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DEER CREEK

HOMEOWNERS ASSOCIATION

STRATEGIC PLAN



APPROVED PROPOSAL v1.1

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Endorsements

Proposal Submitted: May 25, 2016

Public Review: 1 June – 24 August 2016

Board Approval: August 24, 2016

HOA Ratification: October 11, 2016

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Purpose

As specified in the 2001 Articles of Incorporation, the purpose of the Deer Creek Homeowners Association (HOA) is to “provide for the care, management, control, preservation, operation, maintenance, repair, restoration, and replacement of the areas required or permitted to be maintained by the Association, in the manner prescribed by the Declaration, and to provide other services with respect to such areas deemed advantageous by the Owners of Lots in the Community Areas or required or authorized under the Declaration.” Accordingly, the Board of Directors (BoD) desires to express the will of the community and deems it advantageous to develop a Strategic Plan for the long-term development and maintenance of the Deer Creek community in North Gate. The purpose of this plan is to identify future improvements and maintenance requirements enhancing the value and welfare of the community, and to assist with projecting and scoping the community reserve budget.

Authorities

Authority to promulgate a Strategic Plan is derived from the 1) Declaration of Covenants, 2) Articles of Incorporation, and 3) Bylaws for the Deer Creek Homeowners Association.¹

1. 2001 Declaration of Covenants
 - 1.1. (4.2) Powers. The Association shall own the Common Elements and shall administer the Community and manage its affairs. It shall have all powers provided to a unit owner’s association by the Act and this Declaration. These shall include the power to assign its right to future income, including the right to receive Common Expense Assessments, provide the Association determines that such assignment will not impair the ability of the Association to perform the duties required of it under this Declaration or the Act.
 - 1.2. (5.1) Authority of Executive Board. Except as provided in this Declaration, the Bylaws or any other provisions of this Declaration, the Executive Board shall act in all instances on behalf of the Association.
 - 1.3. (6.1) The Association shall maintain the Common Elements. The Association shall maintain all landscaping and other facilities owned by the Association that are installed in or on the Common Elements and shall make repairs and replacements thereto as needed to (a) comply with the requirements of the Subdivision Plat and any agreements effecting the Community entered into by Declarant with any governmental entity, and (b) permit such Common elements to serve the purposes for which they were created and installed in the Community. All facilities that are owned by the Association and any additional facilities that are owned by

¹ The 2001 Declaration of Covenants, registered with the El Paso County Clerk, establishes the rules for the Homeowners Association. The 2001 Articles of Incorporation establishes the HOA as a nonprofit corporation. The HOA Bylaws, as amended, establishes the rules for the Board of Directors. Homeowners rights within the HOA are protected by the Colorado Common Interest Ownership Act (38-33.3-101 Colorado Revised Statutes).

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the Association which may be installed within any easements or Common Elements are Common Elements hereunder, and shall be maintained, repaired, and replaced by the Association as necessary so that such Common Elements (a) comply with the requirements of the Subdivision Plat and any agreements affecting the Community entered into by Declarant with any governmental entity, and (b) present an aesthetically attractive appearance and service the purposes for which such facilities were installed.

- 1.4. (7.8.6) The right of the Association, through its Executive Board, to enter into, make, perform, or enforce any contracts, Leases, agreements and rights-of-way, for the use of real property or Improvements to Property by Lot Owners, other persons, their family members, guests and invitees, for any purpose(s) the Executive Board may deem to be useful, beneficial, or otherwise appropriate; and
- 1.5. (7.8.7) The right of the Association to close or limit the use of the Common Elements while maintaining, repairing, and making replacements to the Common Elements.
- 1.6. (8.1) Insurance. Commencing not later than the time of the first conveyance of a Lot to a Person other than the Declarant, the Association shall maintain insurance, to the extent reasonably available, in connection with the Common Elements and with other parcels of real property which the Association has an obligation to maintain, repair, and/or reconstruct. The Association shall maintain the following types of insurance to the extent that such insurance is reasonably available, considering the availability, cost and risk coverage provided by such insurance, and the cost of said coverage shall be paid by the Association as Common Expenses. Notwithstanding any of the specific insurance requirements specified in this Article, the Association may also consider, in determining the types and amount of insurance it needs to obtain, the then existing requirements of any of the Agencies with respect to their insurance, guaranty, or purchase of Security Interests.
 - 1.7. (8.1.1) A policy of property insurance covering all parcels of real property for which the Association has the duty to repair and/or reconstruct...
 - 1.8. (8.1.2) A policy of commercial general public liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the Common Elements and covering parcels of real property which the Association has the obligation to maintain...
 - 1.9. (8.2) Policies of insurance carried by the Association shall contain deductibles in such amounts as the Association deems appropriate...
- 1.10. (9.1.1) An portion of the Common Elements which is damaged or destroyed must be repaired or replaced promptly, unless:
 - 1.11. (1) The Community is terminated;
 - 1.12. (2) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety;
 - 1.13. (3) Sixty-seven percent (67%) of the Lot Owners vote not to rebuild (unless rebuilding is required pursuant to the Subdivision Plat or any other agreement entered into by Declarant with any governmental entity);

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- 1.14. (9.1.2) The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense...
 - 1.15. (10.10) Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of or provision for reserves shall be retained by the Association as unallocated reserves and need not be paid to the Lot Owners in proportion to their Common Expense liability or credited to them to reduce future Common Expense Assessments.
2. 2001 Articles of Incorporation
- 2.1. (III(b)) To provide for the care, management, control, preservation, operation, maintenance, repair, restoration, and replacement of the areas required or permitted to be maintained by the Association, in the manner prescribe by the Declaration, and to provide other services with respect to such areas deemed advantageous by the Owners of Lots in the Community Areas or required or authorized under the Declaration.²
 - 2.2. (III(c)) To promote the safety and welfare of the Owners (as such term is defined in the Declaration).
 - 2.3. (III(d)) To adopt and enforce rules and regulations as permitted in the Declaration.
 - 2.4. (IV) In furtherance of the purposes and objectives (but not otherwise) set forth in the Declaration and subject to the restrictions set forth therein, the Association shall have and may exercise all of the powers and do everything necessary or convenient for the accomplishment of any of the corporate purposes either alone or in connection with other corporations, firms, or individuals, and either as principal or agent, subject to such limitations as are or may be prescribed by the laws of the State of Colorado.
 - 2.5. (VIII) The management of the affairs of the Association shall be vested in a Board of Directors...
3. 2001 Bylaws
- 3.1. (III.1) The affairs of The Deer Creek at Northgate Homeowners Association, Inc. (herein referred to as "Association"), will be managed by its Board of Directors (hereinafter referred to as the "Board").
 - 3.2. (III.2) The Board shall have the powers and duties necessary for the administration of the affairs of the Association and the operation and maintenance of the Community Area. Such powers shall include, but shall not be limited to, the following, all of which shall be done for and on behalf of the Owners of the Lots:
 - 3.3. (III.2(a)) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration, the Bylaws of the Association, and supplements and amendments thereto.

² "Declaration" = Covenant

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- 3.4. (III.2(c)) To incur such costs and expenses as may be necessary to keep in good order, condition and repair all of the areas in the Community Area required to be maintained by the Association.
 - 3.5. (III.2(d)) To obtain and maintain all insurance required or permitted under the Declaration or otherwise deemed advisable by the Association.
 - 3.6. (III.2(e)) To prepare a budget for the Association in the manner set forth in the Declaration to determine the amount of the common expense assessments payable by the Owners to meet the common expenses of the Community Area, and allocate and assess such common expenses among the Owners as set forth in the Declaration and to adjust, decrease, or increase the amount of the common expense assessments and to levy and collect special assessments.
 - 3.7. (III.2(h)) To enter into contracts to carry out their duties and powers and to hire and fire all personnel necessary for the operation, maintenance, repair and replacement of the areas for which the Association is responsible under the Declaration.
 - 3.8. (III.2(i)) To establish a bank account or accounts for the common treasury and for all separate funds of the Association that are required or may be deemed advisable.
 - 3.9. (III.2(j)) To make repairs, additions, alterations, and improvements to the areas required to be maintained by the Association.
4. 2014 Policy on the Investment of Reserve Funds
- 4.1. (1.1) Each director and officer will perform their duties regarding investment of reserves in good faith, in a manner the director or officer reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances...
 - 4.2. (3) Reserves may be invested in certificates of deposit, money market deposit accounts, money market funds, U.S. treasury and government obligations, municipal bonds, and other state obligations, and other investments pursuant to the Association's investment goals. No funds will be deposited or invested except in authorized investment funds. All investments must be FDIC insured.
 - 4.3. (4) The reserve funds will be invested to achieve the following goals, in descending order of importance:
 - 4.4. (4.a) Promote and ensure the preservation of principal;
 - 4.5. (4.b) Structure maturities to ensure liquidity and accessibility of funds for projected or unexpected expenditures;
 - 4.6. (4.c) Mitigate the effects of interest rate volatility upon reserve assets;
 - 4.7. (4.d) Seek the highest level of return that is consistent with preserving the principal accumulated interest;
 - 4.8. (4.3) Minimize investment costs.
 - 4.9. (5) All accounts, instruments and other documentation of such investments will be subject to the approval of, and may from time to time be amended by, the Board of Directors as appropriate, and may be reviewed periodically at the sole discretion of the Board.

Description

Deer Creek occupies a tract of approximately 51 acres in the southwest quarter of Section 16 in One Township, within Colorado Springs city limits of El Paso County Colorado. Deer creek is subdivided into 155 single residence lots as recorded with the El Paso County Assessor on plat #10915. The application for development was filed December 6, 2001, on pages 87-90 in book #2276 with the El Paso County Clerk. Voyager Parkway provides access to Deer Creek immediately to the West via Ridgeline and Cypress Semi drives. Neighborhood lots are adjoined by seven different streets, listed from West to East:

1. Snowflake Dr.
2. Cloudy Creek Ct.
3. Laurelcreek Dr.
4. Bluderidge Dr.
5. Coldstone Way
6. Fieldcrest Dr.
7. Silver Creek Dr.

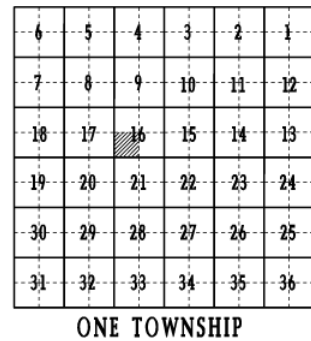
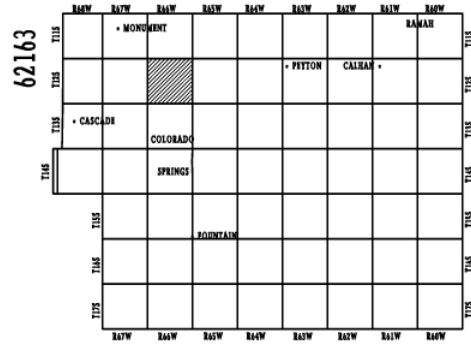


Figure 1: Deer Creek Surveyed Location

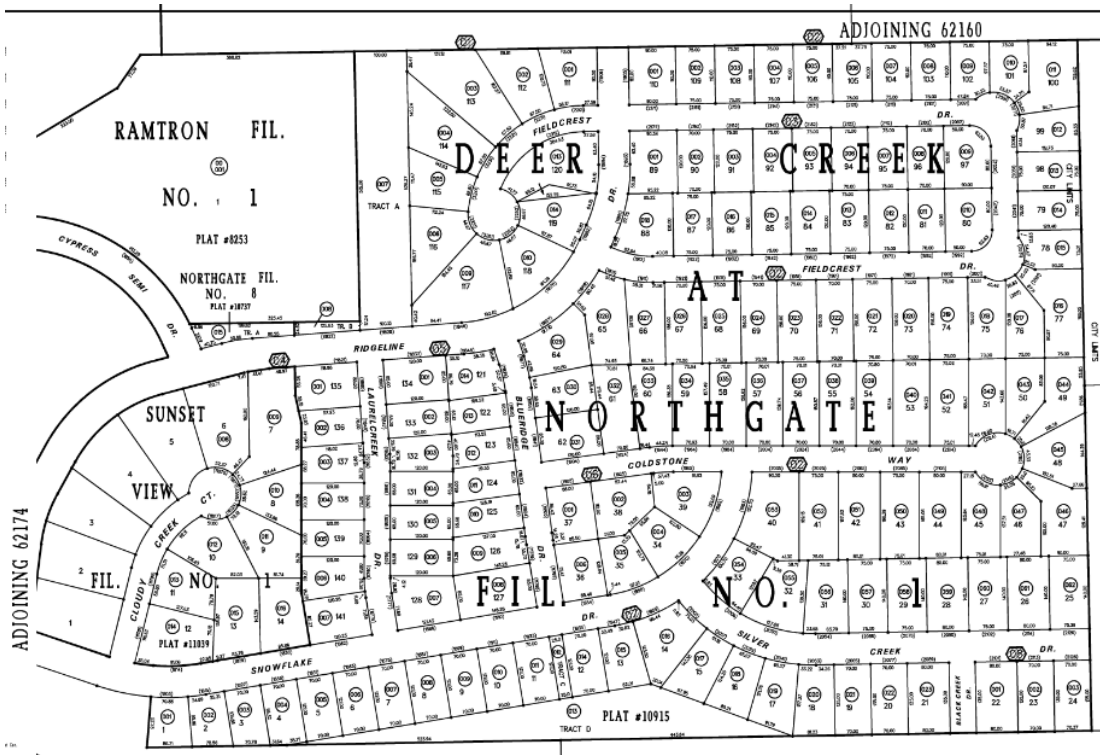


Figure 2: Deer Creek Plat (County Assessor)

Common Areas

Within the Deer Creek subdivision, the community shares about 2.6 acres of common areas. The northern common area is comprised of about 1.4 acres bordering Cyprus Semi. The southern common area is comprised of about 1.2 acres bordering the Black Squirrel Creek open space. The community also owns the small plot and entrance sign at the intersection of Ridgeline and Snowflake drives.

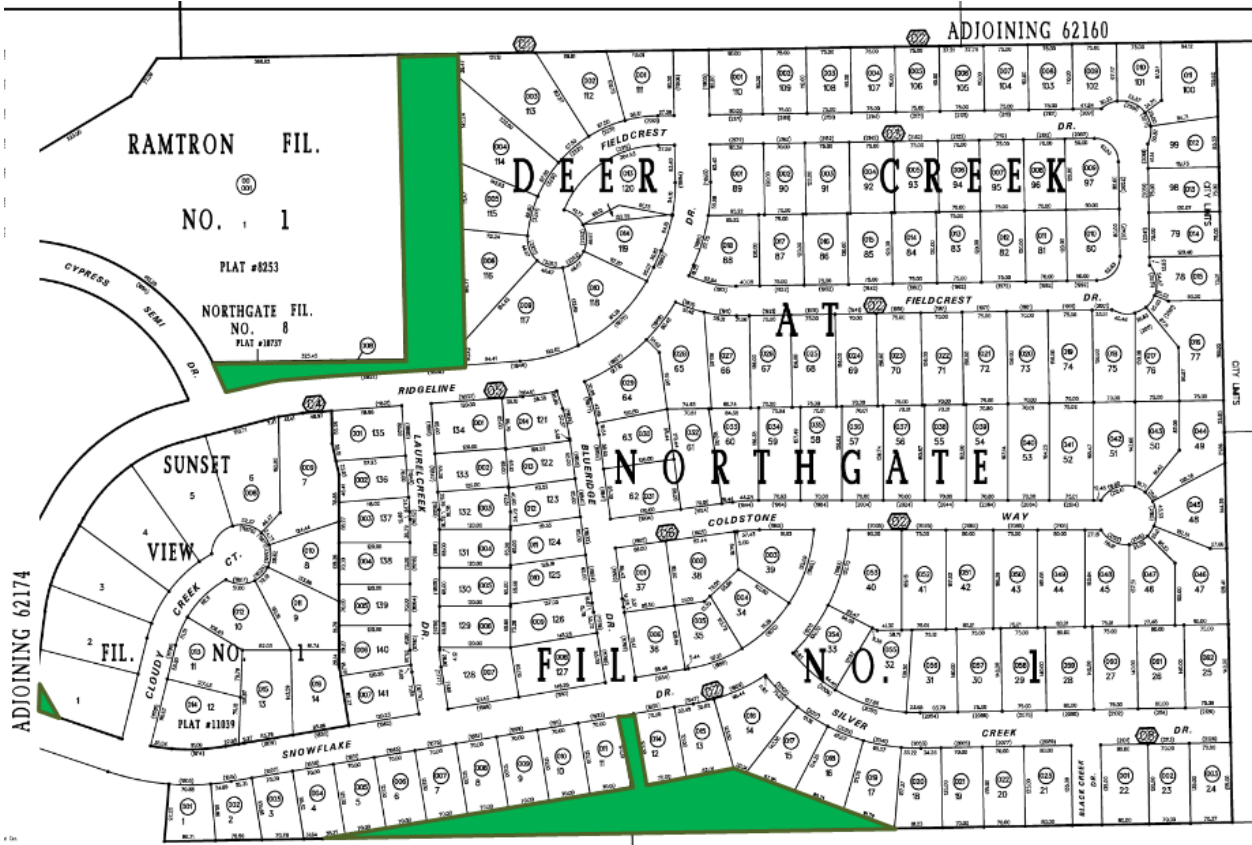


Figure 3: Deer Creek Common Areas

Common Property

The Deer Creek Homeowners Association is responsible for maintaining property held in common by residents. The following pieces of property are currently subject to Association maintenance:

Table 1: Deer Creek Common Property

#	Description	Acquired	Est. Cost	Insured Value	Approximate Annual Recurring Costs
1.	Entrance Sign	2011 ³	\$4,200	\$15,000 ⁴	\$573 \$423 insurance + \$150 watering
2.	Common Areas	2001	N/A	N/A	\$1400 \$1400 mowing + weeding
3.	Rock Curbs (2)	2001	N/A	N/A	combined with common area contract
4.	Dog Stations (2)	2013	\$500	none	\$40 sanitary bags
5.	Retaining Wall	2013	\$25,000	\$25,000	\$706 insurance
			\$29,200	\$2719	estimated totals

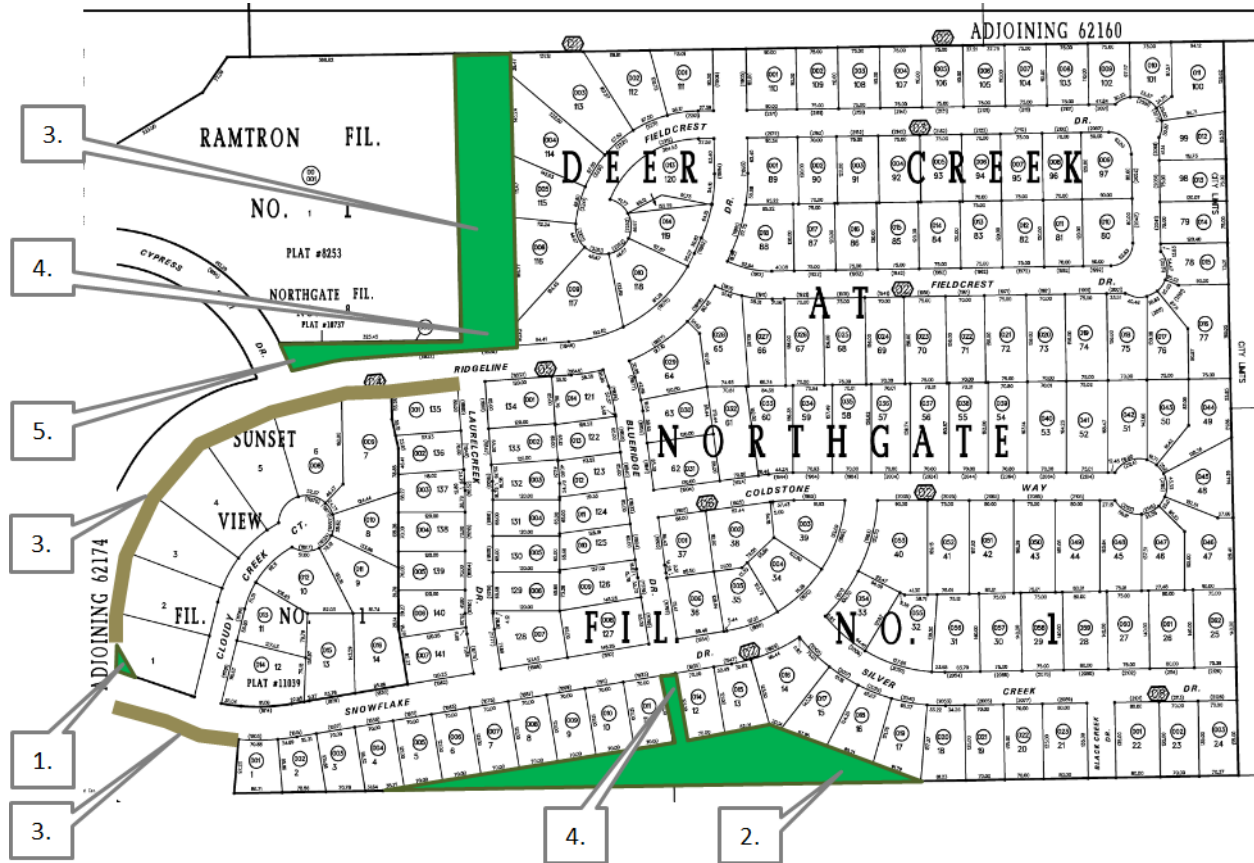


Figure 4: Deer Creek Maintained Property

³ Replaced original entrance sign.

⁴ Estimated cost to replace sign and support structure.

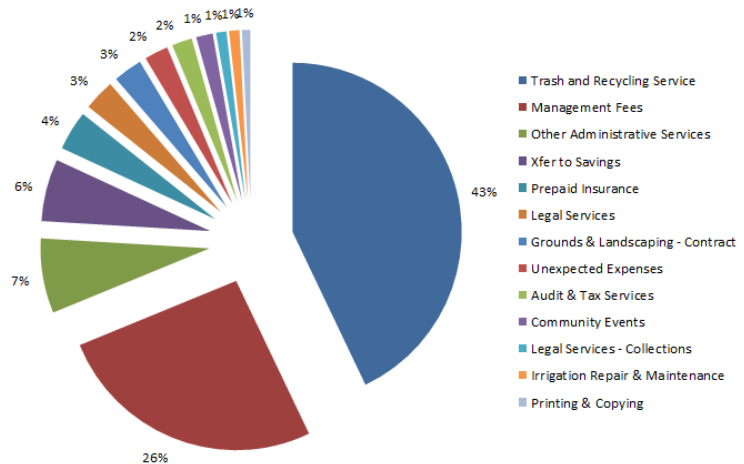
Association Budget

In accordance with the Deer Creek covenant and articles of incorporation, the Board of Directors is responsible for setting and collecting assessments to meet Association obligations. When the Association first formed in 2002, assessments were set at \$294. In 2012 assessments were raised to \$300 and increased again in 2013 to their current rate of \$325/year. Most of the assessment (43%) pays for community trash services. The second largest expense (33%) goes to HOA management services which collect and manage HOA funds, perform bi-weekly inspections, maintain community records, and ensure compliance with Colorado laws. The third next highest expense is the annual transfer (6%) to reserves. Otherwise, maintenance and insurance for common areas and property currently consume no more than 8% of the annual budget.

Table 2: 2016 Budget Proposal

<u>OPERATING INCOME</u>	2015	2016
1 Assessment	\$ 50,375	\$ 50,375
2 Interest	\$ 100	\$ 48
TOTAL OPERATING BUDGET	\$ 50,475	\$ 50,423
<u>TRANSFERS & EXPENSES</u>		
3 Xfer to Savings	\$ 3,000	\$ 3,000
4 Management Fees	\$ 13,060	\$ 13,056
5 Audit & Tax Services	\$ 950	\$ 975
6 Legal Services	\$ 1,500	\$ 1,500
7 Legal Services - Collections		\$ 500
8 Printing & Copying	\$ 300	\$ 400
9 Other Administrative Services	\$ 2,645	\$ 3,600
10 Community Events	\$ 500	\$ 800
11 Prepaid Insurance	\$ 2,200	\$ 1,911
12 Bad Debt (No Accounting Class)	\$ 500	\$ -
13 Trash and Recycling Service	\$ 21,920	\$ 21,636
14 Grounds & Landscaping - Contract	\$ 2,600	\$ 1,400
15 Irrigation Repair & Maintenance	\$ 1,300	\$ 500
16 Unexpected Expenses	\$ -	\$ 1,145
TOTAL TRANSFERS & EXPENSES	\$ 50,475	\$ 50,423

Figure 5: 2016 Projected Expenditures



Association Reserves

At present, the HOA has \$12,887 in reserve funds. Both the entrance sign and retaining wall are insured for replacement with a \$500 deductible. No capital outlays are anticipated for the foreseeable future. Given the current \$3000 annual transfer to savings, the reserve balance is expected to reach nearly \$40,000 in ten years.

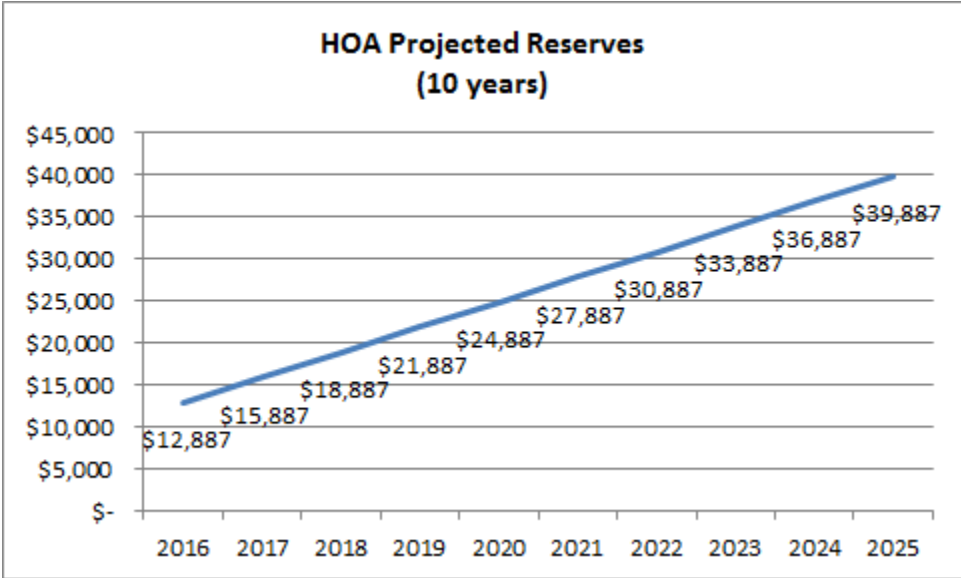


Figure 6: HOA Projected Reserves

Developments

Deer Creek is bordered by Cyprus Semi, Wildwood, and Liberty Electric, completed developments to the northwest, west, and southwest, respectively. Otherwise, Deer Creek is bordered by Flying Horse Ranch, a still developing subdivision located to the northeast, east, and southeast. According to the Flying Horse Master Plan, amended May 18, 2015, the developer will build 80 homes across from Black Squirrel Creek to the south, a 45-unit apartment complex accessible from Silver Creek Dr., and about 225 homes to the east and northeast, accessible from Ridgeline Dr. Additionally, the Flying Horse Master Plan indicates the installation of walking trails both along and across Black Squirrel Creek.

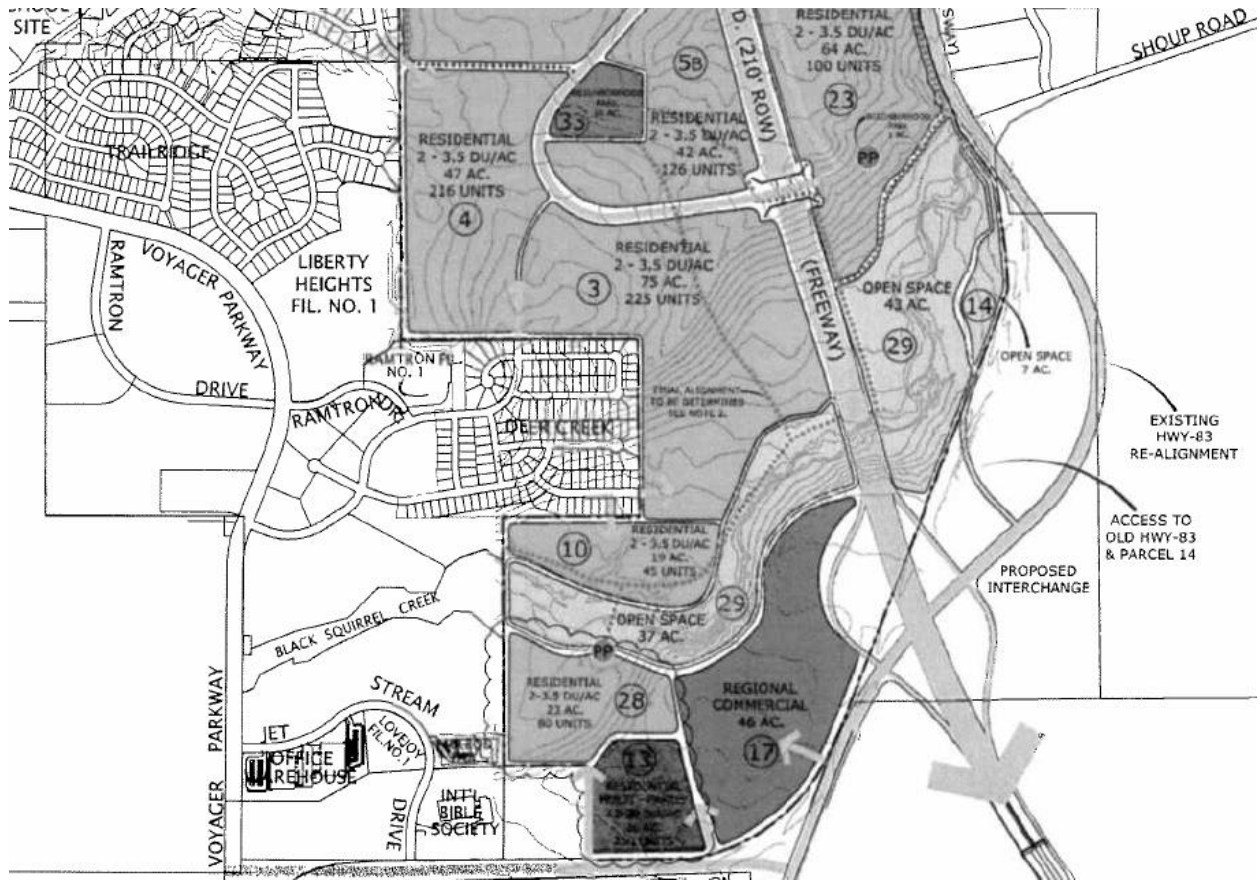


Figure 7: 2015 Flying Horse Master Plan

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Proposed Capital Improvements

Given the eventual development of Flying Horse Ranch and the estimated growth of HOA reserve funds, the following capital improvements are proposed over the next ten years:

1. Sidewalk Extension. Approach City complete sidewalk down Ridgeline and connect to sidewalk at Liberty Electric. The intersection at Ridgeline and Snowflake does not have a street light. Asking people, especially children, to cross this intersection so they can stay on a sidewalk is dangerous, especially with the speed cars travel in this section, the difficulty of seeing whether or not cars are coming from either direction (blind curve from the top of the hill and a blind curve from the bottom of the hill provides little warning of on-coming traffic).
2. Permanent Speed Check Signs. In anticipation of increased traffic along Ridgeline and Snowflake, ask City to install permanent speed check signs along these thoroughfares.
3. Entrance Sign #1 Landscaping. Hire a professional landscaper to recommend and install a landscape at the current entrance sign on Ridgeline and Snowflake. Volunteer support is sporadic, and does not reflect the pride we have in the community.
4. Entrance Sign #2. Install a second entrance sign with professional landscaping on Ridgeline after the Flying Horse extension is opened northeast of the community. A second entrance sign will help define our community and remind drivers they are entering a residential neighborhood.
5. Entrance Sign #3. Install a third entrance sign, also professionally landscaped, after apartments are built at the end of Silver Creek Dr.
6. Connecting Trail. According to the current Flying Horse Master Plan, it appears that a trail and foot bridge will be built across Black Squirrel Creek. It might be possible to negotiate with Flying Horse to pay for a trail extension from the community’s south common area to the foot bridge.
7. Property Extension. The 1.2 acre parcel at the southwest end of the community is part of the Northgate Open Space owned by the City of Colorado Springs (0 SEC 17-12-66). Even though it’s technically open space, the property is sandwiched between Deer Creek residences and Liberty Electric, and becomes unsightly when it is not maintained during summer. It is possible the Association could negotiate to purchase this piece of property in exchange for maintaining it.

Table 3: Estimated Cost of Proposed Capital Improvements

#	Description	Est. Cost	Est. Year	Estimated Annual Recurring Costs	
1.	Sidewalk Extension	\$0	2017	\$0	none
2.	Speed Check Signs	\$0	2017	\$0	none
3.	Entrance Sign #1 Landscaping	\$1000	2017	\$300	maintenance
4.	Entrance Sign #2	\$5,000	2019	\$200	insurance
5.	Entrance Sign #3	\$5,000	2021	\$200	insurance
6.	Connecting Trail	\$10,000	2022	\$0	none
7.	Property Extension	\$1	2017	\$1,000	mowing
		\$21,001		\$1,700	estimated totals

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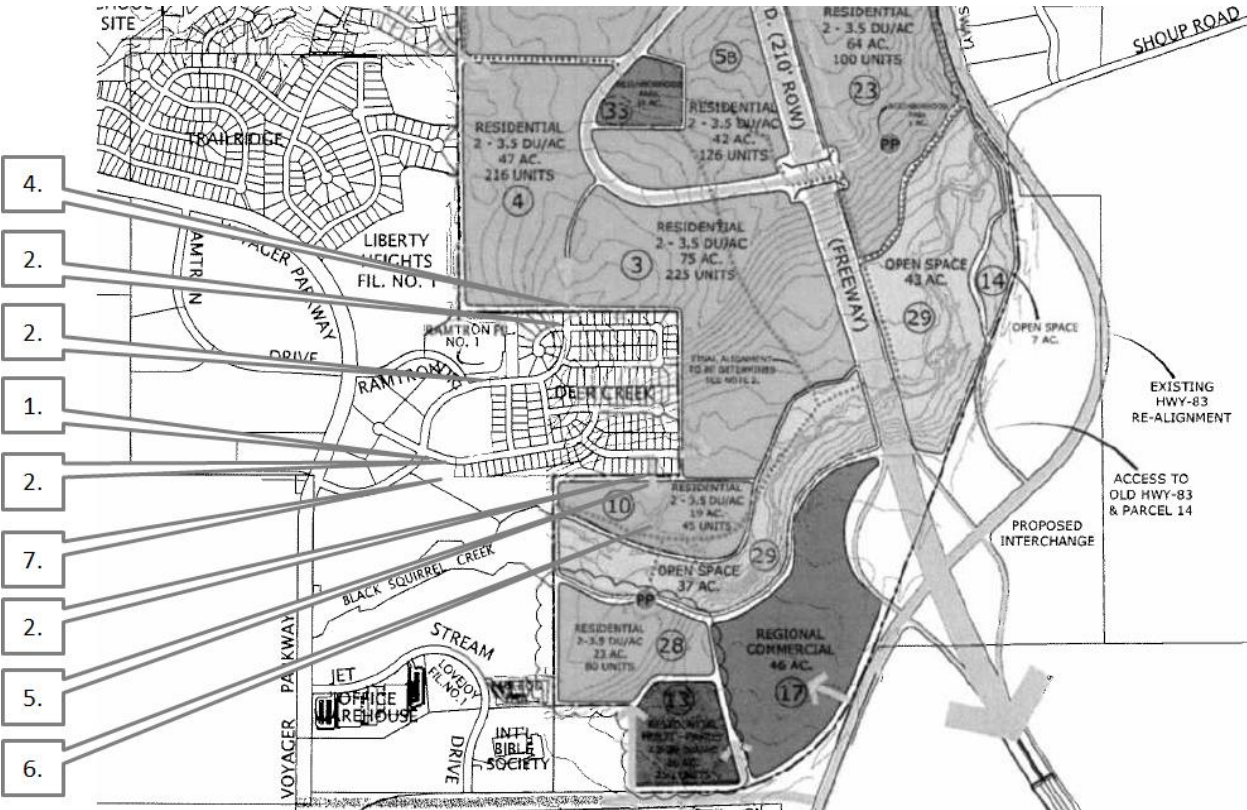


Figure 8: Proposed Capital Improvement Locations

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Conclusion

Deer Creek maintains a reserve fund for maintenance and repair of common property. Given the fair condition and insured status of present common property, there are no anticipated requirements to draw on the reserve fund within the foreseeable future. Given the current annual rate of savings, the reserve fund is expected to grow to nearly \$40,000 in the next ten years. Over this same period, Flying Horse Ranch is expected to complete property developments surrounding Deer Creek, which could substantially change traffic patterns and otherwise impact our community. The purpose of this Strategic Plan is to examine those changes and propose capital improvements that will help maintain the value and welfare of the Deer Creek community. This plan proposes five potential capital improvement projects with an estimated investment cost of \$21,000, plus \$1,700 in recurring maintenance and insurance fees. If approved by the community, then the reserve funds will be earmarked towards these capital improvements over the next ten years.

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