

Elk Meadows Professional Management Exploration Committee

Recommendation to Elk Meadows Board of Directors

April 8, 2020

***Immediate engagement of contract for HOA management according to the attached response to Elk Meadows Request for Proposal by Anita and Ray Cody aka Property Management of Telluride.***

***In order to proceed, the Elk Meadows Board of Directors must agree to:***

1. Consult with Elk Meadows legal counsel regarding the appropriate process to complete the task of document revisions as directed by Murray Bain in his evaluation of HOA documents on 11/15/15. Property Management of Telluride (Anita Cody) has stated in her interview questions that she would be willing to support the community in the completion of this process.
  - a. Review policies and make corrections/updates according to newly adopted Articles of Incorporation, Bylaws, and Declarations.
  - b. Provide sample rules/regulations appropriate for the Elk Meadows community.
  - c. Initiate approval of corrections/additions and publish to community prior to annual meeting.
  - d. This is an important step in determining the rules for operation of Elk Meadows in order to proceed with engagement of an HOA Manager.
2. Enter into contract with an HOA manager to perform the following (Details included in the attached Request for Proposal Response):
  - a. Setup of accounting services to include accounting for operating and reserves.
    - i. Monthly collection of dues/assessments.
    - ii. Monthly payment of association bills.
    - iii. Provide monthly financial statements.
    - iv. Oversee delinquent payment collections.
  - b. Preparation of annual budget.
  - c. Oversee annual meeting.
  - d. Annually oversee engagement of contracts for services.
    - i. Water and sewer.
    - ii. Road maintenance.
    - iii. Snow removal.
  - e. As needed, initiate citations for violations of community operating rules.
    - i. Elk Meadows Board of Directors must make a commitment to:
      1. Perform monthly/ongoing community oversight and send any need for action to HOA manager, or . . .
      2. Pay the HOA manager to make regular on-site inspections and follow up, or . . .
      3. Consider compensation to an agreed-upon resident to perform ongoing community inspections and share the information to the HOA manager.
    - ii. All costs for enforcement shall be passed on to the resident in violation as directed in governing documents. (Those revisions are in need of completion.)
3. Cost recommendation follows:
  - a. In 2019 (according to Elk Meadows financial statements) the utilization of an HOA manager would have replaced the following expenditures:
    - i. Accounting \$10,457
    - ii. Legal \$19,903
    - iii. Audit \$7,100

- iv. General Office supplies \$1,058
  - v. Software (what is recorded here?) \$1,120
  - vi. Postage (1/2 of \$398) \$200
  - vii. Proper contracting for road and maintenance likely would save the HOA funds. In 2019 grading cost was \$12,360 and snow removal cost was \$18,760.
  - viii. Proper administration of reserve funds spending is critical and is not being conducted at this time.
- b. Conclusion: Utilization of the services of an HOA manager would replace expenses totaling at least \$37,000. The response to RFP totals \$30,000 per year. The result is a cost savings to the community while moving forward to establishing compliance for the community of Elk Meadows.
  - c. The initial cost of setup would be according to the plan set forth in the review by Murray Bain and previously approved by the Elk Meadows community.
4. A few observations:
- a. Licensing of HOA managers is no longer required in the state of Colorado. (Info shared by Gail in initial committee meeting.) The governor did not renew the requirement in 2019. The person proposed for hire has completed all licensing study and was in process of licensing acquisition when the requirement was dropped in 2019.
  - b. During the initial meeting of the committee Gail shared that the requirement for audit is no longer necessary since our community has fulfilled the reserve funding requirement by USDA. Placing our accounting preparation under the direction of qualified HOA management will not only establish proper accounting for operating and reserves, but will save funds previously expended for unnecessary accounting/audit.
  - c. The committee must support the immediate completion of document revisions to be agreed with the Elk Meadows Board of Directors. Examination of the governing policies as well as the creation of rules must be completed immediately in order to create the framework for living in the Elk Meadows community.
  - d. The Elk Meadows Board of Directors has been provided with the authority to engage in contract with an HOA manager and can present their decision to the community at the upcoming annual meeting.
  - e. Time is of the essence.
    - i. Initiation of accounting process to properly account for operating expenses and reserve spending separately will result in efficient fund expenditures as well as required budgeting process at the upcoming annual meeting.
    - ii. Immediate contract negotiations for outside services has potential for cost savings for the community.