummis (Lot 7)
- Russell & Vangela Cosby (Lot 33)

Remembrance

Our dear neighbors, Rick, Marci, Dick and M.E. will be missed! Their spirit continues to live in the hearts of those that had the pleasure to know them.





2020 IN REVIEW

Activities

- Legal
- Water
- Architectural Review Committee
- Board Administration Updates

2020 Legal Update

- Lot 21
 - January 27th – the final Order and Judgment and Decree of Foreclosure issued in favor of DMCA
 - August 25th - Ouray County Sherriff held Lot 21 auction
 - Martin Bouliane & Myriam Rivard purchased the lot
 - Oct 15th - DMCA received a settlement of \$99.7k
 - The legal battle was funded from the DMCA reserves. As result, DMCA for several years did not collect or maintain adequate reserve funds. The settlement, after paying additional legal fees, was placed in the DMCA reserve account.
- On-going
 - An appeal was filed on March 10, 2020 and the case remains open
 - DMCA's Lawyer requested the court to holdback on funds from the sale to pay for DMCA legal expenses should we win the appeal

2020 Water System Update

- Old Well
 - DMCA was in non-compliance with CO requirements since the well was abandoned
 - The well was plugged and properly abandoned in 2020 with CO compliance filings completed
 - The cost of the well plugging was ~\$1.8k
- Water Tank
 - The last inspection was conducted in October of 2018 and concluded:
 - Coating on the interior had exceeded its life span and was no longer giving the tank the needed protection
 - Corrosion (rust balls) on several of the weld seams and on the ceiling; Unknown extent of corrosion until blasted and inspected further
 - Access hatch has areas of rust where coating is gone
 - The tank was sandblasted and recoated in July of 2020
 - Three coats of epoxy were applied and should provide ~12-16 years of protection
 - The cost of the tank recoating was ~\$23k

2020 Water System Update

DMCA Water Tank

Interior of Tank – October 2018



Interior of Tank – Post Sandblasting



Interior of Tank – Post Recoating



2020 Water System Update

- Water Operator

- **THANK YOU LARRY BENASUTTI!**

- After providing the professional services as the DMCA Certified Responsible Operator in Charge (C-ROC) for several years, Larry has decided to retire
 - Larry provided C-ROC services at a greatly reduced price; essentially, DMCA provided compensation for his license and insurance

- **Welcome Chris Bolane!**

- Chris comes highly recommended by Larry to DMCA as our new C-ROC
 - The cost of services are now more consistent with an external party providing contracted professional C-ROC services



2020 Water System Update

- Water Meter Reading
 - Thank you **Steve Scheu!**
 - After providing meter reading services for 8 years, Steve has decided to retire
 - Situation:
 - DMCA previously did not require insurance or a hold-harmless agreement from our vendor
 - Risk to DMCA & Lot Owners: Current task requires walking onto uneven back portions of lots and in some cases, the meter reader would climb a fence to access the meter
 - DMCA board approved in Oct 2020 \$13k for the installation of a meter transmitter and new reading device that would facilitate obtaining readings from the street
 - The contract signing and installation date are pending
 - Status:
 - The last water reading was done in November 2020 and the next scheduled reading will be in April or May, depending on transmitter installation
 - Filling the meter reader position is still pending
 - The meter reader will be required to either have insurance or sign the hold-harmless agreement

Architectural Review Committee (ARC)

- ARC Request Processed
 - Sokolowski/Kleeves – Garage, Lot 1, approved
 - Kigar – Lean-to addition to Barn, Lot 5, approved
 - Wilson – Barn, Lot 6, for storage, approved.
 - Lummis – Barn remodel, Lot 9, upgrade existing barn with minor changes to appearance. Approved
 - Snowbarger – Lean-to addition to Barn, Lot 13, approved

Board Administration Updates

- DMCA board established an eRepository (OneDrive) and email account
 - Enables existing board to access historical and current information, from anywhere, to support decision making
 - Supports the knowledge transfer & access rights from old board member to new members
 - Facilitates communication to and from Lot Owners by establishing the DMCABoard@outlook.com email address
 - Also, facilitates realtor, vendor and contractor communications and billing
 - Annual cost is ~\$70/year
- Web Updates

Board Administration Updates

- New Board Resolution
 - [Water Overage due to Broken Pipe](#) resolution was issued to formally recognize a practice of one-time forgiveness for certain sized water overage problems due to a broken pipe or controller
- Financial Reporting
 - Standardized HOA financial reports* using imported bank data
 - Monthly reports are posted on DMCA website
 - Future Board should evaluate the cost-benefit of annual expense of ~\$450/year to use Quickbooks

* - based on benchmark data from "HOA Leaders"

2020 Financial Review

- At the start of 2020, DMCA was expected to be underfunded by ~\$6.9k
 - A tap fee and water overage charges were expected to cover the underfunded amount

- Capital/Reserve spending was planned for known water system work

Dallas Meadows Community Association

Annual Operating Budget 2020

<u>Expenses</u>	<u>Budget</u>
Annual Meeting/Special Meeting	\$150.00
Contingency	\$2,000.00
Electricity (Pump & Tank)	\$1,700.00
Insurance	\$2,100.00
Legal/Attorney	\$5,000.00
Misc. (eg., Admin, HOA Leader, Assoc.)	\$500.00
Office/Copy	\$150.00
Social (e.g., Yearly Picnic)	\$250.00
Tax Preparation/Accounting/Review	\$1,500.00
U. S. Post Office/Postage	\$300.00
Water Meter Reading	\$1,600.00
Water System O&M	\$5,000.00
Water Testing	\$6,500.00
WEB Site	\$500.00
Expected Expenses Total	\$27,250.00

<u>Expected Income</u>	
Dues (HOA)	\$20,400.00
Tap Fees	\$0.00
Fines for Violations	\$0.00
Collection Charges from Lawsuit	\$0.00
Water Overage Payment	\$0.00
Other	\$0.00
Expected Income Total	\$20,400.00

Expected Net I&E Balance **(\$6,850.00)**

Expected Capital Expenses 2020

Current well monitor	\$2,000.00
Abandoned well plug	\$2,500.00
Tank recoating	\$18,000.00
Tank access	TBD
Expected Capital Expense Total	\$22,500.00

Funds for Capital and Emergent Issues

Savings Account Balance (YE2019)	\$9,041.16
Reserve Account Balance (YE2019)	\$34,109.88
Available Funds for Capital/Emergent Issues	\$43,151.04

Dallas Meadows Community Association
Monthly Finance Report as of 11/3/2020

Operating Budget	Annual Budget	Oct '20 Actual YTD	Plan Difference	Comments
Income				
HOA Dues	\$20,400.00	\$20,030.00	(\$370.00)	\$400 deficit legacy from Lot 21
Tap Fees	\$0.00	\$6,500.00	\$6,500.00	
Fines for Violations	\$0.00	\$30.00	\$30.00	
Water Overage Payment	\$0.00	\$4,687.70	\$4,687.70	Amount Outstanding = \$86
Transfer from Savings or Reserves	\$0.00	\$47,000.00	\$47,000.00	For Legal, tank recoat, well plug, WM xmtr
Other	\$0.00	\$276.93	\$276.93	San Miguel Refund
Total Income	\$20,400.00	\$78,524.64	\$58,124.64	
Expenses				
Utilities				
Water Testing	\$6,500.00	\$3,075.90	\$3,424.10	
Water O&M + Well +Tank Recoat	\$5,000.00	\$28,567.29	(\$23,567.29)	Includes tank recoat and old well plugging
Electricity (Pump & Tank)	\$1,700.00	\$1,504.77	\$195.23	
Water Meter Reading	\$1,600.00	\$1,276.65	\$323.35	
Administration				
U. S. Post Office/Postage	\$300.00	\$101.00	\$199.00	
Office/Copy	\$150.00	\$34.23	\$115.77	
WEB Site	\$500.00	\$379.00	\$121.00	
Annual Meeting/Special Meeting	\$150.00	\$0.00	\$150.00	
Social (e.g., Yearly Picnic)	\$250.00	\$0.00	\$250.00	
Dues Overpayment		\$250.00	(\$250.00)	Net zero impact
Misc. (e.g., HOA Leader, Associations, etc.)	\$500.00	\$274.99	\$225.01	
Legal and Professional				
Tax Preparation/Accounting/Review	\$1,500.00	\$490.00	\$1,010.00	
Attorney/Legal	\$5,000.00	\$23,625.72	(\$18,625.72)	Overage due to Lot 21 Lawsuit
Audit		\$0.00		
Insurance				
Insurance	\$2,100.00	\$1,006.00	\$1,094.00	General Liability due in Dec ~\$1200
Contingency	\$2,000.00	\$0.00	\$2,000.00	
Total Expense	\$27,250.00	\$60,585.56	(\$33,335.56)	
Net Income	(\$6,850.00)	\$17,939.08		

2020 Financial Review Operating

- Income
 - One tap fee and water overage charges were greater than plan.
 - Money was transferred from reserves for known water projects and legal expenses.
- Expenses
 - Water system maintenance cost (e.g., tank recoating, etc.) was greater than plan.
 - Legal expenses were greater than plan.
- Remaining Expenses
 - Insurance: ~\$1100
 - Legal: \$1500
 - Additional water operator charge: \$1400
 - Routine expense: election and electricity: ~\$500
 - Reserves: Water Meter transmitters: ~\$13k; likely to be carried over to 2021

Dallas Meadows Community Association
 Monthly Finance Report as of 11/3/2020

<u>Capital or Reserve Planned Expenses</u>	Expected	Actual	Difference	
Current Well Monitoring	\$2,000.00	\$0.00	\$2,000.00	Decided not to implement in 2020
Abandoned well plug	\$2,500.00	\$1,788.48	\$711.52	Cost is reflected in Water O&M
Tank recoating	\$18,000.00	\$22,765.00	(\$4,765.00)	Cost is reflected in Water O&M
Meter Transmitters & Reader	\$13,000.00			On hold pending viability check
Total Capital	\$35,500.00	\$24,553.48	\$10,946.52	

Savings Account			
	Expected	Actual	Difference
Balance forward from previous year: \$9041			
Input	\$0.00	\$1.51	
Expenses		\$0.00	
Savings Balance		\$9,042.68	

Reserve Account			
	Expected	Actual	Difference
Balance forward from previous year: \$34110			
Input	\$0.00	\$99,706.04	Lot 21 Disbursement
Expenses		\$47,000.00	Xfer for Legal, tank recoat, well plug, WM xmtr
Reserve Balance		\$86,815.93	

2020 Financial Review Savings & Reserves

- Capital/Reserve (Major Maintenance)
 - Based on the 2019 SGM Technical report on the DMCA well's health and the need to complete more critical work, a well monitoring system was not implemented
- Savings Account Changes
 - Simple interest was added
- Reserve Account Changes
 - Lot 21 lawsuit settlement replenished some the spent reserves



2021 PLANNING

Proposed 2021 Budget

- New operating budget reflects:
 - Normal operating and maintenance expenses; no reserve spending
 - Targets based largely on historical values
 - Minimal legal expenses based on attorney input; if needed, monies are available in reserve or savings account
 - Increased cost of the new water operator and supplies (\$265/lot)
- New Annual Dues for Operating Budget:
 - Improved lots → \$765/year
 - Unimproved lots → \$665/year
- Budget approval required
 - CCD 14.3 Budget Adoption and Ratification. Within ninety (90) days after adoption of a proposed budget for the Common Interest Community, the Board shall provide a summary of the budget to each Lot Owner... Unless at that meeting a majority of all Lot Owners rejects the budget, the budget is ratified whether or not a quorum is present.

Vote Result:

- The 2021 operating budget was approved by all members (100%) present.

2021 DMCA BUDGET		
	2021 Budget	Comments
Income		
HOA Dues	\$31,530	Dues raised \$265/Lot for increased water cost
Tap Fees	\$0	
Fines for Violations	\$0	
Collection Charges from Lawsuit	\$0	
Water Overage Payment	\$0	
Transfer from Savings or Reserves	\$0	
Other	\$0	
Total Income	\$31,530	
Expenses		
Water Utility		
Water Operator	\$13,200	Cost reflects new water operator charges
Chlorine	\$400	(\$1100/month) and his expected expense based on
Testing Activity	\$900	historical cost
Testing Lab	\$3,000	Based on historical cost
Parts	\$2,000	
CO Registration	\$75	Annual dues
Electricity (Pump & Tank)	\$1,800	
Meter Reading	\$1,600	Based on historical cost
Administration		
U. S. Post Office Box/Postage	\$300	
Office/Copy	\$150	
WEB Site	\$500	
Annual Meeting/Special Meeting	\$150	
Social (e.g., Yearly Picnic)	\$250	
Misc. (e.g., HOA Leader, CO Assoc, MS Office, etc.)	\$500	
Legal and Professional		
Tax Preparation/Accounting/Review	\$1,000	
Attorney/Legal	\$2,000	
Audit	\$500	
Insurance		
Insurance	\$2,100	
Contingency		
Contingency	\$1,000	
Total Expense	\$31,425	
Operating Net	\$105	

DMCA Reserve Funding Plan

- Requirements

- CO regulations discuss the requirement for HOAs to have reserve study policies.
- DMCA CCDs define the scope for the reserve funds and the requirement for DMCA maintain an adequate reserve fund (see page 30).

Appropriate reserves are needed to avoid large special assessments. Special assessments penalize current owners for the HOA's previous lack of planning. It's fairer and more efficient to include repair and replacement costs automatically as a part of the periodic dues, as occurs when a reserve fund is properly maintained.

- Actions by DMCA Board

- 2014-15 - DMCA completed a reserve study
- 2020 – DMCA completed funding plan
 - To be reviewed on subsequent slides
- 2021 – DMCA implements funding plan (CCD 14.11 & 14.4)
 - Board has responsibility and authority to ensure DMCA has sufficient reserves to meet anticipated expenditures and may levy fees on lot owners to collect these reserves.
 - DMCA Reserve Funds belong to the HOA for the benefit of the community. Once collected, the funds are held in a separate account until used for the maintenance/refurbishment/ replacement of the DMCA common elements (reference CCD 5.1).

DMCA Reserve Funding Plan

- Scenarios Assessed

1. Collect reserve funds to cover DMCA water system infrastructure major maintenance/replacement cost
2. Collect reserve funds to support DMCA transition to Tri-County – See backup material

- Funding Approach

- Funds needed for the 24-year period are collected linearly; A balloon payment adversely impacts home values
- Under scenario 1, a loan is needed in 2037 for the piping/valve replacement
- Under scenario 2, a grant may be available for a portion of the cost for Tri-County's infrastructure build-out. However, the grant partially reduces lot owner cost. The balance of the cost would require financing and DMCA lot owners would be responsible for the loan
- Note, if the DMCA lot owners decide to transition to Tri-County, reserve funds remaining at the time of a transition would reduce the amount needed to be financed

DMCA Reserve Funding Plan Summary



	2020	2021	2022-2024	2025	2026	2027-2028	2029-2031	2032	2033-2035	2036	2037	2038-2044
Annual Operating Cost*	\$12,598	\$20,850	\$20,850	\$20,150	\$20,850	\$20,850	\$21,350	\$21,350	\$21,350	\$21,350	\$21,350	\$20,850
Major Maintenance	\$24,500	\$13,000		\$10,000	\$10,000			\$75,000	\$0	10000	\$800,000	
Expected Annual Cost	\$37,098	\$33,850	\$20,850	\$30,150	\$30,850	\$20,850	\$21,350	\$96,350	\$21,350	\$31,350	\$821,350	\$20,850
Reserve Balance (EO Period)	\$87,112	\$110,662	\$220,312	\$246,862	\$274,162	\$347,262	\$455,412	\$416,462	\$524,612	\$550,662	(\$211,788)	\$44,062

DMCA Reserve Funding

- The Board has voted to assess each lot \$1035/yr to meet the reserve funding needs
 - Funds will be placed in the DMCA Reserve account
 - Future boards should look at investments as allowed by law to earn a better return and potentially reduce annual collection amount
 - Future boards should validate cost estimates and update the reserve study and funding plan accordingly

Annual HOA Payment				
Lot Type	2020 Dues	2021 Dues For Operating Budget	Water Reserves	New HOA Annual Assessments
Improved (36 lots)	\$500	\$765	\$1,035	\$1800
Unimproved (6 lots)	\$400	\$665	\$1,035	\$1700

2021 DMCA BUDGET			
	Operating Budget	2021 Reserve Funds	Comments
Income			
HOA Dues	\$31,530		Dues raised \$265/Lot for increased water cost
Reserves Collection	\$0	\$42,435	
Tap Fees	\$0		
Fines for Violations	\$0		
Collection Charges from Lawsuit	\$0		
Water Overage Payment	\$0		
Transfer from Savings or Reserves	\$0		
Other	\$0		
Total Income	\$31,530	\$42,435	
Expenses			
Water Utility			
Water Operator	\$13,200		Cost reflects new water operator charges (\$1100/month) and his expected expense based on historical cost
Chlorine	\$400		
Testing Activity	\$900		
Testing Lab	\$3,000		Based on historical cost
Parts	\$2,000		
CO Registration	\$75		Annual dues
Electricity (Pump & Tank)	\$1,800		
Meter Reading	\$1,600		Based on historical cost
Water System Major Maintenance	\$0	\$13,000	2021: Water Meter transmitter & reader
Administration			
U. S. Post Office Box/Postage	\$300		
Office/Copy	\$150		
WEB Site	\$500		
Annual Meeting/Special Meeting	\$150		
Social (e.g., Yearly Picnic)	\$250		
Misc. (e.g., HOA Leader, CO Assoc, MS Office, etc.)	\$500		
Legal and Professional			
Tax Preparation/Accounting/Review	\$1,000		
Attorney/Legal	\$2,000		
Audit	\$500		
Insurance			
Insurance	\$2,100		
Contingency			
Contingency	\$1,000		
Total Expense	\$31,425	\$13,000	
Operating Net	\$105		

2021 BOD Elections

- Voting Process
 - Each lot owner gets one vote for each candidate
 - Requires 51% lot owner participation
- Candidates and **Vote Result**
 - Tom Bennett (23/19)
 - Caroline McAndrews (24/18)
 - Gordon Mull (23/19)
 - Don Scholl (24/18)
 - Vince Snowbarger (23/19)



QUESTIONS & ANSWERS



THANK YOU FOR
PARTICIPATING!



BACKUP

Background – DMCA Water System

Relevant CCDs Sections

- 1.8 Common Expenses. The Common Expenses are the expenses or financial liabilities for the operation of the Common Interest Community. Common Expense Assessments are the funds required to be paid by each Lot Owner in payment of such Owner's Common Expense liability. These expenses include: ...
 - 1.8.4 reasonable reserves established by the Association, whether held in trust or by the Association, for repair, replacement, or addition to the Common Elements or any other real or personal property acquired or held by the Association.
- 5.1 Common Elements. The Association shall manage, maintain, repair, and replace all of the Common Elements. The Common Elements include, but are not limited to, a domestic water supply system, including a well, pump, pump house, water tank, pipes and other related elements; common real property; and other items purchased by or acquired by DMCA, including real property rights, equipment, and any other items deemed Common Elements by law.
- 7.1 Liability for the Common Expenses. The share of liability for Common Expenses shall be allocated equally to each Lot.
- 14.1 Apportionment of Common Expenses. Unless otherwise indicated in this Declaration, all Common Expenses shall be assessed against all 42 Lots equally.
- 14.3 Budget Adoption and Ratification. Within ninety (90) days after adoption of a proposed budget for the Common Interest Community, the Board shall provide a summary of the budget to each Lot Owner and shall set a date for a meeting of the Lot Owners to consider ratification of the budget. The meeting shall be not less than 10 nor more than 50 days after mailing of the summary. Unless at that meeting a majority of all Lot Owners rejects the budget, the budget is ratified whether or not a quorum is present. If the proposed budget is rejected, the periodic budget last ratified by the Lot Owners continues until the Lot Owners ratify a new budget proposed by the Board.
- 14.4 Ratification of Nonbudgeted Common Expense Assessments. If the Board votes to levy Common Expense Assessments not included in the current budget in an amount greater than fifteen percent (15%) of the current annual operating budget, **other than** a Common Expense Assessment enumerated in Section 14 of this Declaration, or a Common Expense Assessment for the working capital fund described in Section 14.10 below, or **a Common Expense Assessment for the Reserve Fund described in Section 14.11 below**, the Board shall submit this Common Expense to the Lot Owners for ratification in the same manner as a budget under Section 14.3.
- 14.10 Reserve for Working Capital Fund. The Association shall maintain a reserve fund to meet unforeseen expenditures and/or to purchase any additional equipment or services (the "Working Capital Fund"). The Working Capital Fund shall be held by the Association in a segregated fund. Any amounts paid into the Working Capital Fund shall not be considered as advance payments of regular Common Expense Assessments. The Association shall adopt reasonable procedures for replenishing the Working Capital Fund.
- 14.11 Reserve Fund for Replacement of Improvements. The Association shall establish and maintain an adequate reserve fund for the replacement of improvements to the Common Elements that the Association is obligated to maintain (the "Reserve Fund"). This Reserve Fund shall be a line item in the periodic budget and shall be collected from and as part of the regular Common Expense Assessments.

Background – DMCA Water System

SITUATION:

- The DMCA has its own domestic water system. A water operator ensures the quality of the water, a meter reader monitors the usage and bills lot owners for any overage, and the board addresses all infrastructure needs. A reserve study, dated 2015, has shown that over a ~30-year period ~\$1.4M, inflated to 2020 dollars, will be needed for replacement of piping, valves, a tank and general pumping and ancillary equipment. The current board understands the need to begin collecting reserve funds; an action not previously taken and now the period for collection will be 2021 (start) -2044 (end).
- When the DMCA domestic water system was designed and installed, it was created in such a manner as to serve all the DMCA residents as their sole source of potable water. In fact, the system was built solely for the use of the DMCA lot owners and would not exist but for the community.

FACTS:

- The size of the DMCA domestic water system was based on all DMCA lot owners using the system. The DMCA domestic water system therefore contains extensive distribution components (piping and valves), pumping and chemical addition components and housing, and a large water storage tank.
- The DMCA domestic water system is classified as a Common Element (CCD 5.1) whose Common Expense (CCD 1.8) for operating and maintaining of the system would be apportioned to all lot owners (CCD 14.1) and whose liability is shared by all lot owners (CCD 7.1). Therefore, 41 lot owners that are accountable for the cost and liability of the system.
- Currently 35 of 42 lots are currently using the system, and 6 lots have yet to be developed and are not using the system. 41 lots represent lot owners that have and will benefit from the DMCA domestic water system.
 - The benefit of the DMCA domestic water system is the historical, current and future low cost of water. This benefits all homeowners by reducing the cost of living in the DMCA.
 - One (1) lot owner during the construction phase opted to use a municipal water source and has never benefitted from the DMCA domestic water system.
 - Any lot owner that decides to use a third-party water source would leave excess capacity in the DMCA domestic water system and increase the cost and liability for the remaining DMCA domestic water system users.
- The Common Expense for the DMCA domestic water system is underfunded.
 - The cost of operations and maintenance has relied on water overage charges to balance the DMCA annual budget with only minor maintenance being performed. Water overage charges helps pay for increased electrical cost and the additional chemicals. Any leftover funds from water overage charges should be added to the reserve balance since overuse increases system wear & tear and may result in earlier failure.
 - The HOA spent ~\$24k this year to perform required major maintenance and allocated another \$13k to improve the safety actions for reading the water meters.
 - The DMCA Board has not collected reserve funds to meet the anticipated DMCA domestic water system needs as identified in a 2015 reserve study; ~\$1.4M in 2020 dollars to meet system needs through the end of 2044.

DMCA Reserve Funding Plan

- **Scenarios 2** - Collect reserve funds to support DMCA transition to Tri-County (TC)
- Tri-County Conditions for Transitioning
 - New piping and valves would be installed
 - The cost of TCs infrastructure upgrade is pending; DMCA cost for pipes & valves used as a placeholder (\$800k)
 - Each lot would pay a tap fee
 - All lot owners would be required to participate

DMCA Reserve Funding Plan

Tri-County Expected Cost

- TC bi-monthly rates include a base and a per 1000-gallon use rate
 - A lot owner using 12,000 gal/month of water would pay annually \$540 plus tax and fees
- The infrastructure cost is assumed to be \$800k
 - A lot owner could expect to pay \$1380/year based on the assumptions in the table
 - A grant may reduce this cost by half
- Starting reserve fund collections in 2021 potentially offsets future cost if DMCA transitions to TC
- Additional work with TC is needed to obtain a more accurate estimate of DMCA cost

Tri-County Use				
TC Bi-Monthly Cost		DMCA Lot Owner Summer Monthly Cost		
Water Rate Schedule	Unit Cost	9.5k Gal User	12k Gal User	Max User (33.9k)
Res Base Rate - 0 gals	\$18.00	\$9.00	\$9.00	\$9.00
Rate per 1000 Gals	\$3.00	\$28.74	\$36.00	\$101.70
Expected Monthly Cost		\$38	\$45	\$111

Finance Cost for \$800k	
Loan Amount	\$800,000
Interest Rate	3.50%
Term (yrs)	20
DMCA Monthly Payment	\$4,640
Lot Owner Monthly Payment	\$113