

**SPECIAL MEMBERSHIP MEETING (VIRTUAL)
WATERSIDE PROPERTY OWNERS ASSOCIATION
SATURDAY, DECEMBER 10, 2022 10:00 A.M.**

MINUTES

A Special Meeting of Waterside property owners of the Single-Family Homes, the Townhomes, Canal Woods and the Waterside Property Owners Association, Inc. was held on Saturday, December 10, 2022, at 10:00 AM. Given the current pandemic situation and the availability of owners to attend this meeting, it was a virtual meeting.

Call to Order -- Joe Deardorff, President

1. Proof of Notice of Meeting –Jennifer Fannin, Seascope Property Management

Certifying a Quorum – by entity: Jennifer Fannin, Seascope
Criteria was met by CW, TH, SFH, and POA

CW membership is 23: 12 owners were necessary to be present, or by proxy for a quorum to conduct business and vote.

TH membership is 24: 13 owners were necessary to be present, or by proxy for a quorum to conduct business.

SFH membership is 33: 17 owners were necessary to be present or by proxy for a quorum to conduct business and vote.

POA membership is 80: 41 owners were necessary to be present or by proxy for a quorum.

2. The purpose of the meeting was to discuss the following: A Code of Regulations Amendment for each entity and to vote on whether to amend the Code of Regulations language to continue following past practice.
3. The owners of each entity (SFH, TH, and CW) discussed and voted to decide if the Code of Regulations should be amended:

The Question to vote on a possible change to the Code of Regulations was introduced to each entity group of homeowners via reading of the question and also presented on their computer screens by Deb Rose as follows:

“A –Do you as an owner want the precedent of the past 20 years to continue (where insurance, repair, and replacement of roofs, siding, and chimneys are the entity’s financial responsibility) therefore **AGREEING TO AMEND the Code of Regulations (then vote YES)**

OR

B – Do you as an owner want to individually be financially responsible for the insurance, repair, and replacement of roofs, siding, and chimneys, therefore **agreeing to NOT AMEND the Code of Regulations as they are (then vote NO)**”

Discussion on Amendment CW -- CW needed 12 “YES” votes to approve the amendment

Results of CW Vote: **Approved to Amend**

67.5% of Canal Woods owners (CW) voted “yes” to amend the code of regulations. (Passed)

Discussion on TH Amendment -- TH needed 13 “YES” votes to approve the amendment

Results of TH Vote: **Approved to Amend**

75% of Town Home owners (TH) voted “yes” to amend the code of regulations. (Passed)

Discussion on SFH Amendment -- SFH needed 17 “YES” votes to approve the amendment

Results of SFH Vote: **Not Approved to Amend:**

13/33 = 39.4% voted “yes” to amend (Failed).

NOTE: Any exterior change to a building would still need approval by the Board via an A&L

The results determine the 2023 budget. The precise language for the Amendment change needs to be written by our attorney, Bob Valihura, and voted on by the owners before being presented to the County for recording.

4. Recap of 2023 BUDGET (Penny Sicilia, Treasurer) See “Explanatory Information” document
5. Voting on the 2023 the Budget
 - a. DUCIOA: 51% “NO” vote needed to disapprove (nothing about approving).
 - b. 2023 Budget for each entity was **Approved** as presented.

Canal Woods: 94% approved the 2023 budget

Town Homes: 91% approved the 2023 budget

Single Family Homes: 83% approved the 2023budget

POA: 98% approved the 2023 budget

Meeting was adjourned at 11:42 am

NOTE: See this document, “Explanatory Information” below for 2023 Budget presentation by Penny Sicilia, Treasurer.

The following information was prepared throughout 2022 and discussed as New Business during the 11/12/2022 Annual Meeting. This explanatory information has been updated based on discussions and questions from the meeting and additional information provided after the meeting.

The following document details THREE separate but related issues impacting the Waterside Community.

1. Long Term Reserve Analysis
2. Proposed Codes of Regulations Amendment
3. 2023 Budgets

1. LONG TERM RESERVE ANALYSIS

Background

The Delaware Uniform Common Interest Ownership Act (DUCIOA [Title 25-Chapter 81](#)) was enacted in 2009 to authorize and govern “many requirements and options for common interest communities.” “It contains detailed requirements, rights and responsibilities of the developer, the community’s owners’ association, and the homeowners and residents. Since September 30, 2009, the DUCIOA governs common interest communities unless they have fewer than 20 units, or the declaration says the annual assessment cannot exceed \$500 (increased by 3% per year thereafter).”

Waterside Reserve Establishment and Reserve Studies

The Waterside entities appear to have established long term reserves (LTRs) in 2006 (SFH, TH, CW) and 2007 (POA) and have performed reserve studies. The 2014 and 2020 long term reserve studies breakdown individual line items. The 2020 reserve study is available on the [Waterside Community website](#) (you must log in as an owner to access this document).

While focusing to fund short term needs for the community’s entities is enticing, DUCIOA requires that communities fund for the long term (refer to DUCIOA definitions of [fully funded, Repair and replacement reserve, Reserve Study, Special assessment](#) and [§ 81-315. Assessments for common expenses](#) excerpts provided at the end of this document or full citations provided at [DUCIOA](#)).

Waterside Reserves and Current LTR Balances

The following shows the 09/30/2022 LTR balances and where money was spent over 16 years (through 04/2022). Please note that spending for repairs is in the operating and is not included in LTR; *only expenses logged as LTR* are included below:

Entity	LTR Balance as of 09/30/2022	Expenses 2006-04/2022	Expense Information	
POA	\$69,691	\$123,716	\$31,162 – Ponds \$23,816 – Concrete Curbing \$19,216 – Irrigation \$12,754 – Pool HVAC and Furniture \$ 4,200 – Landscaping \$ 3,350 – Roads (Seal Coat) \$ 1,800 – Reserve Study	\$27,418*

WATERSIDE COMMUNITY EXPLANATORY INFORMATION

Entity	LTR Balance as of 09/30/2022	Expenses 2006-04/2022	Expense Information	
SFH	\$70,678	\$194,062	\$149,734 – Gutters \$ 44,580 – Roofs \$ 1,000 – Reserve Study	(\$1,252) Return of Insurance Proceeds
TH	\$63,849	\$ 46,761	\$41,541 – Gutters \$ 5,490 – Exterior Painting \$ 1,255 – Piers \$ 1,000 – Reserve Study	(\$1,625)*
CW	\$59,589	\$ 84,867	\$44,325 – Gutters \$16,633 – Roofs \$ 1,000 – Reserve Study	\$22,909*

* Denotes where historic expense line items' details were insufficient to determine specific usages

Historic Reserve Studies and Current Repair/Replacement Needs

The historic reserve studies looked at elements and determined the remaining life (REL), expected life (NEL), and replacement cost. By example, the report would note a roof had a REL of 3 years and a NEL of 25 years and would cost, in unadjusted/uninflated dollars, \$15,000 to replace. The RELs and NELs between the 2014 and 2020 (both adjusted to current year) showed differences in several line items. We will need to address this in the next set of reserve studies to ensure we understand and agree with the reports (keeping in mind the reports are to serve as guides for spending and it is up to the Board to determine what needs attention and when – community needs based on what we see and what the reports indicate). Another set of reserve studies is due before 2025 (DUCIOA required at least every 5 years).

Near term Items

In looking at the LTRs and the reserve studies, current funding will not be available to complete necessary work without an increase in quarterly assessments. The following are the entity, high level items, estimated costs (with details for the estimation provided after the table) for near term items based on both visual inspection and the prior reserve studies:

Entity	Item	Description	REL	Est Cost
POA	1	Roads – includes concrete curbing and paving (aka mill & overlay)	See 1	See 1 range \$394,821 - \$606,461
POA	2	Pool pumps/chlorinator/filter	See 2	
POA	3	Pond pumps – possibly to include pond dredging	See 3	
POA	4	Pool resurface – includes resurfacing and tile		See 4 range \$5,000 - \$13,000
SFH	5	Roofs		See 5 range \$22,000 - \$25,000/roof
TH	6	Roofs		\$90,000/building

CW	7	Roof Valleys		\$3,000 - \$6,000 per valley
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Item 1:

The road items, RELs, and NELs were not consistent (between 2014 and 2022 studies). The current condition of the concrete curbing and roads is deteriorating, and a seal coat may extend the life of the pavement in some places while other places would require more work.

In 11/2019, Jerry’s Paving provided an estimate to resurface (mill & overlay) all roads in Waterside for \$ 130,836. This estimate was updated based on the information provided in the original estimate and asphalt prices (from https://deldot.gov/Business/bids/index.shtml?dc=asphalt_cement_english). The updated estimate *based on the updated asphalt price only* is \$251,821.44. This update does *not* account for increases in fuel service charges (11/2019 was \$3.233/gallon vs 06/2022 is \$6.262/gallon), labor costs, or other items.

The 11/2019 paving estimate did *not* include the concrete curbing. The 2020 POA study denotes concrete curb and gutter at 414 feet (noting 6% and 10% allowances vs 100% allowances); meaning 3950+1770=5720 feet (confirmed using google earth and measuring the actual curbing in the community at approximately 6000 feet). The 2020 replacement costs were estimated at \$28.90 and \$35.50/foot equating to an estimated full replacement cost of 114,155+62,835=\$176,990. Concrete estimates now vary from \$25-\$62/foot meaning a range of \$143,000 - \$354,640

Therefore, the total estimate could range from \$394,821 - \$606,461, significantly over the reserve study estimate and the 2019 paving estimate.

As discussed during the meeting, Sussex County does have [road and drainage bond programs](#) where the work can be performed, the total cost plus interest funded over a given number of years, and each owner’s pro rata share (1/80) added to your Sussex County Annual Tax bill. Doing this would shift your liability to a Sussex County tax (instead of a Waterside quarterly assessment). Ultimately, you are still paying for the road improvement. Sussex Shores used this type of funding option to perform significant work in their community in Bethany Beach.

Item 2:

The pool pumps, filters, and chemical/chlorinator items, RELs, and NELs were not consistent (between 2014 and 2022 studies). Recent LTR expenses show that various pumps (appears we have two) were replaced in 2011, 2014, and both in 2015 at costs of:

2011 pump \$919.00

2014 pump \$1,035.00

2015 2 pumps \$3,077.00 (1,534+1,543=3,077)

Pumps have a NEL of 5 years (7 and 12 per 2014 study) so we are overdue to replace both. Cost was not estimated for these items as a 49% one-year cost was noted for one pump. *Need to get estimates from pool company on REL and estimated costs to replace.* Include in Community Plan that will review condition of elements, estimate repair/replacement costs, estimate timeframes for completion

Filters and the chemical tank both have a NEL of 15 years (12 per 2014 study) and historic LTR transactions show these have never been replaced (Note: they could be in operating). *Need to get estimates from pool company on REL and estimated costs to replace.* Include in Community Plan that will review condition of elements, estimate repair/replacement costs, estimate timeframes for completion

Item 3:

The pond pumps have a NEL of 10 years. Historic LTR transactions show these have never been replaced (Note: they could be in operating). The 2020 study estimate was \$3,500/pump (appears we have two) and the main pump at \$5,500. Cost was not estimated for these items. *Need to get estimates from pond company on REL and estimated costs to replace.* Include in Community Plan that will review condition of elements, estimate repair/replacement costs, estimate timeframes for completion

Item 4:

The pool whitecoat/resurfacing and waterline tile items, RELs, and NELs were not consistent (between 2014 and 2022 studies). The 2020 study NEL for the whitecoat (resurfacing) and waterline tile were both 5 years (sadly 2014 REL for resurfacing was also 5 years) so we are approaching repair/replacement. The 2020 study estimated whitecoat at \$8,235. Current estimates for aggregate resurface are \$5,000 - \$13,000 (<https://poolresearch.com/cost/>). This does not include the waterline tile which can vary based on tile style.

Items 5 and 6 (SFH and TH):

Historic LTR transactions show four SFH roofs (33832, 33810, 33808, and 33878) have been replaced and no TH roofs have been replaced.

Using <https://www.roofcalc.org/> and <https://roofingcalculator.com/> along with google earth to measure roof sizes, the following are estimates for:

SFH single story - \$25,000/roof

SFH two story - \$22,000/roof

Within the past two months, one owner received three estimates ranging from \$12,800 to \$22,000 (plus \$100/sheet for plywood replacement) to replace a two-story SFH roof. This shows the estimation tools are not perfect and each individual roof's cost to replace will vary based on the extent of the work required once the shingles are removed and the roof's structural integrity is known for certain.

Using <https://www.roofcalc.org/> and <https://roofingcalculator.com/> along with google earth to measure roof sizes, the following is an estimate for:

TH - \$90,000/8 unit building

Within the past two months, an estimate for a TH roof (8 unit building) was \$72,000. This shows the estimation tools are not perfect and each building's roof's estimate will vary based on the extent of the work required once the shingles are removed and the roof's structural integrity is known for certain

Item 7 (CW):

Per prior roofers who performed work at CW, the shingles are good, but the roof valleys continue to be problematic. Approximately half of the roof valleys have been replaced. Recent roof valley replacements cost between \$3,000 and \$6,000 per valley

Within the past two months, an estimate for a CW roof (8 unit building) was \$85,000. This estimate information is provided for reference purposes.

Longer term Items

Based on the replacement estimates and income projections (using static/minimal LTR assessment increases), the existing LTRs will not cover the near-term items, let alone build the reserves to the levels required under DUCIOA.

Next Steps

- 1 – Review and validate the adequacy of the LTRs based on this information and the prior reserve studies – Complete
- 2 - Determine a reasonable repair/replacement and funding schedule for the near-term items – In Process

We cannot drastically increase the reserve overnight and we need to be prudent and considerate when devising a community replacement plan

3 – While we continue working on the longer term, begin introducing the near-term items to owners and informing them about the initial findings (sharing the spending to date and estimates of near-term items) and that the Board and Finance Committee are working on a plan that will require increasing LTR assessments – In Process

4 – Determine a reasonable repair/replacement and funding schedule for the long-term items – In Process – Keeping in mind Code of Regs section 5.7 (maybe be different in other entities’ docs) requires:

Section 5.7. Additions, Alterations or Improvements by the Council.

Whenever in the judgment of the Council the Common Elements shall require additions, alterations or improvements costing in excess of Two Thousand Dollars (\$2,000.00) during any period of twelve (12) consecutive months, and the making of such additions, alterations or improvements shall have been approved by a majority of the Unit Owners, the Council shall proceed with such additions, alterations or improvements and shall assess all Unit Owners for the cost thereof as a common expense. Any additions, alterations or improvements costing Two Thousand Dollars (\$2,000.00) or less during any period of twelve (12) consecutive months may be made by the Council without approval of the Unit Owners and the cost thereof shall constitute part of the Common Expenses. Notwithstanding the foregoing, if, in the opinion of not less than three-fifths (3/5) of the members of the Council, such additions, alterations or improvements are exclusively or substantially for the benefit of the Unit Owner or Owners requesting the same, such requesting Unit Owners shall be assessed therefor in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportions as may be determined by the Council.

5 – Plan for the next set of reserve studies knowing we need to compare our assessments with the “independent engineering, architectural, or construction contractors or other qualified persons” performing the reserve studies – In Process

6 – Inform the owners about what to expect from an LTR perspective – In Process

7 – Draft a Community Plan that will review condition of elements, estimate repair/replacement costs, estimate timeframes for completion

Proposed Code of Regulations Amendment

Delaware Law and Waterside Community Legal Documents

The Delaware Unit Property Act (UPA - [Title 25-Chapter 22-Section 2202](#)), the Delaware Uniform Common Interest Ownership Act (DUCIOA [Title 25-Chapter 81](#)), and the Waterside Declarations and Codes of Regulation (available on the [Waterside Community website](#) - you must log in as an owner to access these documents) govern the operations of the Waterside Community. Each of these has been amended or, in the case of DUCIOA, created since Waterside’s inception. As such, conflicts may arise between the Delaware codes and the Waterside documents. UPA is silent regarding conflicts between UPA and a community’s governing documents; UPA does not define “limited common elements”. DUCIOA does address conflicts between UPA, DUCIOA, and a community’s governing documents with DUCIOA deferring to the UPA or a community’s governing documents; DUCIOA does define “limited common elements” in various sections, the most relevant are 81-307(27), 81-202, 81-205, 81-208, 81-209, and 81-210.

Executive Summary

The Council was recently made aware of a discrepancy concerning “limited common elements”. The discrepancy is between the Waterside legal documents (Declaration for Waterside (and amendments thereof), Declaration Plan for Waterside, Code of Regulations for Waterside (and amendments thereof) for all entities) and the 20-year practice of repair and replacement of certain “limited common elements”. While Section 5.6(b) requires owners to bear the expense of repairing and replacing “limited common elements”, the practice since the inception of the community has been that the Association, not the owner, bears the expense of certain “limited common elements”. The “limited common elements” in question are “main walls” and “roof”s. At this time, given the impact to common and limited common elements during repair or replacement, the “unit elements” of “chimney and flue” should also be considered (especially in the Townhomes and Canal Wood units which are contained in a building with common walls). Graphic of plot filed with Sussex County for each Waterside unit:

NOTE:

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Unit Elements Include: The interior of building including but not limited to the entrance doors; non structural walls; electrical panel; hot water heater; windows and screens; all electrical outlets and lights serving the unit whether within or without the unit; stoves; dishwashers; refrigerators; air conditioning units; washers; dryers; sinks; baths and other plumbing; heating and other possible cooling facilities located within or without the unit; the plumbing and water lines serving each unit including any part but not the space it occupies; outside water faucets; storage areas; porch/balcony/deck, not usable as separate entryway; outside showers; interior stairs; fireplace, **chimney and flue**.

Limited Common Elements Include: The structural parts of the building; supports; **main walls; roof;** stairways; entry decks and entry porches; front walkway; and parking areas.

Graphic of Waterside Declaration Plan Section 8:

8. Common Elements: Limited Common Elements.

(a) "Common Elements" means and includes the definition thereof as set forth in Section 2203(3) of the Act and as defined in this Declaration. It includes all land, together with all improvements, subject to any public utility easements now of record or to be given in the future either by the Developer or the Council for sanitary and storm sewer use, water line, electric, telephone and cable television transmission lines, sewage lift stations or other similar necessary or desirable utility functions, excepting, however, the land designated for future construction of thirty-one (31) Buildings, and those on Annexable Land, by the Developer described in Schedules "B", "C", and "D", consisting of a total of thirty-three (33) Units and any additional units on the Annexable Land.

(b) The driveways on the Declaration Plan, leading into parking areas and the parking areas shall be Common Elements.

(c) The sanitary sewage facilities and water pipes up to the collectors for the individual Units shall be Common Elements.

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(d) All lighting fixtures and equipment and wiring installed to illuminate any of the Common Elements shall be Common Elements.

(e) Charges for water meters, water service, water bond sinking fund, charges for regional sewage use and regional sewage bond redemption, if any, shall be Common Elements, if the same are billed or charged to the condominium as a whole.

(f) All central services and utilities which serve as the main distribution lines shall be Common Elements.

(g) All apparatus and installations existing for common use shall be Common Elements.

(h) All other elements of the Building necessary or convenient to its existence, operation, maintenance and safety or normally used in common use shall be a common element.

(i) The structural parts of the building, the foundation, supports, main walls, roof, stairways, entry decks and entry porches, front walkway and parking areas of each unit as well as that part of the Property designated on the Declaration Plan as Limited Common Elements shall be Limited Common Elements appurtenant to the Units attached thereto and shall be restricted to the use and occupancy by the Unit Owners thereof.

Per Declaration for Waterside 2(g)(3), the definition of "Common Expense" includes "Expenses agreed upon as Common Expenses by the Unit Owners". Additionally, Title 25-Chapter 22-Section 2202 (3)(b) and (4)(b) define "common elements" as "main walls, roofs" and "common expenses" as "Expenses agreed upon as common by all unit owners", respectively. Furthermore, Title 25-Chapter 81 (commonly called DUCIOA), defines "Common elements" in 81-103(8) as "(i) in the case of (A) a condominium or cooperative, all portions of the common interest community other than the units; and (B) a planned community, any real estate within a planned community which is owned or leased by the association, other than a unit; and (ii) in all common interest communities, any other interests in real estate for the benefit of unit owners which are subject to the declaration." and defines "Common expenses" in 81-103(9) "expenditures made by, or financial liabilities of, the association, together with any allocations to reserves, related to common elements, other units or other real estate described in the declaration."

Per Declaration for Waterside 2(m) "Limited Common Elements" means that portion of the Common Elements allocated in the Declaration and identified on the Declaration Plan for the use and benefit of the Unit intended to be served to the exclusion of all other uses" and seems to imply usage only (versus repair and replacement). However, the Code of Regulations Section 5.6(b) as amended denotes the unit owner responsibility for repair and replacement of limited common elements.

Members of the Board consulted with an attorney familiar with Delaware law and the Waterside entities' Codes of Regulations. **If 51% of unit owners for each entity (per Waterside Code of Regulations Section 13.1) agree that the 20-year practice of repair and replacement of certain "limited common elements" and "unit elements" should continue, the community will be responsible for the repair and replacement of "main walls", "roof"s, and "chimney and flue"s.**

To ensure no future confusion, the Council believes it is in the best interest of all Unit Owners to amend the Waterside Master Covenants and Code of Regulations for all four entities to exclude "main walls" and "roof"s from "limited common elements" and "chimney and flue" from "unit elements".

These items would then be treated as “common elements” for repair and replacement ONLY. The matrix that follows in the Board Recommendation section reflects this recommendation.

Future Considerations to Address Now

Per Declaration for Waterside 2(g)(4), Common Expense is defined as “Expenses declared Common Expenses by the provisions of the Act or by this Declaration or the Code of Regulations” AND per Title 25-Chapter 22-Section 2202(3) Common elements include (b)“The foundations, structural parts, supports, main walls, roofs, basements, halls, corridors, lobbies, stairways and entrances and exits of the building” (c)“The yards, parking areas and driveways”. Some of these items are declared as “limited common elements” or “unit elements” in the Waterside legal documents. This may be an issue we should address now.

Including these as common elements, when historically they have been limited common elements with repair and replacement performed by the owners, would cause a substantial change and dramatically increase assessments. As such, **the Board recommends that these elements’ repair and replacement remain, as they have in the past, the unit owner’s responsibility.** The matrix that follows in the Board Recommendation section reflects this recommendation.

Board Recommendation

The Board recommends that the Code of Regulations for each Waterside entity be amended to denote that for purposes of repair and replacement, main walls, roofs, and chimneys and flues are not limited common elements or unit elements, respectively. This recommendation is based on:

- Codifying, via matrix, the 20-year precedent of entity (versus owner) responsibilities for the repair and replacement of main walls, roofs, and chimney and flue
- Based on the 20-year precedent, bringing the Waterside Codes of Regulations in alignment with the UPA definition of common elements (UPA 2202(3)(b) “The foundations, structural parts, supports, main walls, roofs, basements, halls, corridors, lobbies, stairways and entrances and exits of the building”)
- Addressing potential insurance coverage concerns if owners are unable to expand current contents insurance to include structural components potentially having to switch insurance companies to get appropriate insurance
- Addressing unit resale concerns by clearly delineating repair and replacement responsibilities for each component

The following matrix denotes the financial responsibility for each unit’s elements. The first THREE items, highlighted in yellow, are the items in question:

Unit Item/Component	Maintenance/Repair/Replacement Responsibility
Roofs	Past practice has been HOA and with passage of the amendment (for each entity), HOA would be codified (vs Owner)

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Chimneys & Flues	Past practice has been HOA and with passage of the amendment (for each entity), HOA would be codified (vs Owner)
Main Walls & Siding	Past practice has been HOA and with passage of the amendment (for each entity), HOA would be codified (vs Owner)
Gutters & Downspouts	HOA
Soffit	HOA
Trim	Owner
Windows	Owner
Doors	Owner
Screens (windows, doors, screen porch)	Owner
Outdoor Showers	Owner
Steps	Owner
Walkways	Owner
Entryway Porches	Owner
Driveways	Owner
Crawlspaces	Owner
Dehumidifiers	Owner
Sump Pumps	Owner
Water Lines from street to unit	Owner
Sewer Lines from street to unit	Owner
Irrigation Lines	HOA
Patios/ deck / balconies	Owner
Water/Sewer lines in street	Local Utility Company

Upcoming Vote During Special Meeting

The owners of each entity (SFH, TH, CW, and POA) now need to decide:

A – Do the owners want the precedent of the past 20 years to continue (where insurance, repair and replacement of main walls, roofs, and chimneys are the entity’s responsibility) therefore agreeing to amend the code of regulations (**then vote YES as recommended by the Board**)

OR

B – Do the owners want to individually be responsible for the insurance, repair and replacement of main walls, roofs, and chimneys therefore agreeing to leave the code of regulations as they are (**then vote NO**)

3. 2023 Proposed Budgets

- Two budgets were prepared to address the proposed limited common elements amendment

- There is no difference in the operating line items of both budgets. The difference resides in the Reserves line item
- Budget labelled “Proposed Without Amendment” reflects estimates if the condo docs remain as they are and the owners are individually responsible for repair, replacement, insurance, etc. of limited common elements
- Budget labelled “Proposed With Amendment” reflects estimates if the condo docs are changed to reflect past precedent and the HOA entities are responsible for repair, replacement, insurance, etc. of limited common elements
- Operating items in both budgets reflect inflationary increases
 - Property Management (2% per contract)
 - Electric (16% forecasts)
 - Insurance (5% forecasts)
 - Landscaping – Note that the Board obtained and reviewed 5 estimates. Ruppert was selected and the Board plans to meet with Ruppert to ensure work is performed as contracted. Note that the next bid was nearly \$13,000 more. This estimate’s comparable cost of service was more and also included weekly weeding of the individual beds
 - Additional Landscaping item (year 3 of 5 in previously agreed to work)
 - Community Improvement typically includes power washing
 - In 2022, this item included the Additional Landscaping item WHICH NOW has its own line item (Additional Landscaping)
 - General Maintenance repair of common elements
 - Irrigation and Water Treatment
 - Pond Management
 - Pool Management – Note that the Board reviewed 3 estimates. Premier Pool Service and Management was selected with a \$2,250 savings (compared with our current company’s proposal)
 - Legal Fees – The amount (\$60,000) reflects an estimate of legal fees related to the litigation. Please note that a special assessment may be required for attorney fees over the budgeted amount. Please also note that if we are not successful with the litigation, a special assessment will be required to make restitution to the plaintiff
- 2023 audit of Townhomes will be conducted
 - \$3,000
- Reserve items in both budgets reflect replacement of common elements (siding, downspouts, soffits) and building the reserves to fund those future replacements
 - Board is currently working on a Community Plan that will review condition of elements, estimate repair/replacement costs, estimate timeframes for completion
 - Will address replacement of all community items
 - Will prepare for full discussion during next reserve study (2024/2025)
 - Required by DUCOIA at least every 5 years
- The Reserve item in the Budget labelled “Proposed With Amendment” adds the building of reserves for replacement of main walls (as required), roofs, and chimneys for each entity as proposed in the amendment
 - SFH – 5 year roof project
 - 4 roofs already complete

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- 29 roofs remain equating to 6 roofs per year; increase this year ONLY brings LTR to what is needed for 2023; larger increase needed in future years if 5 year roof project timeline is unable to be extended
- TH – 3-5 year roof project
 - All 3 buildings would be done; 1 building a year as funds allow
- CW – 3-5 year roof valley project
 - approximately half of valleys have already been replaced leaving half to be done over 3-5 years as funds allow

The table below reflects the assessments under the two scenarios:

Type of Assessment	POA	SFH	TH	CW
2022 Quarterly Assessment	\$384	\$935	\$900.50	\$1,134.50
Proposed 2023 Quarterly Assessment without Amendment	\$490	\$972	\$900.50	\$1,134.50
Proposed 2023 Quarterly Assessment with Amendment	\$490	\$1,160	\$1,067	\$1,250

Refer to proposed 2023 budgets for itemized details

WATERSIDE COMMUNITY EXPLANATORY INFORMATION

Proposed 2023 Budget WITH Amendment

Waterside 2023 Budget Proposed (WITH Amendment)

Income:	2022 Owner Fees	2022 Actuals as of 10.4.22	2023 Owner Fees	2022 Single Homes	2022 Actuals as of 10.4.22	2023 Single Homes	2022 Townhomes	2022 Actuals as of 10.4.22	2023 Townhomes	2022 Canal Woods	2022 Actuals as of 10.4.22	2023 Canal Woods
Homeowner Fees	\$ 384.00		\$ 490.00	\$ 935.00		\$ 1,160.00	\$ 900.50		\$ 1,067.00	\$ 1,134.50		\$ 1,250.00
33 Single Homes	\$ 50,688.00		\$ 64,680.00	\$ 123,420.00		\$ 153,120.00	\$ -		\$ -	\$ -		\$ -
24 Townhouses	\$ 36,864.00		\$ 47,040.00	\$ -		\$ -	\$ 86,448.00		\$ 102,432.00	\$ -		\$ -
23 Canal Woods	\$ 35,328.00		\$ 45,080.00	\$ -		\$ -	\$ -		\$ -	\$ 104,374.00		\$ 115,000.00
Sub Total	\$ 122,880.00		\$ 156,800.00	\$ 123,420.00		\$ 153,120.00	\$ 86,448.00		\$ 102,432.00	\$ 104,374.00		\$ 115,000.00
	2022		2023	2022		2023	2022		2023	2022		2023
Expense:			Proposed			Proposed			Proposed			Proposed
Property Management	\$ 8,928.00	\$ 7,440.00	\$ 9,107.00	\$ 6,325.00	\$ 5,270.10	\$ 6,452.00	\$ 4,214.00	\$ 3,160.00	\$ 4,299.00	\$ 4,769.00	\$ 3,896.00	\$ 4,865.00
Accounting	\$ 350	\$ 340	\$ 340	\$ 3,350	\$ 310	\$ 310	\$ 350	\$ 250	\$ 3,250	\$ 350	\$ 280	\$ 300
Legal fees	\$ 24,461	\$ 19,337	\$ 60,000									
Office Supplies		\$ 480	\$ 800									
Meeting Expenses		\$ 150	\$ 200									
Insurance	\$ 1,000	\$ 1,393	\$ 1,500	\$ 43,230	\$ 42,156	\$ 45,392	\$ 55,951	\$ 43,919	\$ 47,831	\$ 62,084	\$ 51,838	\$ 56,422
Common Electric	\$ 12,000	\$ 9,645	\$ 14,000									
Common Water	\$ 700	\$ 643	\$ 850									
Telephone	\$ 840	\$ 641	\$ 840									
Sewer	\$ 345	\$ 267	\$ 350									
Landscaping & Mowing	\$ 6,168	\$ 5,790	\$ 6,684	\$ 32,088	\$ 24,066	\$ 34,644	\$ 9,468	\$ 7,101	\$ 10,284	\$ 11,988	\$ 8,991	\$ 12,948
Landscaping Shrubs/Plants		\$ 4,628	\$ 7,450									
Irrigation Maintenance	\$ 6,000	\$ 3,056	\$ 4,150									
Community Improvement	\$ 16,000	\$ 3,052		\$ 3,500		\$ 3,500	\$ 2,000		\$ 6,369	\$ 6,500	\$ 2,923	\$ 4,015
General Maintenance	\$ 3,447	\$ 5,032	\$ 3,444	\$ 5,191	\$ 1,115	\$ 5,128	\$ 4,218	\$ 754	\$ 4,133	\$ 6,308	\$ 4,320	\$ 6,303
Pond Management	\$ 8,400	\$ 4,558	\$ 9,000									
Pool Furniture	\$ 500	\$ 996	\$ 500									
Pool Management	\$ 7,400	\$ 7,600	\$ 6,750									
Pool Supplies / Maint./Janitorial	\$ 4,000	\$ 2,385	\$ 4,000									
Snow removal	\$ 2,500	\$ 1,965	\$ 2,500									
Waste Removal	\$ -	\$ -	\$ -									
Taxes	\$ 100	\$ 117	\$ 120	\$ 25	\$ 60	\$ 60	\$ 25	\$ 60	\$ 60	\$ 25	\$ 60	\$ 60
Water Treatment	\$ 1,500	\$ 1,225	\$ 2,000									
Reserves	\$ 18,241		\$ 22,215	\$ 29,711		\$ 57,634	\$ 10,222		\$ 26,206	\$ 12,350		\$ 30,087
Total Expense	\$ 122,880	\$ 80,739	\$ 156,800	\$ 123,420	\$ 72,977	\$ 153,120	\$ 86,448	\$ 55,244	\$ 102,432	\$ 104,374	\$ 72,308	\$ 115,000
overage/deficit	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ 0		\$ -
Increase			\$ 106.00			\$ 225.00			\$ 166.50			\$ 115.50
Operating portion	\$ 327.00		\$ 420.58	\$ 709.92		\$ 723.38	\$ 794.02		\$ 794.02	\$ 1,000.26		\$ 922.97
reserve portion	\$ 57.00		\$ 69.42	\$ 225.08		\$ 436.62	\$ 106.48		\$ 272.98	\$ 134.24		\$ 327.03
total dues assessment	\$ 384.00		\$ 490.00	\$ 935.00		\$ 1,160.00	\$ 900.50		\$ 1,067.00	\$ 1,134.50		\$ 1,250.00

Definitions and DUCIOA references

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(23) “Fully funded,” or any variation thereof with respect to a repair and replacement reserve, means a repair and replacement reserve which contains that balance of funds which (i) when supplemented by a fixed, budgeted annual addition, will meet fully, without supplementation by borrowed funds or special assessments, the cost of each projected repair and replacement noted in the reserve study no later than the date when each such repair or replacement is projected to be required by the reserve study, and (ii), with all budgeted contributions and expenditures for **repairs and replacements projected out no less than 20 years**, will never fall below a positive balance.

(39) “Repair and replacement reserve” means a reserve fund maintained by the executive board of a condominium or cooperative solely for the repair and replacement of common elements, and for no other purpose, including operating budget shortfalls or other expenditures appropriately addressed by a contingency reserve.

(40) “Reserve study” means **an analysis**, by 1 or more independent engineering, architectural, or construction contractors or other qualified persons, **performed or updated within the last 5 years, of the remaining useful life and the estimated cost to replace each separate system and component of the common elements, the purpose of which** analysis by 1 or more independent engineering, architectural, or construction contractors or other qualified persons, **is to inform the executive board and the association of a condominium or cooperative of the amount which should be maintained from year to year in a fully funded repair and replacement reserve to minimize the need for special assessments.**

(44) “Special assessment” means an **assessment** duly adopted from time to time **for an unexpected, nonrecurring or other common expense not included in the annual budget.**

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§ 81-315. Assessments for common expenses.

(a) (1) Until the association is validly established pursuant to this chapter and makes a common expense assessment, the declarant shall pay all common expenses together, in the case of a condominium or cooperative, with all sums necessary to fully fund the repair and replacement reserve until the association makes its first assessment.

(2) *After an assessment has been made by the association*, assessments must be made at least annually, based on a budget adopted at least annually by the association. In the case of a condominium or cooperative, **the budget shall include as a line item a payment into the repair and replacement reserve sufficient to achieve the level of funding noted in the reserve study, or maintain said reserve at such level.** The *minimum percentage of the annual budget* of a condominium or cooperative that must be assigned to the repair and replacement reserve will depend upon how many of the following components and systems are to be maintained, repaired and replaced by the executive board: (i) 1 or more hallways, (ii) 1 or more stairwells, (iii) 1 or more management or administrative offices, (iv) 1 or more roofs, (v) 1 or more windows, (vi) 1 or more exterior walls, (vii) 1 or more elevators, (viii) 1 or more HVAC systems, (ix) 1 or more swimming pools, (x) 1 or more exercise facilities, (xi) 1 or more clubhouses,

(xii) 1 or more parking garages (but not including surface parking lots), (xiii) 1 or more masonry bridges used by motor vehicles, (xiv) 1 or more bulkheads, and (xv) 1 or more docks. **In the event that the executive board is responsible for the maintenance, repair and replacement of 4 or more of the above-described systems or components, the minimum percentage of the annual budget that must be assigned to the repair and replacement reserve is 15%**; if the responsibility extends to only 3 of the above-described systems and components, the minimum percentage is 10%; and if the responsibility extends to only 2 or fewer of the above-described systems and components, the minimum percentage is 5%. In the event that the association's accountant certifies that the funds in the repair and replacement reserve are in excess of the sum required to constitute a fully funded repair and replacement reserve, the executive board shall refund or credit the surplus of the excess sum to the unit owners. *In the event that the association does not have a current reserve study as required by this chapter, the minimum percentages of the association's budget to be assigned to the repair and replacement reserve shall be the percentages prescribed in this paragraph (a)(2) of this section.*

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