June 24, 2024

To: Stone Creek Owners Association Members

Subject: **2023-2024 Annual Report to Members**

I look forward to seeing you 3-July for our Annual Owners Meeting starting at 12:30p MT.

At our meeting, we’ll have discussions around a few key interest topics, namely our roof, our focus to keep Stone Creek operating costs down and getting your perspective on 6 current Rules / Regulations. I look forward to our conversations and appreciate in advance the respect and professionalism we’ll show each other.

To make the best use of our time together, I want to give everyone a clear sense of the current priorities of the Board. In short, there have been four major priorities the exiting Board have focused upon as we hand over to a new Board:

1. Create a roof replacement approach,
2. Manage all HOA responsible repair / replace / install components, as per SCCOA bylaws, governing documents and rules / regulations.
3. Review and exploit operating cost reduction opportunities, to find the sweet spot between low cost, resident safety and ability to efficiently manage execution.
4. Introducing change brought upon us by Town of Avon, surrounding Short Term rentals and mandatory recycling initiative/s.

In a “normal year”, the Board aspires to put forth to SCCOA owners an operating budget that supports priorities #2 and #3. At a time when local contractors seem fewer in numbers, we’ve developed a 2024-2025 operating budget below inflation increase numbers (increase of $1,229). When comparing the year just ended operating forecast vs. original budget, the total expenditure increase was $7,328 (+5.2 %). Spending less than revenue we received is tied to the widening of our supplier network and our resident community putting in own sweat labor this past year to keep operating costs down.

As you know from reading the past several meeting minutes, we don’t expect a “normal year” for a few years to come. Significant investments must soon be made in our roof, fascia and siding. A revitalization of our parking lot isn’t very far behind. Which brings us back to priority #1, a roof replacement plan – which is a top priority of the newly-seated Board. There are no easy fixes. The Board could go a few different directions. Special assessments of owners is assured. All year long, we’ve encouraged all homeowners to listen in at our quarterly board meetings to hear the latest updates, thinking and plans. We continue to welcome all owners to listening in.

Just how does your HOA think about the assessments sent to its fellow homeowners? There are presently five revenue streams:

1. Annual Operation budget. The budget for year beginning June, 2024 is $163,229.
2. Capital Reserve assessment, which is equal to 1x Annual Maintenance Budget. This money is used throughout the year for unplanned capital replacement items, and unknown operating budget impact. Both the annual operating budget and the capital reserve are shown on the invoice sent you. For the upcoming year, the additional capital reserve we’ve assessed to achieve the 1x operating budget target, is $ 51,455.
3. Special Assessments used for known, specific upgrades or improvements. These are issued as one-time payment invoices. We do our best to give owners a heads-up that an invoice is forthcoming. **Additional assessment are forthcoming**.
4. A STR assessment, which is assessed only to those units that have a STR license with Town of Avon. These funds are earmarked to satisfy the requirements that ToA says we must follow as well as repairs or improvements to the look and feel of Stone Creek benefiting the STR community. Last year was our first ever assessment. The STR assessment amount was equal to the same amount STR contract holders paid to ToA.
5. Finally, any interest earned or fees – which is typically a very small part of the budget.

**Yearly Summary**:

The HOA had a number of unplanned items that required repair or replacement. We also faced two challenges from Town of Avon (ToA).

ToA threw at us two major initiatives we had to address: Short Term Rentals and mandatory recycling of our waste. In the case of STR’s, we met ToA’s signage requirements while also initiating legal towing to ensure Stone Creek was not impacted by ToA’s own move to paid parking. In the case of the recycling initiative, Yvonne led the charge to change recycling vendors while at the same time reducing our associated monthly fees. What goes unmentioned is that we have yet to accumulate even one fine, which was a major revenue source for our previous trash vendor. We owe this result to Michael P and Yvonne, who have kept the trash dumpster areas being used as intended, clean and well-marked. ***Their efforts to sort resident trash is not sustainable long term. We need each resident to place their trash in the correct bins as we go forward***.

I’m deeply indebted to many of you for giving the association your time and sweat labor in a way that allowed us to keep certain expenditure costs down.

We also saved money vs. budget in winter snow removal. Wil helped us widen our lens to get bids from additional snow removal vendors this season. While we also benefited from less total snow impact, we did incur some major snows to contend with while having new obstacles (STR signage and our deteriorating roof) that required some modifications. We are currently determining how to improve snow storage for the coming season.

We were forced to revitalize our water system. Steve B provided his expertise to help us determine areas where we could replace the defects in our old water system. We also began the journey to helping us monitor water usage specific to our common area. This is a topic we’ll cover in our time together on July 3rd. We Identified SMART technology that can help us read water usage 24/7 and be installed in a very cost-efficient way, allowing us to understand exactly how much water is being used through the irrigation system. **Water is our single biggest line item expense.** We incurred a 9.8% price increase in water costs. It’s important that we monitor water usage to understand where the water is being used – and how we can all pitch in to conserve its usage. **Keeping a low operating budget demands we all focus on water usage**.

The HOA continues to find ways to keep our operating costs as low as possible. There are many facets of our budget that require diligent focus. Going into 2025, one area we’re keenly watching is to take the steps necessary to keep our HOA Insurance to a small increase. We expect to undergo a more rigorous evaluation early in 2025, one that includes a deeper analysis of our building condition, current rules / regulations and other facets. Separately, we provided a recap from three major inputs into this review process: Fire Department, Wildlife (REALFire) and the learnings we’ve captured from other HOA’s who have either lost their HOA Insurance or are undergoing significant cost increases. What’s alarming is that these insurance impacts are being felt across western slope HOA’s at a time when the summer weather to-date has been more favorable to insurance providers. Please read these documents and let’s see what we can do together to keep our HOA insurance costs low. Its our #2 operating cost item, behind water.

**Building Capital / Improvements**:

All Owners have been apprised of the current situation with regards to our current roof, siding and fascia. The new Board will be facing key decisions with regards to what replacement product to use, timing and cost. The Board is committed to keeping Stone Creek Owners informed. Our Board has some of the best minds within and outside our community to strategize our way forward. **We have no roof reserve** so its not lost on anyone that we need to find the best balance of long-term durability, lower ongoing operating and owner out of pocket costs. Nothing in our valley is cheap. The Board invested in a building expert to help us understand the totality of the current problem and to provide leadership for consideration.

**Go-Forward Board Leadership**:

I’ll finish this report by bringing up a topic that has been on my mind during the entire time of my term. Our former property management company resigned us just about a year ago. It’s been a very busy year, particularly for Yvonne and me, in terms of day-to-day issues leadership. I can say with no hesitancy that between the two of us, we’re putting in our own time at least 6 out of every 7 days to deal with some challenge or opportunity that emerges.

I **do not** feel Stone Creek will be successful going back to a property management process, at least until we finalize and install major capital investment needs. **Why;** first and foremost, we’re simply too small to be meaningful to a property management company to make the myriad of phone calls necessary to get best value for Stone Creek. A big key to the success this past year was having Yvonne as a full-time resident on the Board. She was a major contributor to our success as a Board. In a perfect world, our HOA benefits greatly by having at least one full-time resident on the Board.

For the coming year, our Board has considerable construction expertise. This same Board provides representation to include non-renting owners and those that rent either short or long term. Based on what we’ve learnt this year, a 5-person Board make up, that includes these characteristics and strong EQ in the way they communicate, gives us the best set of skills and experiences to help Stone Creek Owners Association enjoy long term success.

We have million-dollar units. It will take all of us (and luck) to sustain what the market will bear.

I hope we build a community of owners that will take their turn with 1-2 year board assignments and pitch in, to help our community keep its annual operating dues as low as possible while keeping our property values and rental incomes as high as possible. We can only conquer cost inflation pressure by everyone helping out; trash sorting and water conservation are just two things all residents can do immediately to contribute.

I look forward to seeing many of you on July 3, 2024 at Stone Creek Community Room. Thank you for your continued support of our HOA Board and the Stone Creek Community.