

Companion Notes to the 2007 HOA Budget

The Finance Committee was formed mid-year and has been working continuously for the past four months to develop the 2007 budget for University Place homeowners. This represents the first time that there has been adequate time and resources to evaluate our situation and construct a rational budget around our requirements and operations. Examination of the 2007 Budget illustrates that our assessment fees will rise significantly next year. There are several expense areas driving this increase, and these companion notes to the budget are meant to call your attention to the specific reasons for these changes in the cost of maintaining our community.

2006 Prelude to the 2007 Budget

The 2006 budget was put together on a 'best efforts' basis, using only a partial year of data from 2005, and little else to go on. Not surprisingly, there were some areas of expense that were underestimated, and some surprises, too, in the form of unanticipated additional costs. An excessive amount of vandalism, for example, necessitated the installation of cameras in the pool area, and card readers to access our pool and exercise facilities. The rising cost of energy (electricity, heating) was another factor, as was the frequent necessity to repair and maintain our facilities, notably the irrigation system and pools. Last, but not least, delinquent HOA payments have added to our 2006 overruns, which must be carried as a deficit in 2007.

Water, Water, Everywhere and Not a Drop to Drink

Buried in our documents, that large book of legalese we were all given when we purchased our homes, is a claim by the Developers to own forever all the water that rains on our land and pours into our ponds. Although we pay all costs for collecting, storing, treating and pumping the water to lot side, Developers charge us a huge water fee established by an unconscionable contract with the Association and signed on both sides by an employee of the principal developer, Mr. Neal, before there were any homeowners. This year we will pay the Developers \$48,795 for our irrigation water, next year the fee jumps to \$111,228, totaling \$586,000 in the next five years and at least \$1,250,000 in the next ten years and it goes onward and upward under a triple escalator clause from there.

The Board, the Legal Committee and the Finance Committee take exception to the Developer's claim to own the water in our ponds forever and propose to take legal action to lift the burden of this unfair and unconscionable charge. Thus, we are including a water fee in the 2007 budget based on the rate that Mr. Neal, in a letter mailed to each and every homeowner, told us he would charge. Based on our estimated usage, this rate produces a water fee of \$8,124, the same amount Manatee County would charge for the comparable product (reclaimed water) if it were available to us. We believe that avoiding litigation is in the interest of both sides; accordingly, the Board has initiated settlement talks with Mr. Neal, but so far they have been unproductive.

The Legal Committee will make a full presentation on the water fee issues at the homeowners meeting on November 11, prior to the general budget discussion. For now, the budgets for 2006 and 2007 include legal fees for potential litigation in the amount of \$125,000. With millions at stake and a perpetual tithe to the Developers, surrender would leave our irrigation

costs consuming more than a quarter of our budget. This onerous and unfair agreement is such a heavy burden that we need to take steps to achieve a just solution for our association.

Lawn Care and Maintenance of Common Areas

The price of lawn care has gone up dramatically...bids from four companies to maintain the common areas were all in the range of \$200,000 or more. The BOD entered into further negotiations with the two lowest bidders and achieved a significant reduction. Nonetheless, the **Grounds Contract** is a substantial increase over last year, and all UP homeowners share this cost. Apparently, the contracts were originally negotiated well below market prices, which the contractors agreed to in order to obtain the business. Now, all contractors want at least two or three times that amount to do the job. This is a significant cost item, found in the **Common Grounds** section of the budget.

Engineering & Capital Replacement Studies

We have a limited time frame, which expires in early 2007, in which to assess all of the facilities and equipment that have been turned over to the HOA by Neal Communities, such as buildings, pools, irrigation systems, etc. After this time, we will have no recourse. Therefore, it is imperative that we undertake an engineering study by a qualified firm to assess all of our equipment, so that if anything is not working properly it can be rectified and corrected before our limited warranty period expires and the turnover is complete. The capital replacement study will establish the capital reserve replacement schedule for specific items. We have estimated the cost of these studies at \$15,000, which can be found under **Professional Fees** in the **Legal & Professional** section of the budget.

Summarizing the 2007 Heavy Hitters

The major expenses that are driving the increase of our HOA fees for 2007 are: the huge Water Fee Mr. Neal insists on (scheduled to increase by \$62K to \$111,228); legal fees needed to seek relief from these unjustified fees; the wholesale rise in grounds maintenance costs; the added burden of increased overhead for electricity and heating; the continuing cost of our irrigation system repairs; the HOA delinquent dues; and 2006 budget deficit carryover.

The Bottom Line

The annual HOA dues for 2007 will be **\$1,803.56** for the year, or **\$150.21** per month, a substantial increase over last year's assessment. The Carriage Run charges are an additional **\$102.63** per month, for a total of **\$252.84** monthly.

The UP Finance Committee urges all homeowners to review the attached budget, formulate questions, and get detailed answers at the upcoming homeowners meeting, to be held on Saturday, November 11, at which time the UP Legal Committee will also present more information on the water licensing issue, and the Nominating Committee will present the candidates running for seats on the 2007 Board of Directors. It will be most informative and worth your while -- please plan to attend.