

# ***SOMERSETT OWNERS ASSOCIATION***

## ***2018 Operating and Reserve Fund Budgets***



***Homeowner Presentation by  
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October 23, 2017***

# **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 25, 2017. Finance Committee meetings have been open to all unit owners with their participation considered.***
- ***A mailing with 2018 budget and assessment information will be sent to all unit owners on November 1, 2017.***
- ***Unit owners will vote on ratification of the 2018 budget with the results presented at the SOA Annual Meeting on November 15, 2017 along with other matters.***
- ***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 our shared amenities and common areas.***

# 2017 SOA Highlights

- *FSR staffing changes due to exits, new hires, etc. New General Manager and Assistant Community Manager.*
- *Extraordinary winter season. Lots of snow removal and Rockery wall failures. Funding plan in progress.*
- *West Park plans completed.*
- *Some TCTC facility improvements have began.*
- *Facilities and Finance committees engaged in multiple tasks to help management and the Board.*
- *Issues with alignment of AGC guidelines continue.*

## ***Now, Let's look at the draft 2018 budget***

- ***We are progressing towards build out at ~3,400 units with ~3,100 units anticipated by end of 2018. Unit growth will moderate and play a much less significant role in moderating assessment rates.***
- ***A Town Square assessment area will be established with the owners of the 2 other buildings and TCTC.***
- ***Our facilities (common landscaping, TCTC, parks, etc.) are now well over 10 years old and require added maintenance and or replacement.***
- ***After many years of weak inflationary rates (low oil prices, low interest rates, modest home growth, etc.) pressures are starting to increase costs along with tighter job markets locally and nationally.***

# **2018 SOA Budget Objectives**

- ***Fund \$2.5 Million in rockery wall repairs without a special assessment. The reserve fund will be reduced, Common reserve % funded lowered, operating fund cash reduced as needed and bank financing added.***
- ***Reserve funding levels to be monitored for asset replacement needs and to provide adequate funding.***
- ***Periodic Rockery wall maintenance added as a reserve component going forward.***
- ***Continue irrigation system upgrades and tree replacement projects.***

# ***Where will \$2.5 Million of Rockery Wall repair funding come from?***

- ***The Common Area reserve fund will be partially used for rockery wall repairs and the reserve % funded will be decreased to 34% which is considered “fair”, but on the low side by reserve consultants.***
- ***Remaining CC&R transfer fee account will also be fully utilized to reduce rockery wall financing needs.***
- ***A bank loan of approximately \$1.5+ Million will be needed. Assessments will included new principal and interest payments.***

***In Addition – We are working on finalizing a refinance of all SOA loans that is not reflected in our 2018 Budgets***

- ***Granite Construction estimates that repairs will all be completed by end of year. We will need \$2.5 Million on hand to pay for the rockery wall repairs.***
- ***A “conditional loan commitment” was received on Oct. 18<sup>th</sup> to be able to refinance all current existing SOA debt and to include remaining rockery wall repair financing.***
- ***Documentation requirements and other bank needs must be satisfied for loan to finalize.***
- ***If successful, it will be possible to make the same current loan repayments with rockery wall financing included.***



# ***What will 2018 Common and TCTC Monthly Assessment look like?***

	2016	2017	2018
<b><i>SOA Common Area Abatement</i></b>	<b><i>\$ 80.00</i></b> <b><i>\$0</i></b>	<b><i>\$80.00</i></b> <b><i>-\$11.00</i></b>	<b><i>\$ 92.00</i></b> <b><i>\$0</i></b>
<b><i>TCTC</i></b>	<b><i>\$78.00</i></b>	<b><i>\$89.00</i></b>	<b><i>\$89.00</i></b>
<b><i>Total Assessments Paid</i></b>	<b><i>\$158.00</i></b>	<b><i>\$158.00</i></b>	<b><i>\$181.00</i></b>

***Somerset and TCTC assessment rates are not official until approved by the association's Board of Directors.***

# Consolidated 2018 SOA Operating Budget

(\$-thousand)

	2018 Budget	2017 Est.	2017 Budget
Owner Assessments	6,013	5,004	5,170
Other Revenues	611	936	996
Prior Surplus (\$376GC, \$288TC, \$53G)	717	343	343
Reserve Contributions	(908)	(858)	(858)
<b>Total Revenues</b>	<b>6,433</b>	<b>5,425</b>	<b>5,308</b>
Payroll / SOA Mgt.	1,094	944	1,012
Landscaping & Related	1,215	1,086	1,177
Canyon 9 Maintenance	320	318	318
SGCC land & water acquisition loan	259	259	259
Canyon 9 & TCTC developer loans	337	337	337
Rockery Wall repair loan	104	0	0
Utilities	528	511	470
Bad Debt Expense	25	25	52
Legal Fees / Expenses	150	143	149
Special Projects (see next slides)	1,075	154	660
Other	1,328	1,100	841
<b>Total Expenses</b>	<b>6,433</b>	<b>4,877</b>	<b>5,275</b>
<b>Net Revenues &amp; Expenses</b>	<b>0</b>	<b>548</b>	<b>33</b>

Note: 2017 Other Revenue Budget - Included Previous Period Transfer Fees of Approx. \$400K

# 2018 Budget by Activity Center

(\$-thousand)

	Common	TCTC	Gates	Total
Owner Assessments	3,449	2039	526	6,013
Other Revenues	357	251	3	611
Prior Year	376	288	53	717
Reserves Contributions	(348)	(241)	(318)	(908)
<b>Total Revenues</b>	<b>3,833</b>	<b>2336</b>	<b>263</b>	<b>6,433</b>
Payroll / SOA Mgt.	326	695	73	1,094
Landscaping	1,187	28	0	1,215
Canyon 9 Maintenance	320	0	0	320
SGCC land & water acquisition loan	259	0	0	259
Canyon 9 & TCTC developer loans	59	277	0	337
Rockery Wall repair loan	104	0	0	104
Utilities	424	83	21	528
Bad Debt Expense	10	10	5	25
Legal Fees / Expenses	140	4	6	150
Special Projects	505	545	25	1,075
Other Misc. Expenses	499	694	135	1,328
<b>Total Expenses</b>	<b>3,833</b>	<b>2336</b>	<b>264</b>	<b>6,433</b>
<b>Net Revenues &amp; Expenses</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>

# ***2018 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 - \$504,500**

- **Rock Wall repairs (partial) - \$452k**
- **Make additional safety and security improvements – crosswalk signs and controls - \$40k**
- **Aesthetics Update - \$12.5k (covers postage for AGC Guideline mailer)**

# **2018 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 - \$545,000**

- **TCTC amenity enhancements, TCTC modifications carryover**
- **Cross current pool and tennis court lighting enhancements (to budget extent)**

## **Private Streets & Gates - \$25,000**

- **Misc. gate related projects**

## ***2018 Reserve Fund by Activity Center***

<b>(\$-Thousand)</b>	<b>Common</b>	<b>TCTC</b>	<b>Gates</b>	<b>Total</b>
<b>Replaceable Assets</b>	<b>5,560</b>	<b>2,671</b>	<b>6,167</b>	<b>14,398</b>
<b>Beginning Bal. - 1/1/18</b>	<b>1,477</b>	<b>1,017</b>	<b>2,586</b>	<b>5,080</b>
<b>Reserve Contrition</b>	<b>348</b>	<b>241</b>	<b>329</b>	<b>918</b>
<b>Reserve Expenditures</b>	<b>(1,126)</b>	<b>(180)</b>	<b>(327)</b>	<b>(1,633)</b>
<b>Interest &amp; Other</b>	<b>20</b>	<b>19</b>	<b>45</b>	<b>84</b>
<b>Ending Bal. - 12/31/18</b>	<b>719</b>	<b>1,097</b>	<b>2,633</b>	<b>4,449</b>
<b>% Funded</b>	<b>34%</b>	<b>62%</b>	<b>116%</b>	<b>74%</b>

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

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

# *It's Great to be home !*



# ***Somerset Board of Directors***



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