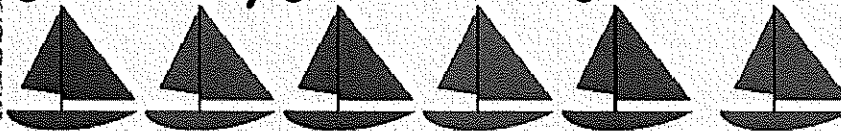


# The Wharf Homeowners Association



## The Wharf Homeowners Association (WHOA) Annual Membership Meeting

Minutes for February 24, 2018

The 2017 Annual Membership Meeting of The Wharf Homeowners Association was held on February 24, 2018 at 10:00 a.m. in the Amphitheater Room which is within the Convention Center adjacent to South Shore Harbour Hotel (2500 South Shore Boulevard, League City, Texas, 77573).

### Board Members Present

Robert Gray      Glynn Finley  
Mike Buehrer     Mark Russell  
Kent Brownhill

### Also In Attendance

Chris Hullman, Property Manager,  
TerraQuest Communities, Inc., Managing Agent  
The Wharf at Clear Lake Maintenance Association,  
Inc.  
68 Homeowners (in person or by proxy)

### I. Call to Order and Quorum Verification:

- A The meeting was called to order by Robert Gray at 10:00 AM;
- B The quorum verification (60 minimum required) was provided by Robert Gray.

### II. Introduction of Board of Directors and Management Company:

Robert Gray introduced the current Board Members (with Board Members' Positions and Terms as shown below) and the Association's Property Manager (Chris Hullman).

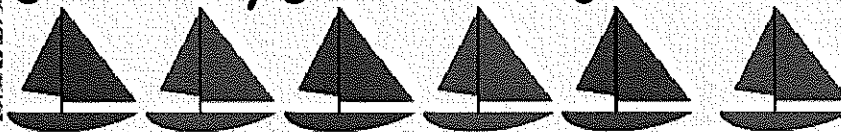
Position	Name	Term	Homeownership
Director, President	Robert Gray	2017	707 Davis Road
Director, Vice President	Mike Buehrer	2018	709 Davis Road
Director, Secretary	Kent Brownhill	2018	697 Davis Road
Director, Treasurer	Glynn Finley	2018	691 Davis Road
Director	Mike Wilbanks	2017	2340 Crow's Nest Drive
Director	Vivian Cardoso	2019	687 Davis Road
Director	Mark Russell	2019	2416 Crow's Nest Drive

### III. Annual Report to the Membership by Robert Gray (President):

- A Robert Gray provided a brief review of the primary maintenance project, which is the Siding and Painting Project. Mr. Gray noted that two (2) additional townhome



# The Wharf Homeowners Association



buildings (8 townhomes) were fully renovated during 2017. Additionally, Mr. Gray indicated that the facts of the project have not materially changed from the data and information provided to the Members during 2017. Mr. Gray briefly referred to multiple communications with owners on this primary maintenance project which included the Siding and Painting Building Maintenance Overview that was presented at the February 11, 2017 Annual Membership Meeting, the March 2, 2017 Siding and Painting Project Workshop held with the Community at the League City Civic Center, the public Board of Directors Business Meetings held during 2017 at the League City Civic Center, the November 6, 2017 Additional Information Notice eight (8) page mailing to all Members, and then the Board of Directors' Recommended Assessments that were presented to the Membership for a vote at the November 11, 2017 Special Membership Meeting (held in the Amphitheater Room which is adjacent to South Shore Harbour Hotel). Robert Gray indicated these Recommended Assessments were developed after several years of due diligence and which were designed to allow a predictable and accelerated schedule to complete the Siding and Painting Project. Please see attached **EXHIBIT "A"** for a summary of Mr. Gray's ANNUAL REPORT comments, and please see attached **EXHIBIT "B"** for the November 6, 2017 eight (8) page ADDITIONAL INFORMATION NOTICE for a summary of the Board of Directors' Recommended Assessments (and in particular paragraph 5 of said ADDITIONAL INFORMATION NOTICE for a review of the multi-year due diligence and the history of siding and painting contracting - which supported the Board of Directors' Recommended Assessments).

#### IV. Introduction of Director Candidates:

- A Robert Gray introduced the two (2) Director Candidates [Joan Lambert (2412 Crow's Nest Drive) and Jody Jackson (2106 Crow's Nest Drive)] that indicated an interest in running for the two (2) Director Positions available, and each currently available Director Position is for a three (3) year term;
- B Both Director Candidates had timely notified the Association in writing (of their interest in running) on or before the February 14, 2018 Candidate Solicitation deadline date that was included in the 2017 Annual Membership Meeting Notice Letter mailed out to all townhome owners on January 24, 2018.

#### V. Election of Directors:

- A The two (2) Director Positions [which are each for a three (3) year term] expire at today's 2017 Annual Membership Meeting [please see the Director Position and Term Table above on page one (1) of these meeting Minutes] and are to be filled with this Election. The aforementioned two (2) Director Candidates comprised all of the Candidates (there were no additional nominations allowed or requested after February 14, 2018):



# The Wharf Homeowners Association

- B Robert Gray advised the Membership that since there were only two (2) Candidates for the two (2) Director Positions available that there would be no printed voting ballots and requested Joan Lambert and Jody Jackson be voted in by acclamation. The Membership voiced their strong approval for these two (2) Candidates, and Robert Gray welcomed them to the Board of Directors.

## VI. Homeowner Comments and Questions:

1. Immediately after the aforementioned Election, Robert Gray advised the Membership that he is now no longer on the Board of Directors or President and therefore would turn the meeting over to the Vice President (Mike Buehrer).
2. Mike Buehrer thanked Mr. Gray for his service to the community. Mike Buehrer additionally noted to the Membership the importance of raising the necessary funding in order to move the Siding and Painting Project forward in an efficient and effective manner. Mr. Buehrer then asked for any townhome owner questions or comments.
3. A few townhome owners asked what can be done about all the damaged landscaping from the January 2018 hard freezes. The Property Manager advised that the landscape company was scheduled to begin the severe freezes pruning on Monday, February 26, 2018 and would thoroughly prune back all damaged landscaping. Additionally, the Property Manager advised the landscape company believes a majority of the freeze damaged plants and shrubs will grow back and recommended to not totally remove the freeze damaged landscaping (but instead to severely prune off the damaged foliage and allow the growing season to indicate which plants and shrubs might need further mitigation).
4. One townhome owner asked if it was desirable or necessary to continue to maintain The Wharf's website. The contracted website webmaster (Cormac O'Reilly) indicated The Wharf's website was developed over the years to support more enhanced communication and dissemination of Board of Directors information to the community, but Mr. O'Reilly indicated he would be happy to terminate its production and maintenance if that is what the community desired at this time. There was loud affirmative support from the Membership present that they definitely wanted The Wharf's website to stay active, updated, and properly maintained.
5. There were no additional specific questions or comments directed to the Vice President, so Mr. Buehrer asked for a motion to adjourn this 2017 Annual Membership Meeting.



# EXHIBIT "A-1"

## WHOA ANNUAL REPORT - 2018

When I was young I was taught an old adage that says. "Where there is a will, there is a way." That continues to be a belief of mine to this day. Additionally, I have tried to adhere to two guiding principles throughout my life, those being, to try and base all the decisions I make on reliable and verifiable facts, and to try and insure that those same decisions are fair and equitable to all affected. Keeping these ideals in mind, I submit the following report. Please bear in mind that while I think what I am going to say reflects in general the sentiments of the board, I take complete ownership of these remarks.

The old adage quoted above when applied to the Wharf perhaps should read. "Where there is a way, can we find the will?" Beginning in 2015 after the completion of the siding and painting projects that started in 2005, the board decided to undertake a search and a resulting bidding process to find a construction company to better serve our community as the next siding and painting project began. That process has been well-documented on numerous occasions so I will not rehash that process again. The current painting and siding project has been a three year journey that resulted in the Association having for the first time since I started my 12 term on the board, a comprehensive set of numbers, pricing, and a construction company skilled and capable enough to rebuild and refurbish our town homes to the specifications desired. Again, I ask, "when there is a way, can we find the will?" In addition, I do think the process that was followed satisfies my two guiding principles stated above.

The year 2017 saw this community trying to deal with two natures - Mother Nature and Human Nature. Mother Nature is usually going to have her way and we are left to deal with the aftermath. Human Nature on the other hand can be fickle and tricky to deal with. What a number of residents of this community seemed to forget is that the members of the board are all unpaid volunteers, home owners and residents, and that any recommendations that are made by the board affects the board and the community at large equally. From the time the board presented an overview of the siding and painting issues at the annual meeting in February until a set of recommendations were presented to the

## EXHIBIT "A-2"

community in September, the board spent many hours in meeting with home owners and in their own deliberations coming up with two recommendations they felt would move this community forward as quickly and efficiently as possible hopefully avoiding additional costs that could come with delay. We as a board, knew that these recommendations would be a big bite out of the apple, and that there would be a great deal of sticker shock, but the board needed to find out the feelings and tolerance level of the community. While disappointed that the recommendations did not pass, we as a board know that the facts around the project have not changed, and that we as a community, cannot give up and quit but must find the will to move forward. From my conversations with current board members, I think a new plan should emerge soon.

What was a disappointment, however, was the knee jerk reactions by some in the community after the recommendations made by the board were presented. Human Nature is such that when we are presented with facts or information that is a shock or unexpected, our first impulse is to strike back at the messenger with accusations and anger. The immediate reaction by some, especially on social media, was totally unwarranted and uncivil. The most common accusations made were ones of mismanagement and not being trustworthy, with no attempt to provide proof or substantiation. Throw in name calling and you have the trifecta. I ask you, "Is that any way to treat your neighbors and fellow community members?" On top of that, the person that seemed to have the most posts on social media put his home up for sale just weeks after the vote. I will leave you to determine the motivation for his opposition. But for me, the biggest disappointment came when I looked down at my phone shortly after the votes were counted in November and found out that a community member had posted on Facebook saying in effect, "that the deplorables had been defeated. At the time, I thought that he was referring to the board of directors, but upon reflection, could he also have been referring to all the community members who voted in favor of the recommendations? Again, I will leave you to figure out who the deplorable label better describes.

As I leave the board after 12 years, 10 as President, I think I can safely say that there is not any other person in the community, other than the Property Manager, that knows more about the siding and painting projects and probably

## EXHIBIT "A-3"

the workings of the community in general, than myself. The painting and siding project will continue to be the primary maintenance issue for many more years until the community decides how and when it has the will to solve it. Having said that, I would also ask the next and future boards to consider the following:

1. Try to find a more consistent and reliable way to determine the monthly assessment fee other than using the CPI. It has proven over the last few years, especially in the 2008 thru about 2014 timeframe, to not be reliable or helpful. Perhaps having a low percentage ceiling amount that could only be increased by using the normal assessment voting procedures would be of more benefit.
2. Revise, rewrite, and bring up to date our Governing Documents so that they are consistent and understandable and really work for us, not against us.
3. Look into the voting procedures concerning assessments to determine if the fact that Class B voters have the power to defeat any assessment even if the required level of Class A votes is obtained and whether that nullifying qualification is truly fair and equitable.

And finally, take a close look at the real drivers of the costs when renovating our buildings to determine if we are being truly cost effective. Rebuilding the window boxes, the chimneys, and using the very large dimensional cedar boards on the fascias under the roofs are the primary drivers of the siding costs. The window boxes are purely architectural in function and seem to serve primarily as a conduit for water intrusion or invasion by bugs and other harmful insects. The chimneys seem to be rarely used by most and create the same problems as the window boxes. Since the fascia boards are usually high off the ground perhaps an alternative wood product could be found that is more cost effective.

Now that it is time that I leave the board, I want to take the opportunity to tell all of you how honored and privileged I was to serve this community for 12 years. I think there have been many accomplishments made and goals achieved during that time, but I will leave it to you to determine the extent and scope. I love living in this community and the lifestyle and could think of no other place I would rather be. I know in my heart the will can be found to move this

## EXHIBIT "A-4"

community forward and the recent selling prices achieved indicates that we do indeed live in a vibrant and desirable community. When I spoke to the community in November, the selling price averaged about \$113.00 per square foot, but recent sales indicate that the price now is approaching \$130.00 per square foot. To move forward, we may have to use thinking that is outside the box, and in my personal opinion the most viable option may be for the individual home owner to fund the repairs of their own home. At present, and at least until the end of the year, the Association is only able to fund necessary repairs and pay our bills with no continuation of the siding and painting project unless additional monies are added.

In conclusion, I want to thank the over 30 community members who served with me on the board during my 4 terms, and especially to Mike Wilbanks, who has served at least as many years as I, maybe more, and has served as President, Chairman, and Member of the ACC committee. Thanks to all present and former members of the board for your commitment and service.

Additionally, I want to thank our Property Manager. I have never worked with a more tireless and committed person who works many, many uncompensated hours outside the normal duties hours. We are truly fortunate to have such a dedicated and capable individual as our Property Manager. Thanks Chris...

I firmly believe that the necessary will and commitment to rebuild our community can be found allowing us to continue to live in the best place on the entire Gulf Coast. I will continue to stand ready to help and serve this community in any capacity that I can...Thank you and may God bless you...see you on the water...



# EXHIBIT "B-1"

The Wharf at Clear Lake Maintenance Association, Inc.

P. O. Box 2025

League City, TX 77574

Phone: 281.316.1021

Fax: 281.334.2466

Email: davis69712@hotmail.com Website: www.wharfiving.net

## IMPORTANT NOTICE

**DATE:** November 6, 2017

**TO:** All Owners of Record of a Townhome or Lot in  
The Wharf at Clear Lake Maintenance Association, Inc.

**FROM:** Board of Directors

**RE:** ADDITIONAL INFORMATION CONCERNING SPECIAL MEETING OF  
OWNERS/MEMBERS ON SATURDAY, NOVEMBER 11, 2017 AT 10:00 A.M. AT  
THE SOUTH SHORE HARBOUR AMPHITHEATER

The following Additional Information is provided by the Board of Directors solely as general information to respond to various questions and concerns that have surfaced. None of this Additional Information supplants or modifies any existing state laws and/or The Wharf Homeowner Association (HOA) governing documents.

**1. Annual Assessment Increase -**

**Purpose:** The recommendation to increase the Annual Assessment, resulting in the monthly fee being \$47.00 over the current fee, is to allow more money to address other budget categories in our annual budget that have been over-shadowed in recent years due to the Board emphasis on Siding/Painting. With approximately 55 cents out of every budget dollar being spent on mandatory operational expenses, the remaining 45 cents is just not enough to properly fund the other 10 budget categories of repair and maintenance not directly related to Siding/Painting. This is especially true when Siding/Painting consumes approximately 50% of the Property and Building Maintenance areas of the budget. In the past few years we have managed to address and maintain the repair and maintenance issues, but not really enhance or improve items such as the landscaping or pools. Aging plants and trees need to be replaced and the pools and surrounding supporting decks and walls need to be repaired before they collapse, or other issues force the health department to close the pools down. Additionally, we need to be able to address much needed concrete repairs (especially the north parking lot), and any bulkhead and boardwalk issues that may arise. Having revenues to fund a Reserve Account for emergencies could also be funded, and then the Line of Credit Account could be used strictly for cash flow needs as originally intended.

**2. Special Assessment Funding -**

**ALL** funds collected from the recommended Special Assessment will be deposited into a separate account named Special Projects Account (Siding and Painting Project). Budgeted funds (allotted at \$102,816) from the HOA Maintenance and Operations Account will also be deposited annually into the HOA Special Projects Account for up to five (5) years. Payment of all Siding and Painting Project invoices shall be made solely from the Special Projects Account. Checks will be signed by the President and Treasurer of the Board of Directors ("Board"). Reporting of all revenues/disbursements and Special Projects Account Record Status will be available to all homeowners upon approval of the Board on a monthly basis. The projected time for completing the Siding and Painting Project is a maximum of five (5) years but is

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ADDITIONAL INFORMATION for THE WHARF HOA SPECIAL MEETING ON NOVEMBER 11, 2017

**EXHIBIT "B-2"**

dependent upon the availability of contractor and funds (i.e. Board Approved HOA Membership Payment Options).

**3. Special Assessment Choices of Payment –**

**Payment Options:** \$6,000 can be paid in January 2018 **OR** one-half (1/2) of that amount (\$3,000) can be paid in January 2018, and the additional one-half (1/2) of that amount (\$3,000) can be paid at \$50 per month for 60 consecutive months (January 2018 through December 2022). Other payment arrangements may be considered for individual homeowners upon application and approval by the Board.

**4. Consumer Price Index (CPI) Summary and HOA Monthly Fee -  
SEE EXHIBIT "A"**

**5. History of Siding and Painting Contracting –**

Prior to 2005 there was very little done to the siding other than painting. The first cycle of siding and painting renewal began in 2005 with successful proposals from Jimco Construction Company, Inc. for the siding and Southern Painting for the painting. The siding proposal was for time and materials. The painting was initially quoted at \$2,300 per townhome and increased to \$2,350 and eventually \$2,400 by 2015. This first cycle was completed in 2012 at an approximate total cost of \$532,000 (siding \$252,000, painting \$280,000).

During 2013 and 2014 the work effort and budget was directed towards the siding and painting of the garages which were completed in 2014. While work progressed on the garages, the Board considered the second cycle of townhome siding repairs. Based on costs experienced during the first cycle of siding repairs and painting, the Board anticipated costs would be approximately \$500,000.

In 2015 the Board decided to take a fresh look at siding repairs, and to reevaluate the siding requirements before beginning the next cycle of refurbishment. This reevaluation included discussions with the following professionals regarding their recommended approach:

<b>Name</b>	<b>Profession</b>	<b>Company</b>
Tim Broadhead	AIA Architect	Previously consulted concerning theme tower and cupola sizing.
Mike Scanlon, PE	Engineer	Previously consulted concerning structural design and windstorm certification.
Jim Austin, PE	Engineer	Recommended by Architect, consulted concerning windstorm certification.
Wesley Buchhorn, PE	Engineer	Previously consulted concerning structural design and windstorm certification.

Subsequently, the Board requested siding repair proposals from the following seven (7) companies (listed from lowest to highest cost bid):

<b>Company Name</b>	<b>Bid Position</b>	<b>Result</b>
Jimco Construction Company, Inc.	Lowest cost	Company went out of business before project started.
Burns Exterior Renovation	Next lowest cost	Burns hired to do building #1 as a test. Results were unsatisfactory.
Gemstar Construction Company	Next lowest, but twice the cost	Cost not acceptable.
Prouty Construction Company	Highest cost	Cost not acceptable.

**EXHIBIT "B-3"**

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M&M Roofing Siding and Windows	Declined to bid	Cited conflict of interest with Burns (they used same subcontractors).
Allied Siding & Windows	Incomplete	Only installs Hardie Board.
Sunlite Exteriors	Incomplete	Only installs Hardie Board.

The loss of Jimco, and the unsatisfactory performance of Burns, caused the Board to search for additional lower cost bidders and D&C Contracting, Inc. ("D&C") was identified as a potential contractor. D&C provided a proposal that included painting and was the best price of the remaining bidders.

D&C was hired to renovate building #2, and because of their performance was awarded the work on buildings #3, #4 and #5. During the work on buildings #2 through #5 more rotten wood was found than expected which resulted in higher than expected costs. D&C agreed to absorb \$9,385 of these cost overruns on building #2 on a one-time basis as long as future contracts are based on actual materials and labor required. The accumulation of these learnings caused the Board to revise their assessment of the cost, time period, and funding of the Siding and Painting Project.

It was now obvious that more extensive and costly siding renovations would be required. Additionally, it became clear that delaying the work would result in greater siding damage and increased costs. The Board decided to present these learnings to the owners and recommend an accelerated timeline for siding repairs along with alternative methods for financing, including loans and special assessments. The February 11, 2017 Board meeting presentation by Cormac O'Reilly shared this information. That presentation did not anticipate reworking building #1 and reworking buildings #20-#26 which had the siding repaired and painted within the last few years. Following that meeting, additional discussions concerning alternatives occurred during 2017 at a Workshop in March, and also at Open Forums at the 2017 March, June and September Board meetings.

During this period D&C was asked to undertake a professional assessment and estimate the work to be performed on the remaining buildings needing renovations. They were also asked to estimate the cost to bring building #1 and buildings #20-#26 up to the new, higher standards. D&C had a professional estimator do a non-destructive assessment of building #1 and buildings #6-#26 and provide an estimated cost for siding repairs and painting for each building. These repairs would be done to the new standards adopted in 2016/2017 for buildings #2-#5 that included replacement of fascia, replacement of wood behind electrical boxes without disrupting electrical service, and other improvements designed to protect and improve the townhomes. The resulting estimate was for \$922,651 which included additional work on building #1 and buildings #20-#26. The Board added a 20% contingency amount to this estimate and presented the results at the September 2017 Board meeting, along with a recommendation for a special assessment and an increase in the monthly fee.

The contingency amount is needed to help avoid future surprises. Until work begins, and trim boards are removed, the true amount of work can only be estimated. If owners decide not to approve the additional assessments, incremental water intrusion will likely occur over time and increase these estimated costs as well as potentially create additional undesirable consequences.

- 6. **Special Assessment Estimated Expenditures and Funding Requirements -**  
SEE EXHIBITS "B-1" AND "B-2"
- 7. **Scope of Work for Siding and Painting (Related to Building #1 and Hardie Plank Buildings) –**  
The Siding and Painting Project and the related special assessment funding will include:
  - A. All remaining buildings other than buildings #2, #3, #4 and #5.
  - B. Building #1 is included in the bid/estimate and will be completed to the same higher standards as all other buildings (including siding, fascia, and wood behind electrical boxes).

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**EXHIBIT "B-4"**

- C. All townhomes originally built utilizing Hardie Plank Siding will be treated the same as all other townhomes. This includes replacement of all needed trim, fascia, window boxes, chimney boards, etc. that were originally built utilizing non-Hardie Plank materials (cedar/pine) as well as caulking and sealing (prior to painting) for the prevention of water intrusion.

**8. Special Considerations Concerning Siding and Painting Project's Estimated Expenditures and Funding -**

The project estimates are flexible and can be impacted by many variables. The sooner the work is started, the closer actual costs will likely be to the estimates. Delays may result in higher costs due to increasing demand for labor and materials, especially with strong Gross Domestic Product (GDP) growth. The recent hurricanes in Texas and Florida have put more demand on contracting labor and materials which is increasing prices. As the buildings weather and boards deteriorate, costs will increase.

The expense Contingency Factor of 20% is hoped to mitigate and offset these uncontrollable variables and others that may impact the project. The Board is hoping to avoid a request for more funds if the project is delayed.

Currently, \$72 of your monthly HOA fees are earmarked for the Siding and Painting Project. This amounts to \$102,816 per year. This amount will continue to be used to fund this project.

What happens to funds collected if the project costs less than anticipated? If the project does cost less than projected, the Board will use the money to start and accelerate the roofing project. We anticipate that to be about a \$500,000 project.

**9. Notice Required for Special Meeting -**

The State of Texas (Property Owner Association Law Section 209.0056) has modified the minimum number of days for the written notification requirement. The HOA provided its members written notification more than twice the minimum number of days required.

**10. Directed Proxy, Ballots, Vote Counting -**

- A. Purpose: The Directed Proxy is to insure that the specific owner's intention is voted at a meeting.
- B. Ballots: Ballots will be distributed at the Special Meeting.
- C. Vote Counting: The Association's Attorney and her appointed staff will be inspecting and verifying the Directed Proxies, Ballots, Classes, Vote Counting, and certifying the final results.

**11. Quorum, Class "A" Members, Class "B" Members, Voting Rights, Voting Requirements to Pass Assessment(s) -**

- A. Quorum to Hold Meeting and Transact Business: Those persons or entities holding a majority of total votes, either in person or by proxy, shall constitute a quorum for all purposes at any meeting of the members.
- B. Class "A" Members: Anyone that owns one (1) townhome only.
- C. Class "B" Members: Anyone that owns more than one (1) townhome and/or more than one (1) unimproved lot.
- D. Voting Rights:
  - 1. Class "A" Members: one (1) vote per townhome.
  - 2. Class "B" Members: one (1) vote per townhome and one-tenth (1/10) vote per unimproved lot.
- E. Voting Requirement to Pass Assessment(s): Provided there is a quorum and the HOA can transact business, then the affirmative vote of two-thirds (2/3) of each class of members present, in person or by proxy, is required for an assessment to pass.

Summary of CPI and HOA Fees  
HOA Fees with CPI Adjustments

EXHIBIT "B-5"

<u>CPI %</u> <u>Change</u>	<u>HOA</u> <u>Year</u>	HOA Fee @ CPI	Actual HOA	Difference	Additional Money
	2007	\$232.29	\$232.29	\$0.00	\$0.00
2.4%	2008	\$237.87	\$237.87	\$0.00	\$0.00
5.6%	2009	\$250.95	\$250.95	\$0.00	\$0.00
-2.1%	2010	\$245.69	\$250.95	-\$5.26	-\$7,515.32
1.2%	2011	\$248.72	\$250.95	-\$2.23	-\$3,181.75
3.6%	2012	\$257.75	\$250.95	\$6.80	\$9,706.54
1.4%	2013	\$261.38	\$250.95	\$10.43	\$14,890.52
2.0%	2014	\$266.50	\$250.95	\$15.55	\$22,208.71
2.0%	2015	\$271.81	\$250.95	\$20.86	\$29,790.82
0.2%	2016	\$272.27	\$250.95	\$21.32	\$30,449.00
0.8%	2017	<b>\$274.55</b>	\$253.00	\$21.55	\$30,768.52
					<b>\$127,117.06</b>
1.7%	2018	<b>\$279.21</b>	\$257.30	\$21.91	\$31,291.46
					\$158,408.52

Comments

People have asked what the HOA fees would have been if we had increased them each year based on the CPI. We have relooked at that and found it would have been more than we previously thought. If we had adjusted the HOA fees up and down based on the CPI changes, the fees in 2017 would have been \$274.55 per month and the cumulative increase since the last increase in 2009 would have been \$127,117.

Source of Date - Bureau of Labor Statistics using July data  
<http://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/>



**Siding and Painting Proposal  
Funding**

**EXHIBIT "B-2"**

<b>Painting and Siding Proposal - Funding</b>		<b>Monthly</b>	<b>Annual</b>	<b>Total Annually</b>
<b>Income Sources:</b>				
Presently Earmarked HOA Dues		\$72.00	\$864.00	\$102,816
Proposed Assessment (Part A \$3,000 @ \$50/mo.)		\$50.00	\$600.00	\$71,400
Proposed Assessment (Part B - 1 time \$3,000)		\$3,000.00	\$3,000.00	\$357,000
=====				
<b>Year 1 (2018)</b>	<b>Annually</b>			
Presently Earmarked HOA Dues		\$102,816		
Proposed Assessment (Part A)		\$71,400		
Proposed Assessment (Part B - 1 time)		\$357,000		
	<b>TOTAL (2018) ==&gt;</b>	<b>\$531,216</b>		<b>\$531,216</b>
Year 2 (2019) (Budgeted \$102,816 + Part A)		\$174,216		\$174,216
Year 3 (2020) (Budgeted \$102,816 + Part A)		\$174,216		\$174,216
Year 4 (2021) (Budgeted \$102,816 + Part A)		\$174,216		\$174,216
Year 5 (2022) (Budgeted \$102,816 + Part A)		\$174,216		\$174,216
		<b>\$1,228,080</b>	<b>&lt;&lt;TOTALS&gt;&gt;</b>	<b>\$1,228,080</b>

**Estimated Expenses:**

The preceding page labeled **Estimated Expenses** shows the estimated costs to repair and paint the siding. This is shown by building (with the related addresses) and with the 20% contingency. It also shows the cost per townhome unit. The bottom of the page adds in the cost of paying off our working capital loan to arrive at a total estimate of the funds that will be required to complete the proposed work, \$1,181,325.

**Funding:**

- The above page titled **Funding** shows the proposed sources of the funds for the project.
- The first source, Presently Earmarked HOA dues, is \$102,816 annually. This is the portion of the current HOA fees that has been earmarked by the Board for the Siding and Painting Project.
  - The second source, Proposed Assessment (Part A), is the \$3,000 per townhome proposed assessment that can be paid at \$50 per month over 60 months. If everyone chooses to pay this monthly it will provide \$71,400 annually towards the siding and painting project.
  - The total of these two parts will provide \$174,216 annually toward funding the project.
  - The last source, Proposed Assessment (Part B - 1 time) is the \$3,000 lump sum annual assessment that would be due in 2018 for each townhome. This will provide an additional \$357,000 in year one and bring the total funds available in year one to \$531,216 (\$102,816, \$71,400, \$357,000).
  - The funds in years one through five equals total funding of \$1,228,080 which exceeds the cost of \$1,181,325.

