

Victorian Gables Homeowner Association

Proposed Covenant Changes
November 21, 2021

Ground Rules

- Permit presenters to finish presentations
- Hold questions until presenter asks for questions

Agenda

- **Why Make These Covenant Changes (30 min)**
 - Voting
 - Insurance
 - Administration and Management
- **Discussion (30 min)**
- **Policies (5 min)**
- **Preview of 2022 Budget Plan (5 min)**

Your Board

Officers:

President, Scott Novogoratz (#39)

Vice President, Dale Noel (#12)

Treasurer, Ted Huston (#21)

Secretary, LeAnn Payton (#23)

Directors-At-Large:

Doug Ouren (#31) - term expires at end of 2022

Tom Glenn (#20) - term expires at end of 2021

Kammi Eckhoff (#2) - term expires at end of 2023

Voting

- Why make Covenants changes for Voting Rights (Article II, Section 2)?
 - Conflict exists between the Voting Rights section listed in the Articles of Incorporation and the Declaration of Covenants
 - This is a “clean up”, acknowledging Voting Rights in the Articles of Incorporation (Article V) supersede those in the Declaration of Covenants
- What is the impact on homeowners?
 - This does not affect homeowners’ voting rights, but serves to default to those in the Articles of Incorporation

Insurance

Why make Covenants changes for Insurance (Article XI)?

- To state consistently throughout that the homeowner is responsible for paying the HOA insurance **deductible** when damage occurs to their unit.

The mechanism of payment is through **loss assessment coverage** in the homeowner's own insurance.

- To prevent the need to update covenants every year when HOA insurance deductibles increase. Specific deductible numbers -- e.g. \$10,000 -- have been eliminated.

Insurance

What is the impact on homeowners?

- When a Unit is damaged by an insurable peril, the homeowner(s) with damage to their Unit(s) will be assessed for cost of repair **up to** the full deductible amount from the HOA's insurance policy.
- Homeowners who have Loss Assessment coverage with their individual insurance policy, would submit this assessment as a claim to their own insurance company.
- As new HOA insurance policies are adopted each year, the amount of recommended loss assessment coverage may change.
- This is not new. It simply has been made more clear in this revision.

Context: The Insurance Industry

- Last year our former agent gave us early word that our insurance renewal premium would increase by 70%. Our new agent found a policy costing only 8% more than prior year.
- Our insurance next year will cost 25% more than this year. The carrier of last year's dropped all its Colorado business; it was losing money here.
- We cannot find affordable HOA insurance without the outrageous deductible for wind/hail damage: 5% of the **building** value where damage occurs.
- Our new insurance escalates the guaranteed replacement costs of our units by 80%. Because of this, the deductible for wind/hail also increases by 80%.
- We now recommend loss assessment coverage to be **\$50,000** rather than last year's \$30,000.
- Deductible for "all other perils" (e.g., fire or lightning) remains \$10,000.

Insurance Example 1: Hail/Wind

The **roof** of your building (your Unit and your neighbor's Unit) has damage due to **hail** and needs to be replaced

- Assume the cost of the new roof for your building is \$25,000 and your building is valued at \$900,000 (average replacement value in new HOA policy).
- HOA **cannot** even **file a claim** because deductible will be \$45,000 ($\$900,000 \times .05$), i.e., the **deductible is much higher than the damage**.
- HOA charges a loss assessment to both you and your neighbor of \$12,500 **each** to pay the cost of repairs, \$25,000 in total.
- If you have **Loss Assessment coverage**, you then submit a claim to your insurance company under your homeowner policy for \$12,500.
- If you have **no** loss assessment coverage, **you pay the \$12,500**.

Insurance Example 2: Fire

Your building (your Unit and your neighbor's Unit) is completely destroyed by fire and needs to be replaced.

- Assume "replacement value" of your **building** (your unit and neighbor's unit) is \$900,000 (average replacement value in new HOA policy).
- **Fire** is one of "all other perils." Its **deductible** is **\$10,000**.
- HOA will charge a loss assessment to both you and your neighbor of \$5,000 **each** to pay the cost of the HOA **deductible**. If you have **Loss Assessment coverage**, you then submit a claim to **your** insurance company for this assessment of **\$5,000**.
- The HOA insurance will then pay for complete replacement of **original building structure**. Your homeowner insurance will pay all other restoration, including personal property. You will pay a deductible, according to the wording of your homeowner policy.

Quiz Questions for You

- What will be loss assessment if wind/hail causes total damage?
- What if fire causes less than \$10,000 damage only to your unit?
- What if the damage is caused by lightning?

Insurance Reserve Fund

- Years ago, the Board established an Insurance Reserve Fund, which currently has a balance of \$17,287
- This fund will remain in place to help pay those deductibles that are not the responsibility of individual homeowners; e.g., damage to common area

Administration & Management

- Why make Covenants changes for Administration and Management?
 - Clarify that if conflicts exist between the Articles of Incorporation and the Declaration of Covenants, the Articles of Incorporation shall prevail
- What is the impact on homeowners?
 - This does not affect homeowners, but serves to clarify which document supersedes the other in case of a conflict

Policy Changes

- Under the Declaration of Covenants, the Board has the authority to establish and enforce policies
- New policies and existing policies changes have already been contemplated by the Board. These will be discussed at the Annual Meeting

Preview of 2022 Budget Plan

Nov18 Draft Budget for 2022

Refer to details sent in email

	2021		Projected 2022	
	Budget	Expected Annual	Budget	Comment
Income				
HOA Dues	\$132,000	\$132,025	\$132,000	\$825 per quarter, no change from 2021
Transfer Fees	\$0	\$200	\$0	
Interest	\$1,000	\$1,384	\$1,000	
Total Income	\$133,000	\$133,609	\$133,000	
Expenses				
Operating				
Subtotal	\$45,150	\$46,773	\$47,890	
Landscape				
Subtotal	\$43,450	\$62,164	\$20,500	
Maintenance				
Subtotal	\$6,600	\$7,225	\$11,750	
Replacement Reserve				
Sub-Total	\$37,250	\$24,646	\$44,704	Should be at least \$42K to meet 30y replacement plan
Total Expenses	\$132,450	\$140,808	\$124,844	
Surplus/ Deficit	\$ 550	\$ (7,199)	\$ 8,156	

Questions and Discussion