

SOMERSETT OWNERS ASSOCIATION

2019 Operating and Reserve Fund Budgets



***Homeowner Presentation by
SOA Finance Committee and
Tracy Carter, General Manager
October 4, 2018***

Somerset Owners Association

Disclaimer

- ***The information and data presented here are estimated prepared by management with guidance from the SOA Finance Committee and various SOA Board members. It needs to be approved by the SOA Board of Directors at its meeting on **October 17, 2018 at 5:30 p.m.** Budget and Finance Committee meetings have been open to all unit owners with their input taken into consideration.***
- ***A mailing with 2019 budget and assessment information will be sent to all unit owners no later than November 1, 2018.***
- *****November 19, 2018 at 4 p.m.** 2019 budget ratification and SOA Annual Meeting with board election results.***
- ***All projections in this presentation are subject to change.***

Somerset Owners Association

Our Vision

It's Great to be Home defines Somerset. We are the premier planned residential community in Reno. We care for one another and respect the diversity of all our residents and their recreational interests, their safety, and the property values of their neighborhoods.

Our Mission

To preserve and enhance the quality of life in our community through the prudent stewardship of the monetary resources you provide for our shared amenities and common areas.

2018 SOA Highlights

- ***FSR staffing stabilized with General Manager and Assistant Community Manager.***
- ***Rockery walls repaired and hillside stabilized with loan financing for repairs and refinancing of existing debt service after negotiating early loan payoff discount of \$107k with Developer and third parties.***
- ***West Park plans completed. Added funding received via grants. Additional funding still needed to fully utilize added acreage. 2019 construction starts.***
- ***Some TCTC facility improvements have began.***
- ***Facilities and Finance committees engaged in multiple tasks to help management and the Board.***

2018 SOA Operating Metrics

- **TCTC visits:** **41,996** visitors through August; **63,000** annualized (or **~175 / day**) with **34%** to gym / fitness classes (or **~60** per day); **59%** to events, pool, misc.; and **7%** to Canyon Nine golf.
- **# of ARC applications:** **315** applications submitted thru August; **475** annualized (or **~20+** submittals per meeting) with a first time **75%** approval rate.
- **# of Non-Compliance Matters:** **652** to date; **975** annualized. Landscaping issues (**33%**); put away Garbage / Recycle bins (**26%**); misc. (**41%**).

Now, Let's look at the draft 2019 budget

- *We are progressing towards build out at ~3,400 units with an average of 3,135 assessment paying units anticipated for the year.*
- *Our facilities (common landscaping, TCTC, Canyon Nine, etc.) are now about 12+ years old and require added maintenance and or replacements.*
- *After many years of weak inflationary rates (low oil prices, low interest rates, modest home growth, etc.) pressures are pushing up labor and materials cost locally, however, home values have also increased.*

2019 SOA Budget Objectives

- ***Fund an additional \$3.7 Million in potential rockery wall repairs.***
- ***Common reserve contribution increased and asset replacements closely monitored.***
- ***Wildfire fuel reduction efforts continue.***
- ***Continue irrigation system upgrades and tree replacement projects.***

Will a 2019 special assessment be needed? YES

- ***Common reserve funds have dropped significantly after the rockery wall repairs because of higher than expected cost. \$3 Million vs. \$2.5 Million. End of 2018 at 8% funded.***
- ***Browning Reserve Group's states that "Based on the 30 year cash flow projection, the Association's reserves are inadequately funded as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations."***
- ***Rock wall repairs needed at Gypsy Hill and across from TCTC roundabout per experts. Only rough estimate received for Gypsy Hill at this time. Special assessment of \$3.7 Million is estimated minimum needed to repair, but may not be enough.***
- ***If there is any rock wall cost recovery, it may be used to solidify reserve % funded and for future on-going rock wall maintenance.***

Will a 2019 special assessment be needed? YES (cont.)

- ***New borrowings for more repairs is unlikely. SOA outstanding debt is ~\$6 Million for legacy debt on TCTC, Canyon 9, SGCC golf course land & water rights purchase and for 2018 rockery wall repairs. We are near the top of our borrowing capability. Our debt balance almost matches our annual assessment revenues of ~\$6 Million.***

Will a 2019 special assessment be needed? YES (cont.)

- ***Questions have arisen previously with regards to whether or not the Executive Board of a homeowner's association could impose a special assessment(s) to fund the reserves despite a requirement for homeowner vote to impose such an assessment***
- ***In a letter to Senator Michael Schneider dated July 12, 2007 from the Nevada Legislative Counsel states that the plain language in NRS 116.3115(2)(b) states that the association "shall establish adequate reserves, funded on a reasonable basis, for the repair, replacement and restoration of the major components of the common elements". It further concludes that "the governing documents of a common-interest community that conflicts with a statute is illegal, invalid, unenforceable and void".***

2019 Assessments & History

<u>Monthly Assessments:</u>	<u>2019</u>	<u>2018</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Common & Canyon 9</i> (a)	\$92.00	\$92.00	\$82.00	\$82.00	\$84.00
<i>The Club at Town Ctr.</i> (b)	\$89.00	\$89.00	\$74.00	\$74.00	\$75.00
<i>Gates & Private St.</i> (c)	\$54.00	\$54.00	\$64.00	\$64.00	\$72.00

Somerset master association assessments:

<i>Sierra Canyon *</i> (a)	\$92.00	\$92.00	\$82.00	\$82.00	\$84.00
<i>other Somerset *</i> (a+b)	\$181.00	\$181.00	\$156.00	\$156.00	\$159.00
<i>Gates & Private St.</i> (a+b+c)	\$235.00	\$235.00	\$220.00	\$220.00	\$231.00

A 2019 special assessment of \$1,200 is needed to repair additional rock walls.

*** Owners in Sierra Canyon, The Vue and Village at Town Center pay additional assessments to their respective sub-associations.**

Consolidated 2019 SOA Operating Budget

Average # of Units	3,135	3,052	3,124	
(\$-thousand)	2019 Budget	2018 YE Est.	2018 Budget	
Owner Assessments	\$ 6,063,012	\$ 5,900,931	\$ 6,024,900	<i>Toll Brothers Area 6 later start</i>
Other Revenues & CCR trsf fees	666,246	751,709	610,327	<i>'18 \$107k gain on loan discount</i>
Reserve Contributions	(942,000)	(970,160)	(918,644)	
Total Revenues	\$ 5,787,258	\$ 5,682,480	\$ 5,716,583	
Payroll / FSR Management Fee	1,471,783	1,253,926	1,333,778	<i>'18 not at full staffing; + add maint.</i>
Landscaping	1,172,724	1,022,912	1,214,580	
Canyon 9 Maintenance	263,000	280,000	320,000	
Debt Service	572,162	385,930	516,725	<i>'18 interest only for 7 months</i>
Utilities	557,386	522,644	527,588	
Legal Fees & Expenses	254,379	428,400	151,000	<i>rock wall & Northgate legal actions</i>
Special Projects	393,655	805,652	1,074,500	<i>'18 includes \$552k rock wall repairs</i>
Other Misc. Expenses	1,090,943	1,147,287	970,092	<i>'19 includes \$100k fuel reduction</i>
Total Expenses	\$ 5,776,032	\$ 5,846,751	\$ 6,108,263	
Net Revenues & Expenses	\$ 11,225	\$ (164,272)	\$ (391,680)	

2019 Budget by Activity Center

Average # of Units	3,135	1,923	846	
Monthly Assessment	\$ 92.00	\$ 89.00	\$ 54.00	
	Common	TCTC	Gates	Total
Owner Assessments	\$ 3,461,040	\$ 2,053,764	\$ 548,208	\$ 6,063,012
Other Revenues & CCR trsf fees	376,561	283,685	6,000	666,246
Reserve Contributions	(400,000)	(260,000)	(282,000)	(942,000)
Total Revenues	\$ 3,437,601	\$ 2,077,449	\$ 272,208	\$ 5,787,258
Payroll / FSR Management Fee	467,695	871,063	133,025	1,471,783
Landscaping	1,163,612	9,112	-	1,172,724
Canyon 9 Maintence	263,000	-	-	263,000
Debt Service	386,571	185,591	-	572,162
Utilities	448,190	88,400	20,796	557,386
Legal Fees & Expenses	250,000	2,000	2,379	254,379
Special Projects	62,655	331,000	-	393,655
Other Misc. Expenses	393,477	581,458	116,008	1,090,943
Total Expenses	\$ 3,435,201	\$ 2,068,624	\$ 272,208	\$ 5,776,032
Net Revenues & Expenses	\$ 2,400	\$ 8,825	\$ -	\$ 11,225

2019 Special Projects

The items listed are projects that the Board may choose to take action on depending upon feedback, committee recommendations, board initiative and fiscal constraints.

General Common - \$62,655

- **Additional safety and security improvements – crosswalk signs and controls - \$50k**
- **Misc. Improvements - \$12.7k**

2019 Special Projects (CONT.)

The items listed are projects that the Board may choose to take action on depending upon feedback, committee recommendations, board initiative and fiscal constraints.

The Club at Town Center - \$331,000

- **A continuation of already approved TCTC amenity enhancements.**

2019 Reserve Fund by Activity Center

	Common	TCTC	Gates	Total
Replaceable Assets	\$9,396,723	\$3,024,840	\$6,442,240	\$18,863,803
Fully Funded Amount	\$5,284,654	\$2,111,977	\$2,462,981	\$9,859,612
Beginning Cash - 1/1/19 est.	\$492,392	\$1,283,361	\$3,072,328	\$4,848,081
Reserve Contribution	400,000	260,000	282,000	942,000
Special Assessment	3,762,000	-	-	3,762,000
Reserve Expenditures	(2,218,570)	(710,818)	(98,112)	(3,027,500)
Interest Earned & Misc.	15,622	18,515	66,754	100,891
Ending Cash - 12/31/19 est.	\$2,451,444	\$851,058	\$3,322,970	\$6,625,472
% Funded at 12/31/19	46%	40%	135%	67%

According to the Browning Reserve Group, Reserve Funded %'s are considered as follows:

above 30% funded = "fair"; above 70% = "strong"

Somersett Owners Association

