

SOMERSET ESTATES HOMEOWNERS ASSOCIATION

Maximizing Home Values, Quality of Life, Positioning as Premier Community

What's Up #91: February 12, 2024

Board Meeting on February 20th - Budget Discussion

The next meeting of the Executive Board will be on Tuesday, February 20 at 6:30 PM at the Mountain View Fire Station at 8500 Niwot Road. All homeowners are invited to attend. The agenda will be posted on the SEHOA website (www.somersetstates-hoa.com) at least one day before the meeting. **The agenda will include approval of the 2024 budget for ratification by the homeowners at the Annual Meeting on March 26.** Please see related articles below and provide any input you have on the budget by attending the meeting or sending a message to Info@SomersetEstates-HOA.com.

Annual Meeting on March 26th

The Annual Meeting will be held at 7 PM on March 26 at the home of Tim and Melissa Koller, 6511 Primrose Lane, with a social time starting at 6:30 PM. All homeowners are encouraged to attend. The agenda will include ratification of the 2024 Budget, election of two Board members, and a review of the past year and plans for this year. Capital projects planned for 2024 include refreshing the lighting and landscaping at the entrance at Hwy 52, refurbishing the failed Pond 3 area (near the waterfall), and major repairs to Pond 2 (the large pond between Primrose Ln and the water tower). Homeowners will receive a packet by mail in early March.

Volunteer Opportunities - Two Board Positions Up for Election

SEHOA is a volunteer-run organization of neighbors helping to maintain and improve our community. Please join us! We are always open to new volunteers and there are many ways to participate. **Two Board positions are up for election at the Annual Meeting.** Please email Info@SomersetEstates-HOA.com by February 29th if you are interested in running for one of these positions.

2024 Budget Discussion - Background Information

A Brief History of SEHOA

Starting in 1988, the Somerset Estates Subdivision (89 lots) operated under a joint association with the Somerset Subdivision (79 lots), known as the Somerset Homeowners Association (SHOA). The governing documents for SHOA made it extremely difficult to raise dues, which were \$325 per quarter from 2005 to 2018. This was woefully inadequate to properly maintain the common areas, and no funds were available to build reserves for major capital projects, which were coming due as the common infrastructure was reaching the end of its useful life. The SHOA Board conducted a reserve study in 2014 that concluded that the unfunded reserves amounted to about \$10,000 per lot for all 168 lots. The Board proposed to consolidate the governing documents of the original subdivisions into an amended Declaration that would allow reasonable dues increases. This effort failed to win the required approval of 67% of all homeowners. The Board then petitioned the Boulder County District Court to impose the amended Declaration based on a provision in the Colorado Common Interest Ownership Act (CCIOA). This petition failed based on the Court's conclusion that the two subdivisions had never been properly merged and were separate legal entities.

In March 2018, the homeowners in Somerset Estates voted to establish Somerset Estates Homeowners Association (SEHOA). SEHOA operated under a temporary agreement with SHOA through 2019. The first two years were taken up with establishing all new governing documents (Articles of Incorporation, Bylaws, Declaration, Policies, Rules, and Architectural and Landscaping Standards) and pursuing the possibility of a legal merger with SHOA.

An agreement was executed between SEHOA and SHOA in 2021 that resolved

issues around water rights, joint water infrastructure, asset allocation, and common area ownership, effectively ending merger discussions. SEHOA successfully obtained a court order in 2022 establishing its ownership of the common areas in Somerset Estates.

SEHOA Financial Position

Based on the provisions in the newly approved 2018 Declaration for SEHOA, dues were increased for 2019 to \$625/quarter after a 90% affirmative vote. In 2020, the SEHOA Board developed a Long-Range Financial Plan based on a review of all common area assets. This plan considered both operating expenses (expected to occur annually and predictably) and capital expenses (expected to occur periodically based on estimates of remaining useful life). The Board concluded that a special assessment of \$15,000 per lot would get SEHOA into an "ideal" financial position, \$10,000 would result in a "good" position, and \$5,000 would result in a "fair" position. The homeowners voted on a special assessment of \$5,000, \$7,500, \$10,000 or \$15,000. Although a majority (55%) approved \$7,500 or more, this fell short of the 67% vote required, resulting in approval of \$5,000 (82% approved \$5,000 or more, with 18% voting for \$0), raising \$445,000 for capital projects.

Dues were increased to \$675/qtr for 2020 and 2021, then \$700/qtr in 2022, and \$750/qtr in 2023. This level of dues provides about \$100,000/year of revenue in excess of annual operating expenses, which is then available for capital projects. The SEHOA cash balance was \$460,000 at the end of 2021 but has since dropped to \$390,000 as capital spending has outpaced revenues.

What Capital Projects Have Been Completed?

Through 2023, SEHOA has completed \$660,000 in capital projects. These fall into these broad categories:

Water System Infrastructure: \$444,000 Total

New transfer line and pump from SHOA to SEHOA = \$135,000

Accurate meter on water taken from ditches (shared with SHOA) = \$25,000

Relining of Pond 1 in SHOA (shared with SHOA) = \$81,000

Relining of Pond 8 in SEHOA = \$94,000

Other major pond liner repairs = \$30,000

Irrigation improvements = \$33,000

Water Professional Fees (attorney, engineering, operating manual) = \$46,000

Other Infrastructure: \$186,000 Total

Fence staining and repairs = \$54,000

Pathway replacement = \$89,000
Street monument repairs = \$43,000

Landscape Refurbishment: \$30,000 Total

More About Water Costs

Two-thirds (67%) of capital expenditures have been related to water. The developers of SEHOA and SHOA bought shares of water from the two ditches that run to the west of the subdivisions. These shares, along with supplemental shares owned in the Colorado Big Thompson Project, and water leased from other owners, moves from the ditches to Pond 1 in SHOA. From there, it is transferred to Pond 2 in SEHOA, which is the primary source of irrigation water for the grass, trees, and shrubs on the approximately 14 acres of common areas in SEHOA. **In 2023 SEHOA used 39 AF (12.7 million gallons) for irrigation, to fill ponds, and to run waterfalls.**

The advantage to owning ditch water is that the annual costs are relatively cheap. SEHOA pays about \$3,000/yr in ditch company fees and to lease additional water beyond what we own. If we had to buy this much water from the Left Hand Water District, not only would there be a significant upfront cost (about \$1.5 million) to have access to treated water taps (such as you have in your home), the delivered cost of 39 AF is around \$150,000, or \$1,700 per year per lot. **If we didn't have access to ditch water, we'd have to radically reduce our water use or incur enormous expenses.**

The trade-off is that SEHOA has to cover the capital costs for its own water infrastructure, rather than just opening a tap. Part of our pond system is decorative, but part is integral to the irrigation system. The ponds are lined with plastic, which has started to fail. We also find major leaks in the 25-year-old irrigation system every year. (SEHOA water use in 2019 and 2020 was about 48 AF, so we are making significant progress in reducing leaks.) Some of the major costs are now behind us (such as the new transfer line from Pond 1 to Pond 2 and professional help in negotiating water rights with SHOA), but other costs are anticipated in the years ahead. Furthermore, SEHOA does not own enough water for our needs and leased water is not always available in dry years. The Board wants to retain at least \$200,000 to be able to bid on any ditch shares that come (infrequently) on the market.

What Does This Mean for the 2024

Budget?

Both the 2014 Reserve Study conducted by SHOA and the 2020 SEHOA Long-Range Financial Plan concluded that we were approximately \$10,000 per lot short of funding for deferred maintenance and capital projects. The \$5,000 special assessment approved in 2020 went a long way to allow SEHOA to get started on needed projects. The Board has recently updated the Long-Range Financial Plan based on what has been completed and better information about expected costs and timing. **Without significant dues increases or another special assessment, SEHOA will remain in a "poor" financial condition.** The Declaration states that "Annual Assessments shall include an adequate reserve fund for the maintenance, repair and replacement of those items that must be maintained, repaired or replaced on an occasional basis". While the option remains for additional special assessments to fund reserves or cover large costs related to the common areas, the Board thinks it prudent to build into the annual assessments (dues) enough funds to cover expected capital costs, rather than rely on a future special assessment. In conversations with neighbors (not official polls), we've developed the opinion that there is little appetite for another special assessment.

The Board will be voting on a proposed 2024 budget at the February 20 Board meeting that includes dues increase from \$750/qtr to \$825/qtr. This budget will be ratified by the homeowners at the March 26 Annual Meeting. Because the 2024 assessment does not exceed 110% of the 2023 assessment, the budget will be approved unless a majority of all homeowners (representing 45 lots) votes to reject the budget. As this is a high bar, **input from homeowners should be received by the February 20 Board meeting rather than waiting until the Annual Meeting.** You may either attend the meeting or send your input to Info@SomersetEstates-HOA.com.

The Board recognizes that other costs for home ownership are also rising (property taxes, insurance, sewer fees, etc.). That said, **our modeling shows that an additional \$75/qtr may allow SEHOA to avoid a special assessment in the next several years.** Should a large capital project arise sooner than expected, it might trigger a special assessment by itself. For example, we plan to make extensive repairs to the upper part of the liner for Pond 2 that we hope will extend the life of the pond at least ten years; however, should the pond liner fail completely, the estimated replacement cost is over \$400,000, which exceeds our cash reserves.

A summary of the draft proposed budget follows. Details will be provided prior to the Annual Meeting.

Revenue (dues, interest, fees): \$312,975 Total

Operating Expenses: \$191,810 Total

Administrative = \$37,450

Landscape Maintenance = \$75,160

Water Infrastructure Maintenance = \$46,000

Other Infrastructure Maintenance = \$12,200

Electricity and Water Fees = \$21,000

Capital Expenses: \$292,000 Total

Landscape Capital Projects = \$92,800

Water Infrastructure Capital Projects = \$153,200

Other Infrastructure Capital Projects = \$46,000

Boulder County Review of Proposed Tennis Facility

The Boulder County Community Planning & Permitting Department will begin reviewing on February 23 a Special Use application, Docket No. SU-23-0016, for a tennis facility proposed to be built at 4701 N. 79th Street in unincorporated Boulder County. **Interested homeowners may send input by filling out a form on the Boulder County website (link here).** The SEHOA Board has not discussed nor taken a position on this matter.

Upcoming Events at a Glance

Please monitor the SEHOA website for any schedule changes:
somersetstates-hoa.com.

Board Meeting -- February 20 at 6:30 PM, 8500 Niwot Road.

Annual Meeting -- March 26 at 7 PM, Social time at 6:30 PM, 6511 Primrose Lane.

Somerset Estates Book Club -- The next meeting will be in April. The book is *The Middle Daughter* by Chika Unigwe, hosted by Kamla Chopra. Please let Paula Hemenway know at p.hemenway@comcast.net if you want to be added to the Book Club distribution list.

Monday Mahjong -- Mondays at 3 PM. Contact Diane Jensen at diane-

jensen@sbcglobal.net for more information.

Contact SEHOA

Association General Information

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