

DALLA MEADOWS COMMUNITY ASSOCIATION

Annual Meeting
December 6, 2021

**Meeting Results and
Package**

DMCA 2021 Annual Meeting Results

Meeting Date		December 6, 2021	Meeting Time		6:00 pm – 7:30 pm
DMCA Board Attendees (minutes and updated financial report approval date):					
<input checked="" type="checkbox"/> Tom Bennett (12/13/2021) <input checked="" type="checkbox"/> Caroline McAndrews (12/9/2021)			<input checked="" type="checkbox"/> Gordon Mull (12/13/2021) <input checked="" type="checkbox"/> Vince Snowbarger (12/13/2021)		
Lot Owner Attendees (w/ P means only by Proxy):		Fallenius Freed Giek - P Hall - P Hooper Kigar LaCorte Lindler	Lummis Ratcliff Romano Seaman - P Sokolowski/Kleeves Szwarc/McAlevy VerStraete - P Weibel - P Wilson		
#	Agenda Item	Decision/Discussion Conclusion			
1	Welcome	<ul style="list-style-type: none"> • Agenda review 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, financial activities and the new STR Board resolution (pp. 8-16). <ul style="list-style-type: none"> ○ The financial reports included herein were updated to reflect the end of November financial data. ○ Questions were raised regarding the health of our water supply and the need for a geologic study. The need for a geologic study was deemed unnecessary since, as shared at the 2019 DMCA Annual Meeting, DMCA hired SGM to evaluate the state of the existing water supply and SGM concluded the well has adequate capacity to serve the Dallas Meadows HOA now, and in the future. The SGM DMCA Well Test report link here. ○ Questions were asked regarding who currently held STR permits. The holders are: <ul style="list-style-type: none"> ▪ 499 Meadows Circle (Geik has a STR Permit for 489 Meadows Circle). ▪ 921 Meadows Circle (Jason Klonoski has a STR Permit for this address). ▪ 430 Meadows Circle (Margaret Benasutti has a STR Permit for this address). ▪ 182 County Road 24 (Lynne LaCorte has a STR Permit for this address). 			

DMCA 2021 Annual Meeting Results

#	Agenda Item	Decision/Discussion Conclusion																								
3	2022 Operating Budget	<ul style="list-style-type: none"> • The 2022 proposed operating budget was presented. The proposal closely mirrors the operating budget for 2021. <ul style="list-style-type: none"> ○ The 2022 proposed operating budget was approved by all lot owners present at the meeting. To pass, the operating budget needed a majority vote from the lot owners present at the meeting. Note, proxy votes were also counted and 29 of 30 lot owners voted in favor of the 2022 Operating budget. ○ Questions were asked about the reserve collection, and it remains the same as in 2021. <ul style="list-style-type: none"> ▪ Lot owners were reminded of the reserve study presentation given at last year's meeting. For convenience, the slides are included in the backup material of this report (pp. 20-27). ▪ The major driver for the reserve fund amount is the piping system. The sampling and testing described during Agenda Item #2 may adjust the reserve collection amount. The 2022 DMCA Board may pursue the piping testing work. ○ The Final Operating Budget and Reserve Collection are on page 4. 																								
4	2022 DMCA Board Vote	<ul style="list-style-type: none"> • The vote for the 2022 Board was taken. To pass, a candidate needed a majority vote from the lot owners (those present or vote count from proxies). The 2022 board members that obtained the required votes total are identified by the green percentage points below: <table border="1" data-bbox="1067 821 1551 1051" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Tom Bennett</th> <th>Martin Bouliane</th> <th>Mark Dollard</th> <th>Erik Fallenius</th> </tr> </thead> <tbody> <tr> <td>26</td> <td>28</td> <td>27</td> <td>20</td> </tr> <tr> <td>62%</td> <td>67%</td> <td>64%</td> <td>48%</td> </tr> <tr> <th>Josh Freed</th> <th>Lynne La Corte</th> <th>Marvin Lummis</th> <th>Gary Ratcliff</th> </tr> <tr> <td>25</td> <td>3</td> <td>26</td> <td>23</td> </tr> <tr> <td>60%</td> <td>7%</td> <td>62%</td> <td>55%</td> </tr> </tbody> </table> 	Tom Bennett	Martin Bouliane	Mark Dollard	Erik Fallenius	26	28	27	20	62%	67%	64%	48%	Josh Freed	Lynne La Corte	Marvin Lummis	Gary Ratcliff	25	3	26	23	60%	7%	62%	55%
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5	Meeting Close	<ul style="list-style-type: none"> • The meeting adjourned around 7:30 pm 																								

DMCA 2021 Annual Meeting Results

Final 2022 Common Assessment Budget (Operating and Reserve)

2022 DMCA PROPOSED BUDGET			
	2022		Comments
Income	Operating Budget	Reserve Funds	
HOA Dues			
Operating Budget	\$31,530		
Reserve Collection		\$42,435	Reserves will continue to be collected from 41 lots
Tap Fees	\$0		
Fines for Violations	\$0		
Water Overage Payment	\$0		
Other	\$0		
Total Income	\$31,530	\$42,435	
Expenses			
Water Utility			
Water Operator	\$13,200		
Chem. Equip. Minor Repairs, & Testing Activity	\$4,000		2021 had 4 system problems resulting in more cost
Testing Lab	\$3,000		Cost is based on varying annual testing requirements
CO Registration	\$75		CODW & COB11
Electricity (Pump & Tank)	\$1,800		
Meter Reading	\$0		Currently performed by lot owner
Water System Major Maintenance	\$0	\$0	2022: None planned
Administration			
U. S. Post Office Box/Postage	\$100		
Office/Copy	\$150		
WEB Site	\$250		
Annual Meeting/Special Meeting	\$150		Cost for meetings was covered by lot owner
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		2021 had tax payment for Lot 21 settlement
Attorney/Legal	\$2,000		2021 had legal expenses from Canon Law re: Lot 21
Audit	\$1,000		Planned for 2022
Insurance			
Insurance	\$2,300		Awaiting final cost for General Liability Policy
Contingency			
Contingency	\$1,000		
Total Expense	\$30,775	\$0	
Operating Net	\$755		

2022 DMCA Board

- Tom Bennett
- Martin Bouliane
- Mark Dollard
- Josh Freed
- Marvin Lummis
- Gary Ratcliff

Agenda

- Welcome
- Neighborhood Updates
- 2021 in Review
 - Activities
 - Financial Review
- 2022 Planning
 - Vote for Operating Budget
 - Vote for Next Board
 - Q&A and Closing

2021 DMCA Board

- President – Vince Snowbarger
- Secretary – Gordon Mull
- Treasurer – Caroline McAndrews
- ARC Chairman – Tom Bennett
- Legal/Insurance – Don Scholl (partial year)

2021 Neighborhood Update

◦ Moved

- Mike & BA Blake
- Judi Snelling
- Tom & Sandy Hennessy
- Bernadette Taylor
- Kevin & Christine Duis
- Don Scholl & Lysa Riggs

◦ New

- Kevin & Jordyn Cagney (Lot 15)
- Wallace & Nancy Hall (Lot 18)
- Jack & Diane Smith (Lot 22)
- Jamie & Susy Giek (Lot 24)
- David & Julie Veenstra (Lot 36)
- Erik & Josephine Fallenius (Lot 37)



2021 IN REVIEW

Activities

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

2021 Legal Update

◦ Lot 21

- In last year's Annual Report, it was reported that we had won our case against the former owner of lot 21 and that the court had awarded attorneys fees and damages in the amount of \$99,700.
 - The funds, less taxes and lawyer fees, were placed in the DMCA Reserve account.
- The case had been appealed by the owner. The case was resolved over the last year and, on October 25, 2021, the court approved additional attorney's fees in the amount of \$22,218.50. This should conclude the past claims that DMCA pursued against the prior owner.
 - This amount was paid to DMCA from the funds being held by the court from the Sheriff's sale.
 - These funds were placed in the DMCA Reserve account.
- An additional result of this suit and resulting Sheriff's sale has been the full payment of the claims held by Wood Perry Ditch Company.

2021 Water System Update

- Tank Level Control Wiring
 - Situation: From mid-February through March the Tank level control was not functioning properly. Troubleshooting was performed by Valley Pump and San Juan Pump companies. The control wire was likely damaged during the Clearnetworx excavation. The wiring along the road was not marked and there were no as-built DMCA water system wiring drawings to guide excavation work. Both a portion of the control wiring and the tank level probe were replaced. An updated as-built drawing is being created.
 - Cost: ~\$950 plus incremental increase in chlorine use
- System Leak
 - Situation: At the end of May, a leak developed in the DMCA line that connects the homes on the east side of the Uncompahgre River on River Lane. A small section of the line was replaced
 - Cost: ~\$1450
- Chlorine Pump Replacement
 - Situation: The increased use of the chlorine pump resulted in accelerated wear and tear. The pump was replaced by our water operator.
 - Cost: ~\$700
- Pump Power
 - Situation: In August, the pump house experienced a partial power loss. This resulted in the complete drainage of the tank and the issuance of a Boil Water Order. Power was temporarily restored, the system was refilled and treated, and the Boil Water Order was rescinded. SMPA determined, based on other historical failures of this pump power line, that a new transformer would be placed closer to the pump house.
 - Cost: Incremental increase in chlorine use; SMPA covered the cost of the new transformer.



SMPA Work Crew

2021 Water System Update

- Water Meter Reading
 - Water usage is now read using the 2020 installed water meter transmitters. Homeowners requested and are now receiving a monthly report of water use.
- Water Piping Lifespan Evaluation
 - To validate assumptions on water piping lifespan, sample(s) of the piping must be age tested.
 - A preliminary plan was developed and includes:
 - A contract for excavation at a location that is indicative of the main water piping and preferably coincident with a need. The need may be a homeowner installing a water tap, which is expected soon, or at a pipe break area.
 - The sample(s) being tested by the appropriate testing lab.
 - The plan is expected to be implemented in 2022.

Architectural Review Committee (ARC)

- ARC Request Processed
 - Rytlewski (Lot 29) - Application for a remodel including new mudroom, covered porch addition, new roofing, new windows and doors, new siding (Approved)
 - Freed (Lot 2) - New exterior color and deck addition with updated exterior lighting (Approved); Roof mounted solar array (Approved)
 - Edwards (Lot 31) - New construction for a house and outbuilding (In process; expect approval)
 - Boulaine/Rivard (Lot 14) - Modification to an existing fence (Approved)
 - Benesutti (Lot 23) - Free standing solar array (Approved)
 - Weibel (Lot 42) - Roof mounted solar array (Approved)
 - Dollard (Lot 19) - Fence (Approved)
 - Harper (Lot 41) - Fence and greenhouse (Approved)
- Other business:
 - The ARC [guidelines](#) were updated to facilitate more consistent evaluation of ARC applications.

Board Administration Updates

- New Board Resolutions

- A [Short-Term Rental Resolution](#) was adopted to address periodic questions from lot owners regarding short-term rentals (STRs).

- Here is some background:

- The DMCA rules were revised circa 2014 to allow STRs and the rules require that Lot Owners comply with Ouray County regulations/requirements.

- [Ouray County requires](#), in part:

- annual renewal of STR permits;

- In the event that a proposed Short Term Rental is part of a PUD, subdivision, or common interest community, and there is an active Homeowners' Association, **the Applicant shall notify the HOA** of the application to the County for a Short Term Rental Permit. **Applicant shall submit a copy of the letter to the HOA, sent via certified mailing, within 60-days prior to the submittal date** of the Short Term Rental Permit application, along with a copy of the certified mail receipt. Applicant shall also provide the name, address, phone, and email of a primary contact with the HOA; and

- Short Term Rental **Permits and renewals thereof, shall include ... Plan to address any potential impacts to the neighborhood**, including but not necessarily limited to, offensive noise, parking, demonstration that vehicle traffic to and from the property will not create hazards or nuisance, and trash management and disposal. All parking for renters must be located off-street and not within any public right-of-way, including the right-of-way for county roads.

- The resolution merely reinforces these requirements and provides a reference for non-STR lot owners.

Dallas Meadows Community Association
Monthly Finance Report as of 11/30/2021

last data entry: 11/30/2021

Operating Budget	Annual Budget	Actual YTD	Plan Difference	Comments
Income				
HOA Dues	\$73,965.00	\$73,515.00	(\$450.00)	Link, Lot 32 is overdue
Tap Fees	\$0.00	\$0.00	\$0.00	Cost is \$7000/lot
Fines for Violations	\$0.00	\$0.00	\$0.00	
Collection Charges from Lawsuit	\$0.00	\$22,218.50	\$22,218.50	
Water Overage Payment	\$0.00	\$1,379.82	\$1,379.82	Link & Lummis are overdue = \$12
Transfer from Savings or Reserves	\$0.00	\$6,000.00	\$6,000.00	Xfer to pay taxes on Lot 21 Settlement
Other	\$0.00	\$143.28	\$143.28	SMPA Refund, Bank Payment Correct
Total Income	\$73,965.00	\$103,256.60	\$29,291.60	
Expenses				
Utilities				
Water Testing	\$3,000.00	\$787.63	\$2,212.35	
Water O&M	\$16,375.00	\$15,735.40	\$839.60	
Water System Capital/Reserves	\$0.00	\$0.00	\$0.00	
Electricity (Pump & Tank)	\$1,800.00	\$1,621.05	\$178.95	
Water Meter Reading	\$1,600.00	\$0.00	\$1,600.00	
Administration				
U. S. Post Office/Postage	\$300.00	\$56.00	\$244.00	PO Box Renewal
Office/Copy	\$150.00	\$69.99	\$80.01	
WEB Site	\$300.00	\$229.00	\$271.00	
Annual Meeting/Special Meeting	\$150.00	\$0.00	\$150.00	
Social (e.g., Yearly Picnic)	\$250.00	\$0.00	\$250.00	
Misc. (e.g., Associations, etc.) + Bank Error	\$300.00	\$209.00	\$291.00	HOA Leader, CO Reg, Bank Payment error
Legal and Professional				
Tax Prep/Audits/Fees	\$1,000.00	\$6,729.94	(\$5,729.94)	Paid tax to Fed and CO for Lot 21 funds
Attorney/Legal	\$2,000.00	\$2,116.50	(\$116.50)	
Audit	\$300.00	\$0.00	\$300.00	
Insurance				
Insurance	\$2,100.00	\$1,006.00	\$1,094.00	
Contingency	\$1,000.00	\$0.00	\$1,000.00	
Transfer to Savings/Reserves	\$42,435.00	\$64,635.50	(\$22,200.50)	Xfer to Reserves
Total Expense	\$73,860.00	\$93,196.03	(\$19,336.03)	
Net Income	\$105.00	\$10,060.57		

2021 Financial Review Operating

- Income
 - Water overage charges were greater than plan.
 - Money was transferred from reserves to pay for taxes.
 - ~\$22,218 was received from the Lot 21 settlement
- Expenses
 - Water system maintenance cost was greater than plan.
 - Tax expenses related to the Lot 21 settlement were greater than plan.
- Remaining Expenses
 - General liability insurance bill
 - Water operator & testing for December

Dallas Meadows Community Association
 Monthly Finance Report as of 11/30/2021

Savings Account				
	Expected	Actual	Difference	
Balance forward from previous year: \$2043				
Input	\$0.00	\$0.19		Interest
Expenses		\$0.00		
Savings Balance		\$2,043.01		

Reserve Account				
	Expected	Actual	Difference	
Balance forward from previous year: \$86817				
Input	\$0.00	\$64,644.66		Xfer from Checking + Interest
Expenses		\$6,000.00		Xfer to pay taxes on Lot 21 Settlement
Reserve Balance		\$145,462.00		

2021 Financial Review Savings & Reserves

- Savings Account Changes
 - Simple interest was added
- Reserve Account Changes
 - Money was transferred early in the year to pay taxes on the Lot 21 settlement
 - Reserve funds and additional lot 21 settlement monies collected in 2021 were moved to the reserve account



2022 PLANNING

Proposed 2022 Budget

- 2022 operating budget reflects:
 - Normal operating and maintenance expenses;
 - Targets based largely on historical values
 - Minimal legal expenses based on attorney input; if needed, monies are available in reserve or savings account
 - 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:**
- The lot owners present adopted the proposed 2022 Operating Budget.

2022 DMCA PROPOSED BUDGET		
	2022	Comments
Income		
HOA Dues	\$31,530	Reserves will continue to be collected from 41 lots
Tap Fees	\$0	
Fines for Violations	\$0	
Water Overage Payment	\$0	
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Expenses		
Water Utility		
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CO Registration	\$75	CODW & COB11
Electricity (Pump & Tank)	\$1,800	
Meter Reading	\$0	Currently performed by lot owner
Water System Major Maintenance	\$0	2022: None planned
Administration		
U. S. Post Office Box/Postage	\$100	
Office/Copy	\$150	
WEB Site	\$250	
Annual Meeting/Special Meeting	\$150	Cost for meetings was covered by lot owner
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	2021 had tax payment for Lot 21 settlement
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Audit	\$1,000	Planned for 2022
Insurance		
Insurance	\$2,300	Awaiting final cost for General Liability Policy
Contingency		
Contingency	\$1,000	
Total Expense	\$30,775	
Operating Net	\$755	

2022 BOD Elections Results

- Voting Process

- Each lot owner gets **up to six (6) votes with only one vote allowed for a candidate**
- Requires 51% lot owner participation
- The minimum number of members of the Board of Directors shall be three (3) and the maximum number shall be six (6).

- Voting Results

- 30 of 42 lot owners participated.
- The vote tally and percentages are in the table.
- The new DMCA Board members are: Tom Bennett, Martin Bouliane, Mark Dollard, Josh Freed, Marvin Lummis & Gary Ratcliff

Tom Bennett	Martin Bouliane	Mark Dollard	Erik Fallenius
26	28	27	20
62%	67%	64%	48%
Josh Freed	Lynne La Corte	Marvin Lummis	Gary Ratcliff
25	3	26	23
60%	7%	62%	55%



BACKUP

Material from the 2020 DMCA Annual Meeting to address
Agenda Item #3 questions about reserve funding

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.

2021 Note – As discussed at the 2020 Annual Meeting, the 2020 board confirmed with the DMCA lawyer that the collection of reserve funds was the fiduciary duty of the board and, per CCD 14.4, required only a board vote.

- 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

- 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).

From HOA Leaders Best Practices Guidance: "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

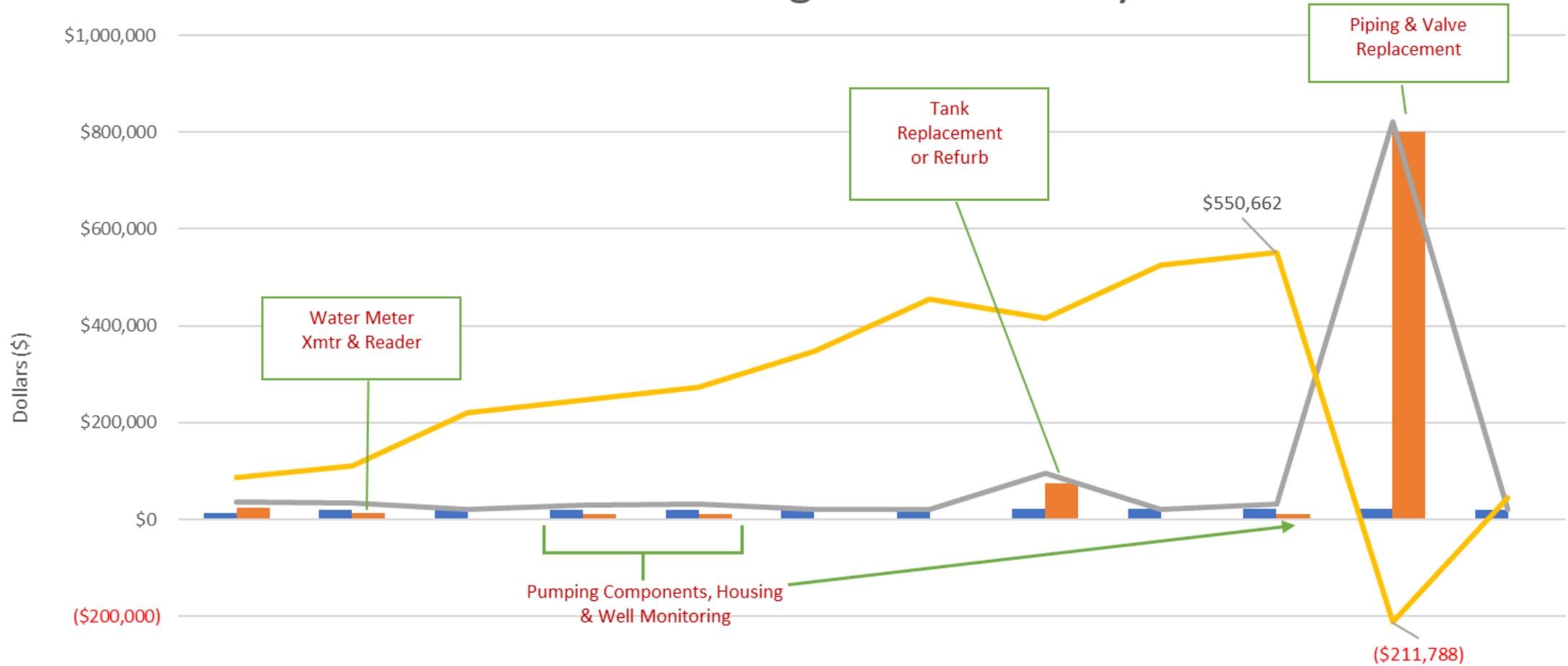
DMCA Reserve Funding Plan

- **Scenario 1** - Collect reserve funds to cover DMCA water system infrastructure major maintenance/refurbishment/replacement cost
- Major infrastructure and anticipated cost* over next 24 years includes:
 - Piping and valve replacement \$800k once during period
 - Water tank replacement \$75k once during period
 - Pumping components, pump house \$10k distributed 3 times during the period
& well monitoring

2021 Note – the 2020 reserve study funding plan assumed the piping system had a 75-year life span. Piping sampling and testing are required to validate the 75-year assumption, which could be longer or shorter.

* - Expected infrastructure cost was based on the escalated cost of values in the 2015 reserve study. The DMCA Board should obtain updated estimates.

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		