

SOMERSETT OWNER'S ASSOCIATION

2022 OPERATING & RESERVE FUND BUDGET



Presentation to the SOA Homeowners on October 6, 2021
on behalf of the SOA Budget Finance Committee

SOMERSETT OWNER'S ASSOCIATION

BUDGET PROCESS

Actions to date:

- The SOA Finance Committee has met several times this past July, August, and September to prepare this information. Meetings are open session and homeowners have been invited to participate.
- The information and data presented here are estimates prepared jointly with the guidance of SOA Management, Budget and Finance Committee, and participating SOA Board members.

What happens now?

- This Budget will be submitted to the SOA Board of Directors for approval at its upcoming Board Meeting scheduled for **October 13, 2020 at 5:30 pm.**
- A mailing with the 2022 budget and assessment information will be sent to all unit owners no later than **November 1, 2021**
- On **November 15, 2021 at 4:00 p.m.** the 2022 Budget is scheduled for ratification by membership. The Board of Directors election results will also be announced at that time.
- All information and estimated projections in this presentation are subject to change.

Acknowledgement:

- BIG THANKS to our volunteers on the Budget and Finance Committee who contributed to this budget. We have CFO's, CPA's, Paralegals, and Small Business Execs. **Simon Baker, Ray Lee, Dedra Sonne, James Na. BOD Bill O'Donnell and Mark Capalongan. Assistance from Ryan Fields and Jessica McCarron.**

Three Main Cost Centers

- General Common- includes C9 Golf Course.
Funded by SOA and Sierra Canyon assessments.
\$3 increase
- The Club At Town Center- SOA only
No increase
- Gates- Private neighborhoods only.
No increase



General Common- highlights



- Monthly dues to increase from **\$105 to \$108** (2.8%)
- Goal of keeping up with increases in expenses and avoiding shortfalls.
- Significant items driving the increase for 2022 include a trifecta of:
 1. The most recent reserve study commissioned by the Board (Browning CPA firm) recommends a **\$174k** increase in annual reserves to a new level of \$784k. An aging infrastructure necessitates a higher level of reserves.
 2. Maintenance and Landscape expenses for the Cliffs will shift to the SOA by January, 2022.
 3. The general landscape contract has expired and the proposals for next year are running an average of **\$391k** higher than the former contract.

We will be looking for the opportunity to see some potential savings with tighter cost controls and better contract management. For savings realized it is recommended that these be used to pay down General/Common Debt which currently stands at \$3.3 million.

2022 General Common Revenue and Expense



Units in 2022: 3360

		2022		2021	yr/yr	
		Proposed Annual Budget	Per Unit	YE Annual Projection	Increase	Notes
	Gross Revenue					
40005	Assessments	4,354,560.00	108.00	4,133,850.00	220,710.00	3360 units *108 /per mo* 12
40015	Assessment - Commercial	97,394.00	2.42	94,689.00	2,705.00	excludes Wits
40020	Assessment - Non Member (SGCC)	1,500.00	0.04	2,220.00	(720.00)	
43500	Reserve Special Assessment	-	-	-	-	None
45000	CC&R Transfer Fee (CapCon)	205,000.00	5.08	205,589.00	(589.00)	estimate no change
45125	Arc & Landscape Review Fees	40,000.00	0.99	43,000.00	(3,000.00)	
45156	Late Fee	15,000.00	0.37	18,000.00	(3,000.00)	
45245	Fines	2,000.00	0.05	3,100.00	(1,100.00)	
45645	Interest - Financial	1,000.00	0.02	600.00	400.00	
45646	Interest - Homeowner	1,000.00	0.02	1,500.00	(500.00)	
46005	C9 Green Fee/Equip Rental/Merch	5,000.00	0.12	22,000.00	(17,000.00)	C9 is free play for residents
46015	Community Event Revenue	25,000.00	0.62	500.00	24,500.00	Most events have attendance fees
46475	SGCC Lease	19,679.48	0.49	20,316.00	(636.52)	Includes estimated 2022 lease
90000	Reserve Transfer	(784,354.00)	(19.45)	(610,295.00)	(174,059.00)	Based on 2021 reserve study
	Total Net Revenue	3,982,779.48	98.78	3,935,069.00	47,710.48	

General Common Expenses: page 1 of 2



Account		2022		2021	yr/yr Increase	Notes
		Proposed Annual Budget	Per Unit	YE Annual Projection		
Expense						
60005	Payroll- Administrative	268,000.00	6.65	300,600.00	(32,600.00)	Based on new management structure
70005	Landscape- Contract	1,375,440.00	34.11	984,578.00	390,862.00	Average of 2022 proposal amounts
70025	L/S - Repair/Maintenance	50,000.00	1.24	35,000.00	15,000.00	Misc. Landscape Projects
71005	L/S - Renovations/Improvement	50,000.00	1.24	20,000.00	30,000.00	Misc. Enhancements Projects
71040	L/S - Ditch Maintenance	18,500.00	0.46	18,500.00	-	Clean up rocks within the cut
71450	L/S - Parks	5,000.00	0.12	-	5,000.00	Incl. West & East Park
71225	L/S - Irrigation Systems	20,000.00	0.50	7,000.00	13,000.00	Est repairs outside reserve expense
72000	R/M - P/R Maintenance Allocation	28,000.00	0.69	50,848.00	(22,848.00)	based on new management structure
72090	R/M - Snow Plowing & Sanding	44,000.00	1.09	27,000.00	17,000.00	increased est. of snow over 2021
72240	C9 Operations	288,062.00	-	275,000.00	13,062.00	Based on 2020 Approved C9 Contract
72480	Contracted Services	18,200.00	0.45	28,243.00	(10,043.00)	copy/reservations/POS fees
72490	Fire Fuel Abatement	100,000.00		100,000.00	-	
74005	Electricity	38,000.00	0.94	38,000.00	-	
74035	C9 Electricity	5,000.00	0.12	4,700.00	300.00	
74065	Water	425,000.00	10.54	420,000.00	5,000.00	Small increase
74070	Sewer & Waste Removal	600.00	0.01	620.00	(20.00)	
74125	Telephone & Internet	426.00	0.01	426.00	-	Charter/Internet (\$110*25%*12);
75085	Patrol Service	62,500.00	1.55	60,500.00	2,000.00	new price increase
76035	Canyon Nine Operational Expense	1,500.00	0.04	1,500.00	-	Small increase
77005	Bad Debt	7,500.00	0.19	2,520.00	4,980.00	
77015	Fees & Permits	20,000.00	0.50	18,600.00	1,400.00	includes NRED fees
77050	Collection Cost	1,000.00	0.02	2,000.00	(1,000.00)	
77135	Board Training/Education	400.00	0.01	310.00	90.00	Staff and CAI

General Common Expenses: page 2 of 2

Account		2022		2021	yr/yr Increase	Notes
		Proposed Annual Budget	Per Unit	YE Annual Projection		
77200	Management Fees	49,580.00	1.23	81,000.00	(31,420.00)	Reduction FSR to TAM
77230	Office Supplies	5,000.00	0.12	5,000.00	-	No Change
77020	Account Reimbursables	8,000.00	0.20	8,000.00	-	Includes misc. billing charges
77260	Postage/Printing	35,000.00	0.87	30,000.00	5,000.00	Required mailings to homeowners
77270	Community Website & Newsletter	1,000.00	0.02	1,000.00	-	extra services & web hosting fees
77350	Community Events	35,000.00	0.87	12,000.00	23,000.00	12-14 events planned for 2022
77360	Holiday Lights	20,000.00	0.50	18,000.00	2,000.00	
77530	Bank/Credit Card Service Charge	420.00	0.01	420.00	-	Analysis Fee (\$35.00)
77730	Architect Review - Landscape &	40,000.00	0.99	38,000.00	2,000.00	Incl. 2 pros at 3 hours per meeting
77740	Consulting/Professional Service	20,000.00	0.50	21,000.00	(1,000.00)	Including engineering and Geotech
77750	Audit & Tax Service	3,900.00	0.10	3,900.00	-	as required by law
77760	Legal Fees	43,000.00	1.07	78,000.00	(35,000.00)	Bsed on current run rate
77765	Rock wall Lawsuit	-	-	20,000.00	(20,000.00)	No rockery wall suits remaining
77770	Rockery Wall Monitoring	30,000.00	0.74	25,000.00	5,000.00	Monitoring for Crescent Pointe,SBE Slope & CFA
72235	Loan Interest	167,219.00	4.15	173,675.00	(6,456.00)	Based on Loan Amortization Schedule for 2022
77950	Depreciation Expense	5,500.00	0.14	3,900.00	1,600.00	
78005	Taxes - Real Property	20,000.00	0.50	18,000.00	2,000.00	Includes SGCC Taxes that are billed
78105	Ins - Liability & Property	50,374.08	1.25	12,900.00	37,474.08	\$69964 * 72%
78190	Ins - D & O	28,646.00	0.71	25,844.00	2,802.00	per new quote
78240	Ins - Workmens Comp	3,500.00	0.09	248.00	3,252.00	now with employees
72462	Contingency	-	-	-	-	
Total Expenses		3,393,267.08	74.53	2,973,853.00	419,414.08	
Capital Transactions						
23020	Loan Principle payments	219,350.00	5.44	219,350.00	-	per amortization table
23021	Loan Principle Payoff	368,000.00	9.13	700,000.00	(332,000.00)	
Total Capital Transactions		587,350.00		919,350.00	(332,000.00)	
-						
Excess of Revenue or (Expense)		2,162.40	24.25	41,866.00	(39,703.60)	

The Club At Town Center



- Monthly dues remain **unchanged** at \$89
- Finance Committee determined that the best course of action was to leave dues unchanged and put the savings towards reduction of the \$1.59m in debt which belongs to the TCTC cost center
- 2022 budget provides for an additional **\$300k** for principal reduction.
- Will recommend to the Board that any surplus cash arising out of fiscal 2021 and 2022 be used to further pay down debt



2022 TCTC Revenue

Units in 2022: 2148

		2022		2021		
		Proposed Annual Budget	Per Unit	YE Annual Projections - Per financials	Yr/Yr Increase	
Revenue						
40005	Assessments	2,294,064	89.00	2,191,893	102,171	
40020	Assessment - Non Member	25,502	0.99	17,000	8,502	\$115*22 members x 12 *84%
45550	Activity Fee	60,000	2.33	36,000	24,000	Includes starbright, events
45555	Swim Lesson Fee	10,000	0.39	9,100	900	Increased due to demand
45560	Massage Fee	30,000	1.16	33,000	(3,000)	igher participation in 2022
45565	Guest Fees for Facility	10,000	0.39	10,000	-	no change
45570	Instruction Revenue	17,000	0.66	20,000	(3,000)	
45575	Private Party/Room Rental	2,500	0.10	3,500	(1,000)	
45580	Kids Camp	70,000	2.72	80,000	(10,000)	
45845	Sales - Food	-	-	-	-	Snack bar is now outsourced
45925	Sales - Non Alcohol	-	-	-	-	Snack bar is now outsourced
90000	Reserve Transfer	(370,000)	(14.35)	(356,530)	(13,470)	Anticipate increase to reserve contribution
	Total Revenue	2,149,066	83.37	2,043,963	105,103	



2022 TCTC Expenses- page 1 of 2

		2022		2021		
		Proposed Annual Budget	Per Unit	YE Annual Projections - Per financials	YR/YR Increase	
<u>Expense</u>						
50005	COS - Supplies	-	-	-	-	Snack bar is outsourced
50010	COS - Food	-	-	-	-	snack bar is outsourced
50025	COS - Non Alcohol	-	-	-	-	snack bar is outsourced
60005	P/R - Administrative	670,000	25.99	693,000	(23,000)	decrease based on new management structure
70005	L/S - Contract	7,800	0.30	7,800	-	Per new contract
72000	R/M - P/R Maintenance Allocation	116,000	4.50	109,400	6,600	Anticipated under new management structure
72010	R/M - Supplies, Small	5,000	0.19	7,300	(2,300)	Small decrease based on YTD
72200	R/M - Janitorial Suppl	10,000	-	6,000	4,000	Small increase based on YTD
72298	Pool/Spa - Chemicals	34,000	1.32	30,000	4,000	Price increase on pool chemicals
72300	R/M Pool	8,000	0.31	4,857	3,143	
72317	Pool - Utilities	18,000	0.70	17,566	434	Small increase based on YTD
72368	Activity Supplies	22,000	0.85	20,000	2,000	
72425	Special Projects	100,000	3.88	59,132	40,868	Cameras and shade sails
72440	R/M - Building	95,000	3.69	17,000	78,000	including needed interior upgrades
72480	Contracted Services- see below	131,000	5.08	130,000	1,000	
72480	IT Support (\$26,250) Burgarello Alarm (\$1080), Iron Mountain (\$350), Clark Pest (\$1160), Direct TV (\$2700), Cleaning Contract \$(76,600) Nevada Office (\$1800), TIAA Bank (\$3600), Delta Fire (\$235), Overhead Fire Protection (\$500), Otis (\$3000 includes \$600 for service calls), RFI (\$3600), ZEN Planner (\$2800), Misc. Expenses \$5000.00, Wellbeats program (\$4800), \$2500 for holiday lights & additional testing for elevator service					

2022 TCTC Expenses- Page 2 of 2

		2022		2021		
<u>Expenses (Cont.)</u>		Proposed Annual Budget	Per Unit	YE Annual Projections - Per financials	Yr/Yr Increase	
74005	Electricity	\$ 33,000	1.28	30,518	2,482	no change
74065	Water	\$ 12,000	0.47	10,165	1,835	no change
74070	Sewer & Waste	\$ 10,000	0.39	9,000	1,000	no change
74095	Gas	\$ 12,500	0.48	12,000	500	no change
74125	Telephone	\$ 7,800	0.30	7,000	800	Increased due to increase in Charter fees
75085	Patrol Service	\$ 4,200	0.16	3,928	272	Small increase - contract may increase
76030	Complimentary Supplies	\$ 12,000	0.47	6,000	6,000	Small decrease
77005	Bad Debt	\$ 10,000	0.39	10,000	-	no change
77015	Fees & Permits	\$ 15,000	0.58	6,000	9,000	Small increase for additional events
77055	Town Square Assessments	\$ 54,128	2.10	54,425	(297)	Based on annual assessments for TS
77110	Travel/Mileage Expense	\$ 5,000	0.19	4,600	400	Small decrease
77125	Recruitment/Employee	\$ 12,000	0.47	10,000	2,000	no change
77200	Management Fees	\$ 14,070	0.55	23,105	(9,035)	2021 - \$67,000 split 74%/21%/5%
77230	Office Supplies	\$ 4,000	0.16	5,500	(1,500)	No change
77270	Community Website &	\$ 2,500	0.10	2,500	-	Total Budget \$1980 x 70% + 31.5*12 Includes we
77290	Mobile Phones/Radios	\$ 6,200	0.24	6,000	200	no change
77530	Bank/Credit Card Service	\$ 5,500	0.21	5,500	-	no change
77630	Massage Therapist Fee	\$ 27,500	1.07	26,000	1,500	Small increase/80/20 split - therapist receives \$10 i
77632	Fitness Instructors	\$ 102,960	3.99	82,000	20,960	small increase - \$40 --> \$45/class
77645	R/M - Fitness Supplies	\$ 20,000	0.78	14,000	6,000	Based on facility conversation and fitness amenity
77707	Summer Camp	\$ 32,000	1.24	29,000	3,000	no change
77750	Audit & Tax Service	\$ 3,200	0.12	3,000	200	Small increase per vendor - to be expected
77760	Legal Fees	\$ -	-	-	-	no change
77765	Loan interest	\$ 80,282	3.11	91,300	(11,018)	
77950	Depreciation Expense	\$ 267,166	10.36	267,166	-	No change
78005	Taxes - Real Propert	\$ 1,000	0.04	800	200	Small decrease
78045	Taxes - Federal Income	\$ 15,000	0.58	-	15,000	Added new line item to track tax payment
78105	Ins - Liability & Property	\$ 16,092	0.62	44,607	(28,515)	Premium per new quote = \$69,964 x 23%)
	Total Expenses	\$ 2,001,898	77.67	\$ 1,868,190	133,708	
	Capital Transactions					
	Principle payments per loan	\$ 105,309		105,309	-	
	Extra Principle payoff	\$ 300,000		300,000	-	
	Total Capital Transactions	\$ 405,309		\$ 405,309	-	
	Adjustments:					
	Depreciation Expense	\$ 267,166	9.53	267,166	0	
					-	
	Excess of Revenue or (Expense)	\$ 9,026	0.37	175,773	(166,747)	

The Gates

(Includes streets, curbs, maintenance of private neighborhoods)



- Monthly dues will **remain the same** at \$50/mo.
- Reserves are at a healthy margin in this cost center
- Significant reserve expenditures for gates hardware replacement/upgrades are anticipated according to the reserve study.
- Slurry seal of several neighborhood will also take place in 2022.

2022 Gates Budget



Somerset Owners Association 2022 Operating Fund Budget						
	Total # of YE 2022 Units	1010				
	2021 Monthly Assessment	\$50.00				
	2021 Avg Units	962				
	2022 Monthly Assessment	\$50.00				
		2022		2021	yr/yr	
		Proposed Annual Budget	Per Unit	YE Annual Projections	increase	
Revenue					Notes	
40005	Assessments	606,000	52	577,200	28,800	1010 units x \$50/per unit x 12 months
45405	Gate Transmitters/Clic	2,500	0	5,025	(2,525)	moving to new entry protocol
90000	Reserve Transfer	(350,000)	(30)	(316,590)	(33,410)	Estimated
	Total Revenue	258,500	21	265,635	(7,135)	
Expense						
60005	P/R - Administrative	61,500	5.33	64,000	(2,500)	small decrease
72000	R/M - Maintenance Allocation	53,400	4.63	52,000	1,400	All positions now filled/no change
72090	R/M - Snow Plowing & Sanding	50,000	4.33	48,000	2,000	
72220	Gate Maintenance	15,000	1.30	21,995	(6,995)	
72225	Gate Clickers	2,500	0.22	4,300	(1,800)	new entry protocol for 2022
72480	Contracted Services	8,000	0.69	16,500	(8,500)	moving to cellular data in 2022
74005	Electricity	1,100	0.10	1,100	-	Based on current year billing
74125	Telephone	9,000	0.78	22,000	(13,000)	moving to cellular data in 2022
75085	Patrol Service	22,573	1.96	22,300	273	3% increase from prior year
77005	Bad Debt	5,000	0.43	5,000	-	
77200	Management Fees	3,350	0.29	5,450	(2,100)	67,000 split 74%/21%/5%
77750	Audit & Tax Services	1,200	0.10	1,000	200	
72435	Special Projects	15,000	1.30	-	15,000	New line item for camera upgrades
77760	Legal Fees	0	-	500	(500)	Reduced due to non-usage
78105	Ins - Liability & Property	3,498	0.30	9,320	(5,822)	\$69,964*5%
	Total Expenses	251,121	20.72	273,465	(22,344)	
	Excess of Revenue or (Expense)	7,379	0.64	(7,830)		

SOMERSETT OWNER'S ASSOCIATION

2021 OPERATING & RESERVE FUND BUDGET



THANK YOU.....