

## Frequently Asked Questions:

**1. When is the annual budget discussed and approved? Can you let the community know in advance so they can attend?**

The annual budget for the following year is approved by the full Board of Directors at a regularly scheduled board meeting a month or two before the Annual Meeting. The annual budget is then presented at the Annual HOA meeting for all residents held in early November each year. All meeting agendas are emailed in advance and minutes of the monthly Board meetings and the annual meeting are published to the community and available on the King's Deer website. Residents are encouraged and welcome to attend and participate.

**2. How does the Board manage expenses?**

The HOA Treasurer reports monthly on the state of the HOA income and expenses at the Board meeting and examines all costs in detail. Besides cost savings (e.g. recent reduction in insurance costs), there is a focus on income opportunities (e.g. increased interest income on our deposits and market-competitive fees for Ownership Transfer and HOA Status Letters). Each Board director has a designated area of responsibility and provides input during the monthly financial review. A summary of each month's YTD Profit and Loss as well as the Balance Sheet is emailed with the monthly Board Meeting Minutes as well as posted on the King's Deer website for review. We are currently exploring enhancing financial reporting including a comparison to the approved Budget.

In addition, the Board wants to make sure we are receiving the best value for the money we spend. That is why we began requiring competitive bids in January 2025 when significant expenses (greater than \$2,000) within each area were subjected to competitive bids under the Contracts, Commitments and Disbursement Policy.

**3. Does the Board periodically review the largest operating expense item -- Administrative costs-- and whether external HOA management is more cost effective?**

The Board absolutely considers cost/benefit in its analysis of all expenditures and decisions.

Specifically, with regard to our administrative expenses, the Board has considered various options for management of our HOA including 1) self-management (board members performing all administrative tasks), 2) hiring a management company, or 3) retaining our own on-site manager. Management companies that submitted proposals included Dorman, Warren, and PMI, but none of them could provide all the services, responsiveness, or depth of knowledge currently provided by our dedicated onsite manager. Previous KD boards have used a management company, but were underwhelmed with the service and upcharges and the board and residents quickly switched back to a direct employee. After careful

consideration, the current Board determined retaining an on-site dedicated manager was the best option for providing personal, knowledgeable, and responsive service to best satisfy the diverse needs of this community.

Other cost-saving measures like eliminating the on-site office were considered, but the current benefit of in-person service to the Board and residents was deemed worth the relatively small cost.

While some homeowners have requested specific numbers related to our HOA management costs, this information cannot legally be disclosed based on the 2024 Colorado Revised Statutes of the CCIOA ([Colorado Common Interest Ownership Act](#)). For your reference, details of the applicable section of the statute prohibiting disclosure of personnel salaries can be found by clicking on the link and scrolling to page 92, Paragraph 3.5.

#### **4. How are our capital investments approved?**

The Board considers the current condition of our amenities and determines the near-term spending priorities while considering Reserve Study spending projections for guidance (the full 2024 Reserve Study is available on the King's Deer website.) In addition, the 2025 Amenities Prioritization Survey has been very useful in understanding how the community values our assets. Once a need is identified, the Board obtains competitive bids to assess costs and timing, according to the Contracts, Commitments and Disbursement Policy.

#### **5. Would it be valuable to form a Budget/Finance Committee comprised of residents?**

The Board encourages residents to regularly review the financial materials provided monthly and to submit comments and questions at any time. Each board member possesses fiscal and fiduciary responsibilities, with the full Board functioning collectively on budget and finance matters rather than utilizing a sub-committee.

The Board values the interest shown in our management of the community's finances and extends its gratitude to all homeowners for entrusting us to represent their interests objectively and to the best of our ability.

#### **6. Can we open our common spaces to the public for a fee to help with revenues?**

After discussing with our insurance company, we found that the higher liability insurance costs outweigh any potential revenue. Moreover, public usage could increase disturbances for our neighbors, similar to what we see from the golf course.

#### **7. What are the water augmentation costs and how will we pay for them?**

Because all King's Deer properties rely on well water drawn from an aquifer, we are subject to replacing the depleted water via "Water Augmentation Plans". Under the terms of those plans, the HOA already pays for augmentation for the homes under the 1993 decree

(approximately \$3,700 for 2025). Augmentation for Highlands homes will start to be phased in during 2026 (depending on the year the well was installed) and costs are projected to rise to \$4,400 by 2028 to cover augmentation of the first 28 Highlands homes that have pumped water for at least 30 years. Ongoing annual increases in water augmentation costs will be included in the annual budget.

The HOA is fortunate to have a dedicated, long-time water volunteer Lorrie Kresge who monitors all matters related to our water usage and the complex water augmentation calculations. For additional background on water augmentation, please refer to the King's Deer website > Owner login > Governance documents.

#### **8. What is the plan for using and possibly increasing annual fees?**

Our current annual HOA fees of \$300 have not increased in approximately 20 years. Opportunities for income from permitting fees have disappeared as our 531 lots have been nearly built out. Expenses have increased at the same time. We can cover our operating expenses with the current fee structure today for this year, but not our Reserve Fund allocation in 2025 and beyond. It seems inevitable that we will face another vote to increase our annual assessment in the near future.

Based on the two voting rounds in 2024 and feedback from the 2025 Open Forum meetings and 2025 Amenities Survey, the Board has noted the community's feedback:

- Highlands homeowners (383 owners) approve an increase per their 50% approval voting requirement.
- Classic homeowners (148 owners) reject the increase per their 67% approval voting requirement.
- Most members recognize and support a fee increase as needed, but some members are not comfortable with a CPI inflation-adjusted amount that has no future cap.

The Board is focused on improving 1) financial transparency and 2) the community's understanding of our finances and will be considering the appropriate timing for scheduling another vote that balances the HOA needs with the residents' concerns.

#### **9. Can you explain why the Classic & Highlands subdivisions have different voting thresholds when it comes to approving fee increases?**

Several attempts to merge the covenants of the two subdivisions were unsuccessful following the 2003 Articles of Incorporation that brought the communities together. Changing the assessments currently requires 2/3 (67%) approval for Classic, while Highlands requires 50% approval according to governing documents.