

# SORREL RANCH HOA

Dear Homeowner,

As Sorrel Ranch begins its sixth year, the board took an opportunity to reflect on the health of our community. When we came together as a new group this summer, we adopted two guiding principles: 1) Be open and honest in all communication and 2) Make decisions that will be in the best interest of the community as a whole. These two tenets were paramount in helping us to make budget decisions for 2011. Rather than just presenting a budget this year, we wanted to provide you with some background into HOA finances and the rationale we followed as we planned the 2011 budget.

Every homeowners association should have an operating account, from which monthly expenses (utilities, insurance, trash service etc.) are paid. This is the most commonly discussed portion of HOA funds, and has been the focus of our community in years past. In addition, each association should have a reserve account. This account functions much like your own savings accounts, and should be continually growing to make sure we can adequately handle the anticipated as well as unexpected expenses our association will incur. Previous poor decisions have, unfortunately, put our community in a precarious situation with our reserve account. At our community's inception, it was expected Sorrel Ranch would be completely built out within a few years. As the economy slowed down, we all recognize that did not happen. An understandable, although short-sighted, response to the economic slowdown was to budget for only the monthly expenses, and eliminate reserve contributions. After five years, our reserve account should be well over \$100,000 for a community our size. As it stands currently, it is only slightly over \$19,000.

Reserve account targets are determined based upon an independent Reserve Study. Our community commissioned our Reserve Study a couple years ago to help us understand the needs our community would face over the next 30 years. On the Sorrel Ranch website, a copy of the reserve study is available for all homeowners to read, and we would invite you to do so. The reserve study essentially details out each asset our community has, as well when maintenance should be expected on each item at an approximate cost. For example, the reserve study may detail out items like: split rail fencing, the exterior structure of our pool house, irrigation timers, or brick facing on the monument. A recommendation is provided to the community when each item may need to be replaced or repaired. For example, re-staining the wood at the pool house is on our list for the upcoming year. We are just beginning to get into the "repair, replace, maintain" cycle proposed by the reserve study, and we are concerned that our current funding is substantially lacking in order to appropriately care for each item as our community matures.

As many of you are aware, our subdivision is facing our first major repair with our pool. Incorrect plumbing, compliance with new safety regulations, as well as replacing broken heaters and blowers will require a large capital outlay of between \$20,000 and \$25,000. Unfortunately, our pool is no longer covered under warranty, and with the developer bankrupt, our association does not have many options to pursue, other than fixing this at our cost. Currently, our reserve funds are insufficient to cover the cost of these repairs. Therefore, it has become necessary that our association participate in a one-time special assessment in order to maintain this valuable asset for our neighborhood. The special assessment will consist of a one-time charge, separate from regular monthly dues, of \$150 per household. A \$50 assessment will be charged to the developers holding un-built lots. This payment will be due February 28th, 2011.

As we talked honestly about the reserve problem, we recognized that the special assessment is a "band aid" approach to a greater problem. We will face a special assessment every few years if we do not fix the root cause of the problem. We recognized that our budget for 2011 needed to be a realistic portrayal of costs we face -- from vandalism to delinquent homeowners to legal costs; not just a rosy picture of 100% on-time payment and no unforeseen expenses. Additionally, we were reminded by a homeowner at our last meeting to not make the same mistakes of previous boards. This means we need to start contributing to our reserve fund

in 2011. While we cannot expect to make up for years of non-payment in a single year or two, we would like to put our HOA on a path to financial responsibility. It will, therefore, be necessary to raise the monthly dues to \$73 in January in order to begin adding to our reserves. While we understand the stress this may put on individual families, we firmly believe this is in the best interest of our community. The board will continue to try to re-negotiate contracts at a lower cost in order to save more money for our reserve funds, and will keep homeowners apprised of our progress in this action.

We also hope to soon welcome additional homes to our neighborhood with our new builders. As more homes are added to our community, accomplishing our financial goals will be much easier.

Lest we merely discuss payment amounts, we also wanted to discuss our action plan for 2011 so you can watch our community improvements. Coming online as a board mid-2010 with a woefully inadequate budget made enacting changes difficult. Nevertheless, we laid the groundwork for a stronger community by organizing committees, strengthening our rules and regulations, as well as evaluating each vendor and their fit within our community. We replaced our pool vendor this season with YMCA, and have received good feedback from homeowners about their performance. We will be inviting them back next year to continue providing a clean and safe pool environment to our neighborhood. Before year end we will change our landscape vendor, and we are hopeful about a more vibrant, well-kept community emerging as a result. We're currently looking for more competitive bids for our insurance policy as well as our trash service. You can expect to see more changes throughout 2011 that we believe will result in a far different community than in years past.

Next year, beginning early spring, your assessments will be seen in action with the following plans:

- Remove stumps of dead trees along South Aurora Parkway, replace with different variety that can withstand chemicals.
- Implement tree treatment plan & follow up on warranty work with these trees.
- Install new mulch. A four year mulch rotation will be in place to ensure a continually fresh look.
- Replace the missing pylon-topper near the front monument.
- Sand and re-stain the wood at the pool.
- Maintain a warm, clean, and compliant pool.
- Install a security camera at pool to eliminate vandalism.
- Purchase two new commercial-grade umbrellas for use at the pool.
- Plant additional shrubs and flowers throughout the neighborhood.

We are grateful for homeowners who actively participate in our community -- both within our committees as well as attending our HOA meetings. We appreciate the constructive feedback we receive from homeowners to help guide the board in our decisions. We look forward to seeing as many homeowners as possible at our upcoming November 30th Budget ratification meeting, and are excited about the future of Sorrel Ranch!