

MF TOWN HALL MEETING – 2024 PLANNING APPROACH CHANGE

The MF Reserve Plan/Reserve Fund Study Team took a revised 2025 planning approach to the Board for its consideration at the 7/27/24 board meeting. The Board approved the revised approach. The remainder of this page defines the change in planning approach. Then Attachment One and Two follow to provide detail on two subjects: 1) initial thoughts on what might be shifted from HOA financial responsibility to owner responsibility and 2) how the scope of the current Declarations review/amend project could be enlarged to produce a revised Declarations that will provide for us having the future capabilities we need as we manage the affairs of the association. Then Attachment Three provides a view of how the combination of the three techniques for having the expenses of the Association paid (through annual assessments, through special assessments, through direct payment by the owners) could/should change as the result of the potential amending of the current Declarations.

Current Planning Approach

- 1) Meet the key milestone dates of 7/27/24 and 8/17/24 for board meetings and for our Annual Meeting on 9/7/24.
- 2) Complete the Reserve Advisor Report analysis, with a deliverable of a draft five year plan, planned for late August or early September – this will allow the work to be approved prior to, or in parallel with, the approval of the draft 2025 Budget.
- 3) Meet the deadline for completion of the draft 2025 Budget such that, with distribution in advance of the board meeting, it can be approved (including the Operating Fund and Reserve Fund assessments levels) at the 8/17/24 board meeting.
- 4) Do the preparation needed for the Annual Meeting in time for distribution of the key material to the owners in advance of the 9/7/24 Annual Meeting.
- 5) Work on the current scope of the Declarations Project so that a proposal and material can be shared with the owners at the Annual Meeting.

Approved Revised Planning Approach

- 1) Meet the key milestone dates of 7/27/24 and 8/17/24 for board meetings and 9/7/24 for our Annual Meeting
- 2) Enlarge the scope of the Declarations Project so that it produces an updated Declarations that will serve the association well for our future – with a proposal and material to be shared with the owners at the Annual Meeting.
- 3) Design and schedule a Town Hall meeting (to be held in conjunction with the Annual Meeting) with the owners to explain the direction the board is taking and get their feedback on the planned Declarations Project – since the resulting upgraded Declarations will ultimately need approval by the owners.
- 4) Delay completion of the Reserve Advisor Report analysis, with its deliverable of a draft five year plan, to the appropriate time frame following the 8/17/24 board meeting – this will allow

the inspection projects to be completed (which are important pre-requisites for doing the analysis).

5) Meet the deadline for completion of the draft 2025 Phase One Budget such that, with distribution in advance of the board meeting, it can be approved (including the Operating Fund and Reserve Fund assessments levels) at the 8/17/24 board meeting. This will necessitate an **interim view** of the 2025 Phase One Budget and its assessment levels - recognizing that the ultimate Phase One Budget cannot be accurately done until a) the HOA versus owner \$ responsibilities are determined and b) the activities in the previous item #4 are completed. As always, the objective is to have the assessment levels for 2025 set as final values in the **final view** of the 2025 Phase One Budget [recognizing that final view will come as “a” and “b” are completed later this year].

6) Do the preparation needed for the Annual Meeting in time for distribution of the key material to the owners in advance of the 9/7/24 Annual Meeting. It will be important that the owners see the overall plan that will produce the 2025 Phase Two Budget and the associated 2025 assessment levels.

ATTACHMENT ONE – OWNER VERSUS HOA \$ RESPONSIBILITY

The table below provides an initial draft view of a realignment between what costs the association handles (funded through assessments on the owners) and what cost the individual owners handle directly. The *Table Notes* section that follows the table provides additional valuable information.

Association Expense Item Involved	Candidate To Transfer To Owners?	Will Require a Declaration Revision To Enable The Change?	Comments
<i>Sewage expense</i>	yes	no	Technique would be to have the HOA pay the bill, and then have a separate bill for owners, i. e. not part of the assessments. It is already split out individually on the bill from Upper Thompson Sanitation District.
<i>Insurance expense</i>	yes	no	This bill from State Farm could be paid by the HOA but potentially be split proportionally to the owners in a separate billing. Currently, it is paid monthly for the entire HOA.
Driveways expense *	yes	yes	
Decks expense *	yes	yes	
Sidewalks expense *	yes	yes	Sidewalks connect the driveway to the porch/entryway
Skylights expense	yes	no	Number & type vary by unit
Service roads (Brodie condos have one)	no	N/A	Integral part of community design
Bridges (only Brodie condos have one)	no	N/A	Integral part of community design
Retaining wall (only Brodie condos have one)	no	N/A	Integral part of community design
Chimneys & porches	no	N/A	Integral part of community design

Table Notes

1) Items with an asterisk represent “limited common elements”, which under the current Declarations are an HOA responsibility for maintenance & repairs [OF monies] and major repairs & replacements [RF monies] – in particular receipt of, and payment of, the bill for each set of work.

2) Items in italics are normal operating expenses. These are the two big ones, with smaller ones such as trash, water, snowplowing, and administrative expenses not included in the table. Items that are already the responsibility of the owner (windows, doors, garage doors) are excluded from the table.

3) The following premises apply should the suggested approach be approved by the board:

a) the ownership of, and responsibility for, the Operating Plan/Fund and Reserve Plan/Fund work & projects will remain with the association – only the payment for the resulting bill will in selected cases be transferred to the owner

b) all efforts will be made to have the needed process additions involved be kept simple for both the association and the owners

b) all costs, both those that will be moved as well as those not moved, will be kept as low as possible while still ensuring the service provided is the right level of service

c) every attempt will be made to ensure each cost that will be moved from the association to the owner will benefit from the association's "group buying power" (rather than causing a cost increase for the services)

d) if an extremely rare event occurs when costs are moved to the owners but the Association does not manage the work/project (but rather allows the owner to have that role), that activity will still need pre-approval by the board for the activity and must not violate the provisions of the association's Architectural Design Guidelines.

ATTACHMENT TWO – DECLARATIONS REVISION OVEVIEW

We have enlisted an HOA lawyer for advising us on updating of our governance documents, including our association Declarations, Bylaws, and updated policies required by the State of Colorado, In light of higher bids (costs) the association has been receiving for normal projects such as asphalt work, painting, and siding work (along with anticipated increases in insurance and sewage and other operating costs), the association is contemplating how to accommodate these increases (see Attachment One above). This could lead to a more extensive revision of the Declarations.

There is a cost associated with revisions to any of our governance documents, but since our Declaration has not had any amendments since the initial writing in 1989, this is becoming more of a necessity to ensure that the association is accurately documented. The association will have additional conversations with our legal advisor in the near future, and we anticipate having a short discussion at the Annual Meeting, and more in the Town Hall being done in conjunction with the Annual Meeting.in the near future.

We are looking at amendments to the Declaration (the current document can be found at <https://epmfhoa.com/declarations/>), a rewrite of the Bylaws (<https://epmfhoa.com/hoa-by-laws/>), and updated policies (<https://epmfhoa.com/policies-guidelines/>). **Changes for the Declaration, so that we will have Declarations that provide for our current and future needs, will need at least a 75% approval of our association owners, and would not be done unless absolutely necessary to help the owners ensure their ability to retain and hopefully increase value in their property.**

Declarations Revision/Re-write Scope Change

Some of the items in the initial scope are noted here (including but not limited to):

- 1) ensure we have properly filed Declarations that cover all 30 of our condos (including association limited common elements and common elements), including an updated Exhibit B
- 2) ensure that our interpretation of the Declarations is accurate vis-à-vis the HOA being responsible for Operating Fund and Reserve Fund expenses related to condo decks
- 3) ensure that our currently approved Policies & Procedures documents are in conformance with current Colorado law.

Some of the items in the suggested new scope are noted here (including but not limited to):

- 1) enable a different split of financial responsibility between the association and owners (see Attachment One for initial thoughts)
- 2) ensure that there is appropriate recorded legal transition of responsibility from the builders to the association given final buildout of the MF complex
- 3) allow for one exception, and one exception only, to the provision that the Board does not have the authority to convert a common element into a limited common element – with that exception being when an owner wants to extend/expand the unit’s deck.

ATTACHMENT THREE – PARADIGM SHIFT IN COVERING ASSOCIATION COSTS

The next two headings cover the current paradigm and potential future paradigm for how the Board uses its three key tools for obtaining the needed revenue to cover our association expenses – these tools are 1) annual assessments, 2) special assessments, and 3) direct owner payment.

VERY IMPORTANT NOTE TO THE READER: this information deals with HOW the expenses are covered – *ultimately the owners pay for all the expenses of our community*, with some being directly tied to a specific owner (electric bill, water bill, etc.) and some being tied to the collective owners (common elements, limited common elements, etc.).

CURRENT PARADIGM

1) The objective is twofold:

- a) have owners pay for expenses that make sense to pay individually
- b) have the association pay for expenses that make sense to pay collectively.

Our current Declarations, which we inherited from the builders after the community was built out, have one view of how to meet that objective. Other associations have declarations that provide a different view than ours. Included in our current Declarations is also a view that the major tool is annual assessments, with the other tools of special assessments or direct owner payment being minor tools.

2) We currently have an issue in our approach in that our annual assessment level for each owner is considered high in EP (recognizing that the group of services covered by the assessments is among the largest in EP). Some are lower since they do not cover painting of units, deck maintenance, and even some do not cover trash removal.

NEW PARADIGM

1) The new objective is threefold:

- a) have owners pay for expenses that make sense to pay individually
- b) have the association pay for expenses that make sense to pay collectively
- c) make more use of our other two tools (special assessments, direct owner payment) so that our annual assessment level per owner stays reasonable relative to others in EP.

2) The table that follows (the same table as in the budget material) provides a perspective on what assessment levels and owner costs would look like should the approach in Attachment Two be achieved. The following NOTES apply to the table:

- a) all monthly expense values are rounded to the nearest 10 cents
- b) we do not currently have a good view of the schedule for, or costs for, deck painting in 2025 (we do not envision any deck major repairs or replacements)
- c) we are premising that the city will do their Matthew Circle street project in 2025; therefore we are planning to do minimal asphalt work in 2025 (as is the case in 2024)
- d) IMPORTANT NOTE: While the 2024 Budget approved values are used in the table, we are getting very significant cost increases (bid prices) for doing the minimal projects we want to do in 2024
- e) the 2024 assessment-based expense level goes down from \$461.30 to \$283.80 – a reduction of \$177.50; the 2025 assessment-based expense level goes down from \$532.30 to \$343.60 – a reduction of \$188.70.

***** Current paradigm *****

***** New paradigm *****

Expense Item	Budget Annual \$	Assessment level (monthly per owner) \$	Direct Owner Payment level (monthly per owner) \$	Total Owner Payment level (monthly per owner) \$	Assessment level (monthly per owner) \$	Direct Owner Payment level (monthly per owner) \$	Total Owner Payment level (monthly per owner) \$
2024 VIEW							
<i>Operating Fund</i>							
Sanitary sewer	27,000	75.00	0.00	75.00	0.00	75.00	75.00
Insurance	27,000	75.00	0.00	75.00	0.00	75.00	75.00
All Other Facilities	44,500	123.60	0.00	123.60	123.60	0.00	123.60
All Other Admin	3,130	8.70	0.00	8.70	8.70	0.00	8.70
<i>Reserve Fund</i>							
Driveways	7,500	20.80	0.00	20.80	0.00	20.80	20.80
Decks	2,400	6.70	0.00	6.70	0.00	6.70	6.70
Sidewalks	0	0.00	0.00	0.00	0.00	0.00	0.00
Skylights	0	0.00	0.00	0.00	0.00	0.00	0.00
All Other Facilities	8,000	22.20	0.00	22.20	22.20	0.00	22.20
Savings For Future	46,540	129.30	0.00	129.30	129.30	0.00	129.30
Total	166,070	461.30	0.00	461.30	228383 283.80,800	177.50	461.30
2025 VIEW							
<i>Operating Fund</i>							
Sanitary sewer	29,000	80.60	0.00	80.60	0.00	80.60	80.60
Insurance	29,000	80.60	0.00	80.60	0.00	80.60	80.60
All Other Facilities	54,500	151.40	0.00	151.40	151.40	0.00	151.40
All Other Admin	4,580	12.70	0.00	12.70	12.70	0.00	12.70
OF – Sub-total	117,080	325.30	0.00	325.30	164.10	161.20	325.30
<i>Reserve Fund</i>							
Driveways	7,500	20.80	0.00	20.80	0.00	20.80	20.80
Decks	2,400	6.70	0.00	6.70	0.00	6.70	6.70
Sidewalks	0	0.00	0.00	0.00	0.00	0.00	0.00
Skylights	0	0.00	0.00	0.00	0.00	0.00	0.00
All Other Facilities	18,000	50.00	0.00	50.00	50.00	0.00	50.00
Savings For Future	46,620	129.50	0.00	129.50	129.50	0.00	129.50
RF – Sub-total	74,520	207.00	0.00	207.00	179.50	27.50	207.00
Total	191,600	532.30	0.00	532.30	343.60	188.70	532.30

NOTE: This is a view of the expense impact per month per owner. The assessments are then set based on clearing the assessment-based expenses. So the value in BLUE highlight will approximate the assessment level. The expectation is the 2025 Final Phase One Budget Worksheet (which will be done later this year) expenses will only increase to a higher level.