

SOMERSET ESTATES HOA

Executive Summary: SEHOA 10-Year Water Plan

Prepared by the Water / Pond Task Force · April 23, 2026

Overview

A year ago, the Somerset HOA kicked off the Water Task Force to identify the best approach, plan, timing, and funding to revitalize Somerset's water infrastructure. The Task Force has prepared a responsible 10-Year Water Plan to stabilize Somerset Estates' water and irrigation infrastructure, reduce long-term costs, conserve increasingly scarce water resources, improve community aesthetics, protect homeowner property values, and strengthen the unity of our owners.

A core priority of the Task Force has been to meet with homeowners, understand perspectives, share findings, and prepare the plan for a homeowner vote. That work has highlighted the need for the equivalent of approximately \$6,000 per owner in financing to properly fund the first major step in the plan: revitalization of Ponds 2 & 3. The following is a discussion of the proposed 10-Year Plan, the first step, and the funding required to initiate it.

Why Action Is Needed

Somerset Estates' water system has aging infrastructure, significant leakage, cosmetic concerns, and rising repair costs. Our irrigation system is sourced from Ponds 2 & 3, which are leaking badly. Under all circumstances, our ability to irrigate Somerset requires these ponds to be in good repair. Responsible water use is of the utmost importance to all of us, and maintaining Somerset requires action now. Continued delay risks higher expenses, reduced property values, and reputational damage.

In past years we have been able to purchase additional temporary water rights. In drought years, doing so is likely to be difficult and expensive — and may not be possible at all. This makes it imperative to repair our leaking infrastructure and to bring our usage more in line with our water rights. The proposed plan provides a structured, financially responsible path to accomplish this.

Key Outcomes of the 10-Year Plan

- Over \$500,000 in projected savings (present value) over 10 years versus the earlier Aspen Report estimates.
- Reduction of projected special assessments to a total of \$10,000–\$15,000 per household over 10 years (depending on the direction chosen for Ponds 4–7).
- 20–27% reduction in seasonal water usage — 7.6–10.1 acre-feet annually, or up to approximately 3.2 million gallons saved per season.
- Stabilization of the irrigation system.
- Clear analysis of whether to fix Pond 7 or close Ponds 4–7.
- Sustainable financing strategy with strong projected cash flow.

Owner Input Into the Process

A core goal of the Water Task Force has been to work closely with all homeowners who have expressed interest in the process. To accomplish this, the following sessions have been and are being conducted:

1. More than 22% of owners were interviewed before the March Annual Meeting to gather the community's priorities.
2. The plan was shared this spring at the AGM at the Niwot Inn, with a detailed presentation and an owner Q&A.

3. The Task Force is currently holding neighborhood meetings by street to update homeowners and gather feedback on the proposed plan and financing options.

Based on these meetings and conversations, the major themes and priorities owners have shared are:

- Reduce water usage.
- Invest in making Outlot D (Ponds 2 & 3 and the waterfall) Somerset Estates' signature area.
- Reduce operating expenses.
- Set a direction for Ponds 4–7.
- Create homeowner value.

These inputs have been weighted heavily as we balance hard data with the softer, community-driven priorities reflected above.

10-Year Plan and Future Projects

To achieve the outcomes above, the Task Force's plan is sequenced as follows:

- Revitalize Outlot D (Ponds 2 & 3 and the waterfall) — late 2026 / early 2027.
- Decide the direction for Ponds 4–7 — late 2026.
- Execute the chosen Pond 4–7 plan — 2027 or 2028.
- Reline the waterfall — 2029.
- In parallel, re-analyze and execute non-pond projects outlined in the Aspen Study (subject to future Board decisions).
- **Finance the 10-Year Plan.** Total financing requirement is expected to be approximately \$10,000–\$15,000 per lot (depending on the direction chosen for Ponds 4–7), in addition to the responsible use of a portion of free cash flow.

Where Do We Start?

1. Restore Ponds 2 & 3 (Outlot D) — 2026

Investment required:

- Total cost is approximately \$465,000–\$520,000, comprised of:
 - \$400,000–\$454,000 for relining and related work.
 - \$65,000 for landscaping elements.
- \$164,000 less than the Aspen Report estimate.

Project benefits:

- Delivers the direction for Outlot D supported by many of the owners interviewed.
- Approximately \$100,000 in maintenance savings over 10 years — about \$10,000 per year.
- Saves approximately 5.6 acre-feet of water annually — roughly 1.8 million gallons per season, a 15% reduction in Somerset's total water usage.
- Strengthens irrigation reliability.
- Restores the community's signature area and eliminates the two large "holes" that owners currently see where Ponds 2 & 3 used to hold water.

2. Outlot D Execution Plan

- The Pond 2 & 3 revitalization project has been incorporated into the 2026 budget.

- Design and contractor selection begin now (minimum cost).
- The Board will source financing between April and August 2026 (more on this below).
- Excavation begins October 2026, contingent on owner approval of financing.
- Target completion: late spring 2027 (exact date TBD).

3. Financing the First Step (Ponds 2 & 3)

Although our reserves are growing steadily, they are not yet at a level that can responsibly fund the start of the plan (revitalizing Ponds 2 & 3). The 2020 Plan targeted a \$15,000 special assessment and ultimately raised \$5,000; it was clear then that another round of funding would eventually be needed to support Somerset's capital requirements.

Deferral is not a viable option given the declining state of our water and irrigation infrastructure and the rising costs of repairs and wasted water. Completing the Pond 2 & 3 work largely during the non-watering season — beginning this fall — requires an infusion of cash now to supplement reserves.

The guiding principles behind the financing plan are:

1. Allow Somerset to initiate and complete the necessary water projects, along with other non-pond projects recommended in the plan, over the next 10 years.
2. Inject financing through a special assessment that supplements reserves, so reserves can contribute appropriately without stressing Somerset's balance sheet or financial stability.
3. Where possible, avoid loans that would limit Somerset's flexibility to fund future planned projects or projects that may not be foreseen today.

To start the plan, SEHOA's Board is considering two options to fund the initiation of the relining of Ponds 2 & 3:

1. **Special Assessment of \$6,000 per lot** (*recommended*)

- To ease the impact on owners: four quarterly payments of \$1,500 per lot, with no interest, starting July 1, 2026.
- Timing allows the Pond 2 & 3 project to begin in September / October 2026 and complete in the spring.
- Keeps reserves at healthy levels to continue funding the 10-Year Plan.
- Note: approval of the 2026 Pond 2 & 3 budget does NOT by itself constitute approval of any special assessment to fund the project.
- **Approval requirement (SEHOA Declaration):** "A Special Assessment is ratified if a quorum of 30% is present and the Special Assessment is approved by 67% of the votes cast by Members in person or by proxy at the meeting."

2. **Loan supplemented by a smaller Special Assessment** (*equivalent cash of \$6,000 per owner*)

- Recommended loan and special assessment amounts: [Amounts TBD — Board to confirm before the vote.]

The Board recommends Option 1 — the \$6,000 Special Assessment. This option best satisfies the first and second financing principles above, keeping the HOA and its balance sheet on a solid financial footing while preserving flexibility to invest responsibly across the full 10-Year Plan.

The Water / Pond Task Force has been socializing the plan and the \$6,000 financing proposal through two public meetings and continues to do so through small neighborhood meetings ending in mid-May 2026. This effort will culminate in a financing vote by owners in early June 2026.

Conclusion

The Task Force believes the 10-Year Plan strengthens irrigation infrastructure, reduces long-term expenses, conserves water, restores the community's centerpiece, and protects property values. Timely action positions Somerset Estates for financial stability, operational reliability, and a renewed community reputation.

By approving the equivalent of \$6,000 per owner to fully renovate Ponds 2 & 3 on its signature property, Somerset takes a meaningful step forward in revitalizing its capital infrastructure.

Best,

Steve Flannery & Lisa Smith

Water / Pond Task Force