

# SOMERSET ESTATES HOMEOWNERS ASSOCIATION

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

**What's Up #105: March 23, 2025**

## **Annual Meeting on March 27 Agenda and Process**

We will be gathering at the Niwot Inn for a social and sign-in time at 6:30 pm. The conference room is on the lower level. Each lot represented will be given one ballot for the budget ratification and one ballot for the board election upon sign-in. The Secretary will collect proxy forms, but ballots for proxy representatives will not be handed out until shortly before each vote to be sure we know who is attending in person. Because we expect a large turn-out and to best manage the discussion and background noise, members listening to the meeting on Zoom will be muted and not called on during the discussions. Members on Zoom wishing to make a statement can do so by sending an email to [info@somersetstates-hoa.com](mailto:info@somersetstates-hoa.com) for later consideration. The minutes for the meeting will include the general topics of discussion and voting results but will not include details of who said what.

The Budget Meeting will begin at 7 pm. Because we expect that a majority of all lots will be represented at the meeting, we plan to conduct the ratification vote by paper ballot, not show of hands. The budget will be ratified unless 45 members vote to disapprove it.

The Annual Meeting will convene immediately after the Budget Meeting with the following agenda:

1. Approval of Minutes from March 26, 2024 meeting.
2. Update by Current Board, including information from Mike Kelsen of Aspen Reserve Specialties.
3. Introduction of Candidates for the Board and Candidate Q&A. So that all members and candidates have a chance to speak, each member will limit their comments or questions to three minutes. No member can make a second comment or ask another question until all members that wish to speak have had a chance to do so. Responses from candidates to questions will be kept to one or two minutes.
4. At a time chosen by the President, the election of Board members will be held by secret ballot. Ballots will be counted by a group of three members selected by the Secretary. These three members cannot be on the Board, candidates for the Board, or related to such.
5. The Member Open Forum will take place while the ballots are being counted.

## **Invoice for April 1 Assessment**

Homeowners received an invoice for \$825 for the quarterly assessment due on April 1. Please note that if the 2025 budget is ratified at the Budget Meeting on March 27, the amount will increase to \$900. You will receive an updated

invoice after the meeting, and you can either pay the full amount or the additional \$75 if you've already paid the first invoice. **Please update any automatic payments accordingly.**

### **Follow-up Information from Experts - Lyons Gaddis Memo on Somerset Estates Water Infrastructure Issues (Removed from posted version)**

#### **Additional Information on the SEHOA Water Infrastructure**

Homeowners have asked for more details on the water infrastructure and water supply and demand. For those so interested, an overview document is posted on the website under 2025 File Downloads ([found by clicking here](#)). Ditch water moves from the two ditches to pond 1 in SHOA, then is pumped to pond 2 in SEHOA, where it is pumped into the irrigation system. **These two ponds are critical to our irrigation method.** Water also moves by gravity from pond 2 to fill ponds 3-7 and is pumped from pond 2 to pond 11 to fill ponds 8-11. Irrigation can occur out of pond 7, but that is rarely used. Water is pumped from pond 7 to the main waterfall, which requires commercial pumps due to the distance and pipe size. Water can also be moved between ponds 7 and 8, which has been done to empty one or the other for maintenance.

What is odd about the Colorado water market is that water shares are very expensive to buy and cheap to lease . . . if available. We spent \$2,170 on 35 units (27 AF) of leased water in 2024 (although we couldn't take it all before the ditches shut down unusually early). **The problem is that neither free river water at the beginning of the season nor leased water at the end of the season is guaranteed and may not be available at all in dry years or an extended drought.** It's correct that it's fairly inexpensive to let water leak into the ground from damaged pond liners in wet years, but in dry years we would have even less water available to keep the grass irrigated. The other problem with letting ponds leak is that we only have access to water for five months of the year. If the leaks are significant, the ponds will be at low levels during the other seven months, which both is unattractive (see the current conditions of ponds 2 and 3) and may expose the liners to further damage.

#### **Is the Aspen Reserve Analysis Reliable?**

The purpose of a reserve study is to provide an HOA with an independent assessment of the remaining useful life (RUL) of community assets and the estimated cost to replace or repair those assets when that RUL is zero. The output of the study is the "Fully Funded Balance", the annual "Recommended Reserve Contribution" to be prepared to repair or replace assets as required, as well as various tables and charts showing the expected financial position of the HOA over time. It is not enough to have the funds in the bank for this year's projects - an HOA needs to be saving every year to prepare for future capital projects,

Until this year, SEHOA relied upon an internally prepared "Long-Range Planning Model" which was first developed in 2020/2021 and last updated in early 2024 and presented to homeowners at the March 2024 annual meeting. This "LRP" relied on the Board's and property manager's assumptions, based on their histories and experience with the Association, to estimate the remaining useful lives and replacement costs of our common infrastructure elements. Later in 2024, some homeowners suggested that a study by a qualified company was needed to remove any question of bias or lack of expertise by the Board in determining the expected cost of various assets. The Board agreed with this constructive suggestion, and HOAs routinely commission reserve studies as a matter of good practice. At the recommendation of our property manager, we engaged Aspen Reserve Specialties, who also conducted the 2014 reserve study for all of Somerset. From Aspen Reserve's website: **"It is our mission to provide a Reserve Study that presents current and sensible advice, preparing our customers**

**for predictable expenditures and providing information for them to maintain their property values. Michael Kelsen, the owner of ARS, is a certified Reserve Specialist by The Community Associations Institute (CAI) and has over 28 years of industry experience.**" Mike Kelsen will be attending the Annual Meeting on Zoom to briefly explain his methodology and answer questions.

The input provided by SEHOA to Mr. Kelsen to prepare the Reserve Analysis was as follows:

- List of contractors/vendors related to the property
- Copy of current Declaration
- Copy of current budget and reserve balance sheet
- List of common area components
- Reserve Expenditure History (within the past 5 years) or information regarding pending projects and copies of the contracts.

The property manager also took Mr. Kelsen on a tour of our neighborhood and common areas. Our property manager also explained to Mr. Kelsen the maintenance expenses that the HOA includes in its annual operating budget (e.g., the irrigation system) versus in periodic capital expenditures (e.g., fence replacement). Beyond that, the only input from the HOA is to review the draft and correct details. **The HOA has no role in Mr. Kelsen's development of useful life estimates or replacement cost estimates, except for having provided him with current bids for near-term projects at his request.**

The Aspen Reserve Specialties analysis ([available by clicking here](#)) shows that SEHOA is currently underfunded by about \$2 million with the current set of common assets compared to the Fully Funded Balance (approximately \$22,000 per lot). As was included letter mailed to homeowners, **Aspen Reserve's recommendation is that SEHOA should increase its regular assessments in 2026 from \$881/quarter (blended across the year) to \$1,615 per quarter (blended), an 83% increase, in addition to a special assessment of \$3,000 per lot. An increase in regular dues of this magnitude and the associated special assessment would require homeowner approval.**

An alternative might be a special assessment of \$7,500 in 2025 to fund about 30% of the ideal starting reserves balance (the minimum that Aspen Reserve Specialties says is fiscally responsible), followed by somewhat smaller dues increases. A special assessment of \$20,000 would jump to 80% funding, with dues increases limited to inflation. **Full (100%) immediate funding of our current assets requires a special assessment of approximately \$25,000, including \$3,000 for possible water rights litigation. In addition to increasing assessments, another way to improve our financial position is to reduce future capital costs by modifying the assets that the HOA maintains or replaces.** The fact that we have any money in reserves (approximately \$208,000 excluding the \$200,000 set aside for purchase of water rights) does not mean that some of the \$5,000 special assessment from 2021 is "left over". All that money and more was spent on capital projects completed between 2021-2024. The funds currently in reserve come from the excess of annual assessments over operating expenses that we've been collecting each year (which excess has averaged ~\$100,000 per year). **These funds are not nearly enough to cover the reserve deficiency identified by Aspen Specialties.**

**The reserves analysis should not be ignored, and it's a diagnosis of our financial and infrastructure replacement problem, and not necessarily the sole prescription for solving it. While the reserve analysis**

provides a recommendation, **WE must all decide how to move forward from here.** Also, some questions we'd like to address based on concerns we've heard about the reserve analysis:

- **Can SEHOA decide to delay a repair beyond what the study says is the useful life?** Yes. There is always a trade-off between trying to get by a little longer and biting the bullet to do the full project.
- **Should SEHOA get multiple bids to get a project done at the lowest possible cost?** Of course, and it is prudent to do so; however, it would be wishful thinking to assume that the savings would be anything close to 50% of Mr. Kelsen's estimates.
- **Could we continue to repair portions of ponds liners rather than a complete rebuild?** This has been done over the past several years on ponds 2, 3, 7, and 8. It didn't work for ponds 3 and 8 as the liner failed beyond the repair. Pond 2 is in better shape this year, but the partial repair is likely not enough to sustain that pond for a long time. Mr. Kelsen's opinion, based on his expertise and years of experience with HOAs, is that stop-gap measures that cost into the tens-of-thousands-of-dollars end up not being worth the expenditures, and it's better to plan for a complete repair. This approach is reflected in Mr. Kelsen's analysis. However, SEHOA could decide to continue with partial repairs regardless.
- **Was the study commissioned to scare homeowners into acting in a certain way?** Not at all - the Board didn't know what the outcome would be until we received it. In fact, the findings were quite startling to the current Board!

Now that we have the study, which is a document that CCIOA requires be produced to homeowners, it would be irresponsible for the current or new Board to simply declare it "wrong" or "inflated". As Aspen said in its cover letter with the report: **"Revision requests cannot be used to decrease the Fully Funded Balance or the Recommended Reserve Contribution. Please understand that a difference of opinion is not a valid reason to revise the study unless we are provided a professional opinion from an expert in a directly related field and we reserve the right to use expert's opinion in Reserve Study regardless of the board's opinion."**

### Upcoming Events at a Glance

Please monitor the SEHOA website for any schedule changes: [somersestates-hoa.com](http://somersestates-hoa.com).

**Budget and Annual Meeting - March 27. Sign in starts at 6:30 PM, Budget Meeting at 7 PM, Annual Meeting thereafter. Niwot Inn, 342 2nd Ave, Niwot.**

**Somerset Estates Book Club** - The next meeting will be on April 30, hosted by Barb Stager. The book is *The Women* by Kristin Hannah. Please let Paula Hemenway know at [p.hemenway@comcast.net](mailto:p.hemenway@comcast.net) if you want to be added to the Book Club distribution list.

### Contact SEHOA

### Association General Information

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