

**Cedar Run, HOA Quarterly Budget Meeting  
October 28, 2019  
Minutes of the Public Session**

Directors Present: Ricky Taylor (President); James Stallworth (Vice President); Tiffany Burton (Treasurer) - Absent: Director Vacant, Secretary Vacant

President Taylor called the meeting to order at 7:00 pm

Approval of Annual Meeting minutes - President Taylor moved to table the approval of August 12<sup>th</sup> minutes until February 10<sup>th</sup> meeting, since today's meeting is strictly budgetary second by V.P. Stallworth

Rules were suspended to hear from the homeowners at 7:15 pm.

The Quarterly Meeting took place on Monday, October 28, 2019, at the East Henrico Rec Center.

President Taylor, welcomed all and shared that the purpose of Quarterly Budget Meetings is to share association and community information to the membership and to provide a forum for homeowners to ask specific questions of the association.

President Taylor, informed all in attendance tonight's meeting is strictly a budget meeting and no committee reports will be presented during this session. The budget serves several purposes; 1) planning tool to identify operational needs and estimate upcoming expenses. 2) A rational method to establish the level of member assessments. 3) An operational tool to control expenditures throughout the budget year; and to measure financial performance and 4) A method to communicate the association's operations and condition to its members."

President Taylor, shared that in the absence of the community manager and the Board of Director's Treasurer the financial reports the presenter for this evening will be Ms. Denise Stallworth, Budget and Finances Committee (BFC) Chairperson.

Ms. Stallworth presented a PowerPoint presentation on the Overall Financial Health of Cedar Run; Budget Considerations, Budget Process, 3<sup>rd</sup> Quarter Balance Sheet and Income Statement as of September 30, 2019, Current Delinquencies Status, Reserve Funding and Assessments

**BALANCE SHEET**

Our Association held \$31,361.59 in cash including reserves with assets totaling \$52,478.66 as of September 30th. Net Homeowner's Past Due/Prepaid Assessments were slightly lower (\$21,117.07) from the prior quarter. Our reserves remain moderately stable with a balance of \$38,838.63 as the Contingency Reserve covered \$1,800 in expenses for the completed required reserve study that was due this year.

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**Balance Sheet (Snapshot of Current Financials)**

**Assets**

Operating Funds (including Reserves)	31,360.59
Net HO Past Due /(Prepays)	12,117.07
Owner Collection Costs to HCS	
Total Assets (including Reserves)	<u>\$ 52,478.66</u>

**Reserve**

Reserve - Contingency	7,850.56
Reserve - Fence	16,651.07
Reserve - Sign	<u>14,337.00</u>
	38,838.63
Retained Earnings	-
Total Reserves	<u>\$ 38,838.63</u>

**INCOME STATEMENT**

At the end of September, the Association's year to date income amounted to \$39,730, which equals our budgeted projections as the Association set forth procedures to pursue collection of fees associated with assessment delinquencies and ARC compliance fines. Total year to date expenses are \$26,819.10, which is 10% (\$2,975.65) under the budgeted amount set for the nine-month period of calendar year 2019. The variance is mainly attributable to the significant decrease in administrative service expenses (\$3,746) as committees established by the Board continue to assist in the operational and financial overview of the Association as well as the conservative approach by the HOA regarding funded community activities. This decision has help offset the increased costs for professional services (\$838) related to the additional annual meeting and collections process. As always, the Association remains diligent in looking for favorable pricing, monitoring warranties, and keeping our vendors in check throughout the year.

**DELINQUENCIES / COLLECTIONS REPORT**

Currently, there are 27 of our 125 occupied homes currently in collections as of September 30, 2019. The delinquency rate of 21.6% is marginally lower from the beginning of the calendar year (23.2%).

However, this is a 4% increase over the historical rate of 17.6% (22 homes). In response, our collection agency, Equity Experts, is handling all homeowner delinquencies and collections more aggressively at the direction of the Association. This includes a timelier and decisive fine assessment method as well as a more rapid escalation to legal liens and judgments as necessary. As a result, I am happy to report a little over \$1,000 was deposited into the Association's operating account as two delinquency accounts were paid in full this quarter. This demonstrates the Board's commitment in its continuing efforts to effectively address the delinquencies.

President Taylor, commented that the community cannot continue to meet our financial obligations with high delinquency rates and the price of services increases every year (landscaping, insurances, management, etc.

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**PROPOSED 2020 BUDGET & ASSESSMENTS**

- Assessment for 2020 will be \$315.00 for the year in accordance with the Reserve Study
- Total amount is in line with anticipated 3%▲ in economic costs
- Detailed Breakdown of 2020 Assessment (My Assessment Money at Work)

<u>Item</u>	<u>Description:</u>	<u>Amount:</u>	<u>Percentage</u>
Yearly Assessments	Assessment Dues Paid by Homeowners	315.00	
<b>TOTAL INCOME</b>		<b>315.00</b>	
Grounds & Landscaping	Landscaping Services	96.68	31%
Reserve Contributions	Cover Financial Deficits, Fence & Sign Maint. & Repairs	99.71	32%
Other Contracted Services	Financial, Legal, Collection Agency	30.59	10%
Administrative Expenses	Postage, Printing & Copying, Website, General Admin.	30.10	10%
Management Fees	Contracted Community Management Services	34.64	11%
Insurance	Community Insurance Coverage	18.80	6%
Taxes & Corporate Fees	Community Tax Return Preparation & Filing, Registered Agent	3.48	1%
Utilities	Water Service for Irrigation on Common Areas	1.00	0%
<b>TOTAL EXPENSES</b>		<b>315.00</b>	100%

**Reserve Funding (The recommended reserve transfer is incorporated into the budget.)**

As noted last meeting, the Association completed its first Reserve Study in May, as legally required every 5 years by state law. The study sets out a long-term schedule of estimated costs and timing of the repairs and replacements to the common areas that will be needed over the next 20 to 30 years. The study determined and confirmed that our Association’s reserves are moderately stable and are being utilized effectively.

The report recommended the Association review some upcoming possible repairs to areas such as the pond slopes and playground in the next 3-5 years that could total upwards of \$25,000. The study concluded that modest raises must be made to the annual assessments to properly maintain the reserve fund to cover these expenditures.

If Cedar Run starts funding appropriately early on and continues to fund reserves completely, it should have lower reserve transfers in year 20 than another community that underfunded reserves for the first 20 years and then realized they need cash now to cover capital replacements.

Since the homeowners were underpaying for years, they have to make it up now without the benefit of compound interest enjoyed by the Cedar Run community

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**Open Forum Questions:**

Several of our homeowners had spirited discussions and questions and concerns regarding the yearly assessment increase being driven by the reserve funds. Ms. Stallworth explain the annual assessments will be \$315 for the upcoming 2020 calendar year in accordance with the Reserve Study Analysis. She informed all in attendance, that although the Association actively looks for favorable pricing, monitors warranties, keep our vendors in check, and relies on homeowner's to volunteer their time to reduce expenses, this \$10 increase from the prior year is in line with the overall anticipated 3% rise in economic costs based on estimated pricing for services and cost assumptions for the upcoming year.

She continued explaining that; like all associations, the annual HOA assessments are essential as it's the primary source of funds for the operation of the community. Your assessment is used for the maintenance of common property such as landscaping, including lawn-mowing services, as well as maintenance and repairs for entryway marquees, lighting, and fences. The HOA assessments also cover insurance, taxes, management company fees, and other contracted service expenses.

Living in a planned community offers many advantages not available to homeowners in the community-at-large. I believe one of the biggest advantages comes in the protection to our property values that community association living provides. Rules and Regulations, Architectural guidelines, CC&Rs, By-Laws and state and federal statutes were designed to protect our interests by regulating many of the nuisances that usually chew away at property values

A homeowner mentioned we have a lot of delinquencies what action is being taken to collect these outstanding debts. Ms. Stallworth presented several slides detailing why we pay assessments and how your assessment money is used.

Further explanation and discussion ensued regarding why refusing to pay the assessment is not an option and it can become very expensive to do so. Ms., Stallworth said, we don't want any of our neighbors caught on this slippery slope particularly because the new 2020 assessments are fast approaching and their 2019 and in some cases 2018 assessments remain outstanding. Why you ask, haven't they paid? It's possible; they're not paying may be as a result of financial hardship, or just may be, no one explained the benefits in paying assessment.

Mr. Stallworth and President Taylor thanked Ms. Stallworth for her time and for presenting a well-developed and detailed report.

Lastly, V. President, Stallworth and President, Taylor explained what steps the board takes to resolve delinquent accounts.

They stated the association is following the procedures as set forth by the approved Collection Policy for recovery of the funds. Federal collections regulations (the law) require the Association no longer discuss fees or the homeowner's personal situation directly. Homeowners must negotiate and make payment arrangements with the association's designated collection agency, Equity Experts.

The agent will make every attempt to assist homeowners with restoring their accounts. If the homeowner does not comply with the arrangements agreed between themselves and the agent, the account will be referred to collection as a last resort.

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The Association collection policy is described below:

**Phase One** – Collection Policy Procedures (HOA payment arrangement)

1) On February 2nd, a Delinquent Letter is sent to the property owner by the management company. This letter informs the owner the assessment is now delinquent a \$10.00 notice fee and a \$25.00 late fee is charged to the owners account.

2) On February 15th, a Default Letter is sent to the property owner by the management company if the assessment remains unpaid. This letter informs the owner the account is in default and will be referred to the association attorney for collection. If the account is not paid within the next 15 days; a \$15.00 notice fee is charged to the owners account.

3) On March 1st if the annual assessment has not been paid the account is referred to collections. And a \$25.00 charge is assessed to the owners account. Please note the collection attorney may charge an additional 20 to 30% of the balance owed, plus any additional collection charges and fees.

If you have a legitimate reason for falling behind and you need to work out a payment plan, please call the community manager. The board considers each situation individually, and will try to accommodate your special circumstances. Also, the Association is required by the State of Virginia to offer payment plans to property owners who cannot timely pay their assessments.

However, once your account is turn-over to collections (phase two) the association is completely removed from the collection process and we can no longer offer any payment plan to assist you.

**Phase Two** – Accounts Referred to Collections (Collection agency payment arrangement)

Federal collections regulations (the law) require the Association no longer discuss fees or your situation directly. All communications must be with our collection agency, Equity Experts. Now you must negotiate and make payment arrangements with the collection agent they will make every attempt to assist homeowners with restoring their accounts. As a last resort they will take the necessary legal steps to collect payments.

**Community Updates:**

President, Taylor shared we are looking at new innovative ways to improve participation for our annual meeting. If we don't have enough homeowners voting (a quorum) we cannot do business and the annual meeting will have to be rescheduled, which is an unnecessary additional expense to the community.

This year in lieu of the annual Christmas party, the board is sponsoring a cookout during the meeting. President Taylor reminded everyone that the annual meeting will be held at 4804 Cedar Park Rd. starting promptly at 4pm on April of 2020. The Community Manager will be present and we will be voting on three vacant positions – director, treasurer and secretary. Please spread the word and end your bio to the community manager if you are interested in joining the board.

Motion to adjourn the public session was made by President Taylor, second by V. President Stallworth and the motion carried at 8:00pm

No Executive Session