

Catalina Foothills Estates No. 9 Association
Board of Directors Meeting
MINUTES

Meeting Date: **June 14, 2021**

Directors Present: Joyce Su, Larry Ivy, Marian Hand, Nancy Kay, Teri Ellen

Directors Absent: Sherri Durand, Anne Segal

Guests Present: Diane Frank, Valorie Gervickas, Aaron Stremick, Bill Voight, Craig Sawtelle, Karin Sawtelle, Gary Delmonaco, Frank Latarola, and Joyce Lessring

1. **Call to Order & Quorum.** Teri called the meeting to order at 7:03
2. **Owners Concerns.** Diane Frank expressed concern that an email went out from a Board member that shared Association member emails. The Board acknowledged the mistake and affirmed that the Board policy is not to share emails without permission from individual residents.
3. **Review or Annual Dues Assessment Increase / First Information Session.**
Teri informed attendees that this is the first of three informational sessions of the proposed increase in annual dues and reviewed the PowerPoint Proposal (attached). The Board's mission, primary responsibilities, and use of annual dues were briefly discussed. During the discussion of annual dues, road maintenance was described as a primary focus.

The proposed annual budget was reviewed, including expected income - both current and projected income and expenses. During this review, the Board was asked how we would handle a situation when we did not have funds to transfer the expected \$5,200 annual transfer into the road repair fund. Teri replied that if that occurred, we would not be able to transfer the funds which would inhibit our ability to maintain roads. Larry Ivy explained how the Board is saving \$4,800 this year by doing the road maintenance with volunteers and that this funding can be used for road maintenance.

Other projected budget items were discussed, including an increase in insurance, professional fees, and Association administration and compliance expenses. It was explained that the Board is looking at ways to reduce the activities and time required for volunteers to conduct Association duties while remaining self-managed. Many of the Board's duties are labor intensive, such as residential real estate transactions, compliance, and data base maintenance. Investment in technology and automation tools would reduce Board workload and improve day-to-day Association management. Due to relatively high turnover of Board members, it is important to reduce the workload and burden on individual Board member volunteers.

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Teri reviewed the history of association dues and major road repairs, including the fact that the initial \$100 annual dues amount has not increased even though costs have increased, and that the HOA had to do a special assessment in 2006 to repave the roads. Attendees were reminded that this proposal would go forward to a vote in September and would require a simple majority to pass. The ballot will be mailed out to all residents prior to the vote.

In addition to the general increase, the Board reviewed a separate road improvement special assessment that would likely be needed for 2036. With a \$300 per year annual dues amount, the Association projects a max of \$400,000 to fund such an effort. However, with a projected cost of \$642,821, a special assessment may still be needed to cover the full maintenance and repaving cost. Larry Ivy reviewed the process he used to develop the projected road improvement assessment and attendees briefly discussed past road improvement activities.

During open discussion of the proposal, the following comments and concerns were expressed.

- Acknowledging that the CCRs would need to be amended, an attendee asked that a cap on annual dues be established to ensure dues would not increase unless through another vote.
- Other HOAs in the area have higher annual dues than the Board is proposing. However, it is difficult to compare other HOA's fees due to each HOA's unique management practices and facility amenities, such as community pools.
- A suggestion was made to increase the annual dues even more so that this general increase would cover the full cost of repaving the roads in the future so that a special assessment to cover the full cost would not be necessary.
- Considering that a substantial reserve would be established, assurances should be established to ensure the funds are not utilized in other ways without due diligence, disclosure, and approval.
- Consider excluding residents that don't live on Association owned roads from paying the general increase and/or the special assessment as the public roads will not benefit from future road improvements. Other Associations in the area have established this policy. This would require an amendment to CAT9 CCRs.

4. Reports and Actions.

a. Newsletter

The newsletter is currently issued three times a year and the most recent letter was issued the week of June 7 with a notice of the proposal. The next regular issue is due out prior to the November elections.

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b. Roads and Landscaping

The roads are currently maintained by neighborhood volunteers which is saving \$4,800 this year. This effort will pause in June, July, and August due to heat, but will resume in September. In the fall, the plan is to place a large rented dumpster in the wash near Circulo Solaz and Calle Las Altos and remove the dead trees in the wash (with Board and impacted residents' approval).

Larry Ivy has been communicating with county officials and has been encouraging them to repave the part of Avenue de Posada within CAT9 when they repave Avenue de Posada south of Skyline next fiscal year.

Larry has contacted the trash removal company that has been driving into our community with large trucks and was told they would find out which driver was involved and to stop this from occurring in the future.

If anyone has a road maintenance concerns, let Larry Ivy know.

c. Resales Report

Due to Board member absence at the meeting, this review was moved to the September Board meeting. See report below.

d. Architecture Reviews

Based upon Kevin's report and recommendation, the sound wall construction request for the Delmonaco property was approved via email by the Board, and ratified.

e. Mistletoe

While some residents have been doing a good job removing mistletoe from their property, some have not. The Board is considering issuing compliance letters to those that have not in an effort to save neighborhood trees.

f. Financials

Joyce reviewed the May 31, 2021 financial report but did not have a written report to distribute for the meeting. The last three residents paid their annual dues and late fees for a total of \$780. Larry Ivy was reimbursed \$92 that he paid for the waste management costs he incurred for maintaining the roads. The Association paid \$87 for legal consultation regarding potentially amending the CCRs. We currently have \$71,067.93 in our checking and savings account. The contents of our storage unit were reviewed to include historical architectural plans, trash cans, recycling bins, and mail boxes. Our fiscal year begins on February 1 each year. We may want to consider changing our CCRs to start our fiscal year on January 1st to encompass a full calendar year.

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The ongoing basic expenses were reviewed, including the annual road transfer of \$5,200. Joyce explained that this transfer goes into our savings account and that the Board has not utilized the savings account outside of last year's road repairs for any other type of expense. A comment was made to ensure that any future financial officer knows that the savings account is only for road repairs/improvements.

5. **Next Meeting.** The next Board meeting is to be held on September 13, 2021 at 7:00 pm. There are no Board meetings in July and August.
6. **Adjournment.** The meeting was adjourned at 8:23 pm.

**Submitted on behalf of the Board,
Sherri Durand
President & Secretary**



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A.R.S. 33-1806 Resales

JUNE 2021

ACTIVE, PENDING & CONTINGENT LISTINGS

Status	Lot	Address	Owner	List price	Realtor	MLS
Contingent 6/17/2021	70	2301 E. Calle Los Altos	William & Margrit Laman	\$1,050,000	Mary Tosca Tierra Antigua (title forms sent 4/29)	22109825
Contingent 7/20/2021	66	6761 N. Placita Manzanita	Mittilda Raksanaves & Daniel Pearcy	\$1,795,000 Reduced to \$1,682,999	Maria Anemone Long Realty (title forms sent 6/7)	22102988
For Rent	79 & 82	6651 & 6625 N. Altos Segundo	Eun & Kwang Kim Lee	\$1,370,000 \$7,500 / month rent	Russ Lyons Sotheby's Suzanne & Matt Grogan 520 241-8099 Susanne.grogan@russlyon.com	22028787
Info Request only	80	6741 N. Placita Manzanita	James Green	n/a	Long Realty Dana Raney (title forms sent)	n/a
TOTAL	4					

CLOSED SALES 2021

Status	Lot	Address	Seller	Sales price	\$ sq/ft	Fee pd	Buyers
Closed 01/22/2021	75	6742 N. Altos Primero	Kathleen O'Brien	Listed at \$1,690,000 Sold at \$1,450,000	\$269	\$144	Todd & Marian Hand
Closed 01/28/2021	115	6520 N. Altos Tercero	Jonathan Chan	Listed \$520,00 sold at \$500,000	\$180	\$144	Gary & Ella Delmonaco
Closed 3/17/2021	19	6820 N. Solaz Primero	Denis & Jenny Polian	Listed and sold at \$790,000	\$237	\$173	Kenneth Scott Findlay & Winnie Pui Wah Ling
TOTAL	3						

RENTALS

Status	Lot	Address	Owner	Tenants
Long term Rental	53	6814 N. Solaz Cuarto	Matthew/Margarette O'Brien	William & Megan Diefenbach
Long term Rental	25	6990 N. Solaz Segundo	Huatung "Tim" Wang	Jonathan Wang (son)
TOTAL	2			

Catalina Foothills Estates No. 9 Association

Notice of Minimum Annual Dues Increase

from \$100 to \$300



**** PLEASE ATTEND AN INFORMATION SESSION ****
@ 7:00 pm on June 14, September 13, and October 11 Board meetings
www.CAT9.org for Zoom information

I. BOARD MESSAGE AND OVERVIEW

Starting in 2022, the Board of Directors of Catalina Foothills Estates No. 9 (“Association”) is proposing a change to the minimum annual dues as set forth in our Declaration of Covenants, Conditions and Restrictions (“CCRs”). There are multiple reasons for this budget increase which we hope you will support for the good of our neighborhood.

- Budget collections are currently not sufficient to cover operational needs, such as long-term road paving, speed limit and traffic signage, trimming, and landscaping.
- Additionally, there is no funding to support our self-managed governance, which includes collecting dues, maintaining property records, reviewing architectural requests, handling owner complaints, and managing compliance – all by volunteers
- Finally, there has never been an increase in the \$100 annual dues since inception of our Association in the 1970’s, despite inflation and escalating costs. The last and only special assessment was in 2006.

Per our governing documents, the Board’s key objectives are to maintain the roadways, collect reserves, and establish architectural controls and rules. Under the CCRs section 7, the Board has a duty in creating the annual budget to review the total budget required, and divide by the total number of lot owners. After a review, it is clear that an increase in annual dues is critically necessary to permit the collection of additional operational funds to ensure the long-term financial viability of the Association. In addition, increased dues will help maintain our property values similar to neighboring associations which have significantly higher annual dues.

II. PROPOSAL

Starting Year 2022, minimum annual dues shall be \$300 per year per lot

III. 2021 ROAD RESERVE ANALYSIS

Hallmarks of an upscale neighborhood include high quality, well maintained roads, and a sufficient operating budget to continue to maintain them long term. We own 301,400 square feet of 15-year old roads which were overlaid in 2006 through a special assessment. Road sealing is anticipated to be performed every 5 years, with the next major overlay/crack seal and major work anticipated in 2036. Costs are clearly escalating. Assuming a 2.5% per year increase each year from 2021 to 2036 (cumulative 37.5%), estimated costs for overlay/crack seal will rise from **\$1.49 per square foot in 2021 to \$2.05 per square foot by 2036**. With the current Annual Dues of \$100, we will not have sufficient funds to maintain the roads and landscaping in the short or long term without a significant special assessment.

Roads owned by the Association are:

Altos Primero, Altos Segundo, Altos Tercero, Calle Los Altos, Circulo Solaz, Placita Manzanita, Solaz Primero, Solaz Segundo, Solaz Tercero, and Solaz Cuarto.

A. ESTIMATED EXPENSES

Based upon the estimate received in 2020 and assuming a 2.5% escalation in costs, the estimated expenses are projected to be **\$642,183** in the year 2036. Scope includes:

Paving	\$415,980
Crack Seal	\$ 54,720
Shoulder Repair	\$ 54,720
Professional Supervision	\$ 15,000
Sweep and Fog Seal	\$ 18,000
Subtotal	\$557,400
Road Contingency (15%)	\$ 83,763
Projected Cost	<u>\$642,183</u>



- Crack seal and pave all owned roads with 2 inches of green compacted asphalt.
- Raise water valve covers and survey markers to match new grade.
- Install concrete footers where washes cross roads.
- Sweep and fog seal the completed roads one year after the paving is completed.
- Roads will be completed with a minimum of neighborhood disruptions maintaining the necessary safety/blocking of said streets

B. ESTIMATED RESOURCES – YEAR 2036

With the current \$100 annual dues, the budget allocation is \$5,200 per year to roads reserve, leaving the Association with only \$46,562.71 currently in savings. Without the proposed increase now, all lot owners could potentially face a special assessment in the near future of between \$4,000- \$5,000 per lot, or the Association may be forced to take out a loan, which would result in even higher costs to lot owners.

With the \$300 per lot annual dues starting in 2022, the Association will be able to:

- Reserve at least **\$24,000 / year** for the next 15 years resulting in a total reserve of **\$360,000** by the year 2036 (remaining deficit to be determined every 5 years)
- Synch budget and actuals for printing costs, professional fees, and event coordination
- Explore database options to manage complaints in a timely fashion, accurately keep property records, and facilitate architectural review requests without delays or burdens on any one Board member
- Invest in technology tools which focus on improved electronic communications, electronic forms and newsletters, an improved website, and e-signature options
- Improve the manual tracking and data entry tasks to ensuring the Association's compliance with time sensitive statutory rules regarding resales under ARS 33-1806
- Build camaraderie, host social events, and encourage neighbor connections

With the proposed increase, there may still be a deficit for the roads reserve in 2036, which the Board will continue to monitor and determine the impact thereof every 5 years.

The implementation timeline is:

June 2021	June Newsletter & outreach
Sept 2021	Voting begins, outreach, & Board nominations
Oct 2021	October Newsletter & annual meeting notices
Nov Annual Meeting 2021	Approval announced
Dec 2021	2022 Budget approval by new Board
Jan 2022	Dues notices sent to all lot owners
Jan 2035 – Oct 2035	Bid Process for repaving
March 2036	Paving
Sept 2036	Project accounting

C. 2022 PRELIMINARY BUDGET

Our preliminary budget (income and expenses) is set forth below comparing the 2021 line items to the potential 2022 line items. Projected income and expenses in 2022 will be \$39,697.00. Projected transfer to roads reserve will be at least \$24,000, compared to \$5200 in prior years. The increase to \$300 will also permit additional revenue for Board governance for our volunteers and to ensure compliance with statutory compliance requirements.

2022 BUDGET (DRAFT)			RATIONALE
	2021	2022	
INCOME	Planned Income	Planned Income	
Annual Dues	\$13,000.00	\$39,000.00	\$300/yr X 130 lots
Late Fees	\$0.00	\$0.00	
Disclosure (Transfer) Fees	\$720.00	\$692.00	assume \$173 fee x 4 sales
Bank Interest	\$25.00	\$5.00	based upon actuals
Other	\$0.00	\$0.00	
Total Income	\$13,745.00	\$39,697.00	
EXPENSES	Planned Expense	Planned Expense	
Taxes + Preparation	\$500.00	\$500.00	no change
Road Sweeping	\$4,800.00	\$4,800.00	no change
Maintenance (signs/posts)	\$1,500.00	\$1,500.00	no change
Insurance (D&O / Common Area)	\$1,800.00	\$2,300.00	increase by 30%
Professional fees	\$300.00	\$1,500.00	\$300 x 5 hrs (pay only as billed)
Rent (Storage Unit)	\$1,000.00	\$1,000.00	no change
HOA Meeting Room / Zoom Account	\$200.00	\$200.00	no change
Office Supplies	\$100.00	\$100.00	no change
PO Box rental	\$250.00	\$250.00	no change
Printing + stamps	\$130.00	\$500.00	increase for actual cost
Owner Registration & Requests	\$0.00	\$2,700.00	\$250/month for software reserve
Website	\$100.00	\$100.00	no change
Special Project(s)	\$0.00	\$0.00	no change
Misc / Admin / Events	\$100.00	\$247.00	no change
Projected Transfer to Roads Reserve	\$5,200.00	\$24,000.00	increase by \$18,800 minimum
Total Expenses (estimated)	\$15,980.00	\$39,697.00	
PROJECTED ANNUAL DEFICIT 2021	\$2,235.00		

**THANK YOU! SEND ANY QUESTIONS OR COMMENTS TO
CAT9HOA@GMAIL.COM**



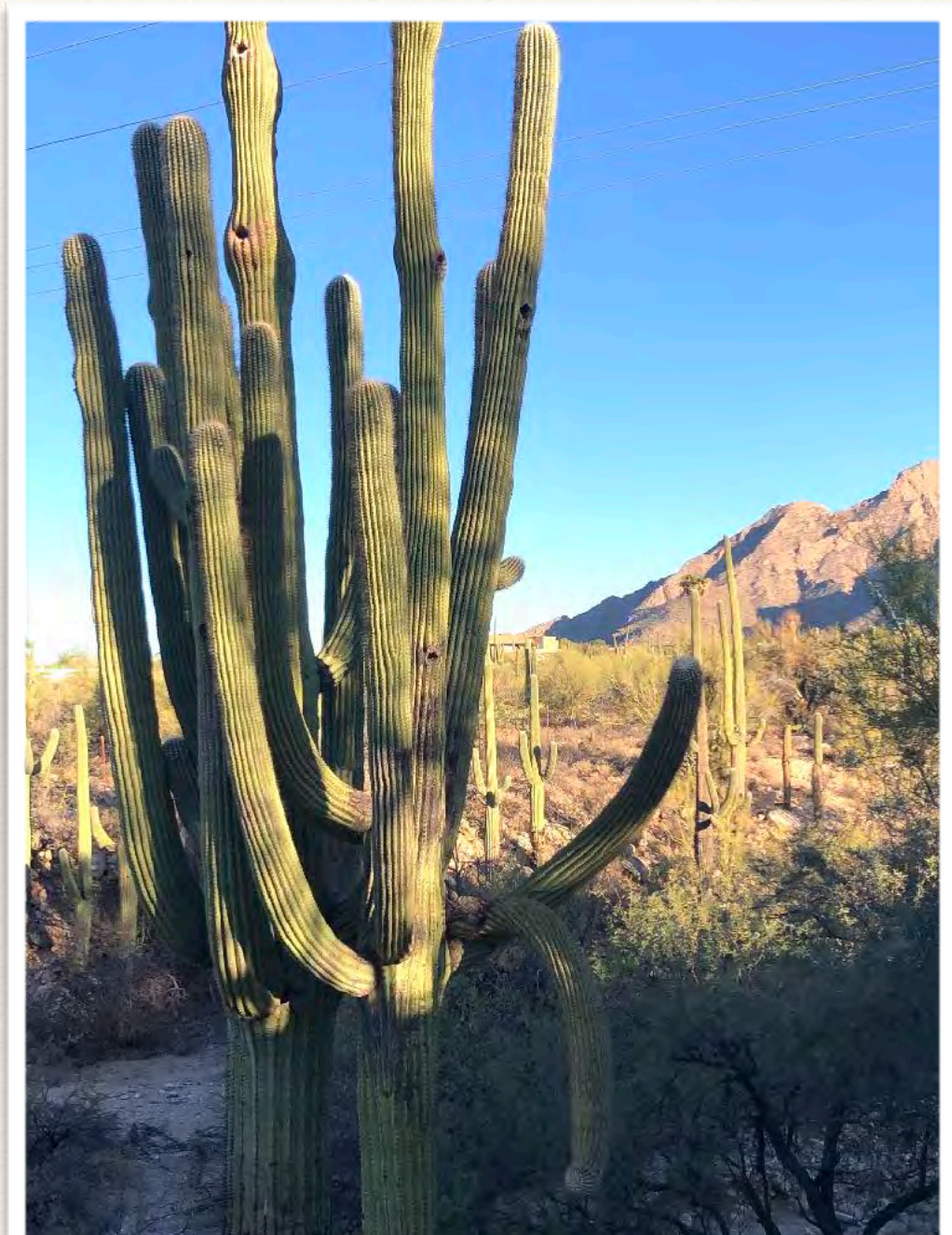
Catalina Foothills Estates No. 9 Association

Notice and Proposal for Annual Dues Increase

Information Sessions
June 14, 2021
September 13, 2021
October 11, 2021

Agenda

- ❖ Introduction
- ❖ Our Mission
- ❖ Annual Budget Process
- ❖ Calculating Annual Dues
- ❖ Dues Increase Proposal
- ❖ Budget Notes
- ❖ Association Benefits
- ❖ Registration & Voting



Our Mission

The Association was formed to:

- ❖ Maintain and preserve the Lots and Common Areas
- ❖ Establish architectural controls and rules
- ❖ Promote the health, safety & welfare of the Members
- ❖ Improve, install and maintain right of ways
- ❖ Act on matters which may affect all Members
- ❖ Encourage sense of place and neighborhood camaraderie

Annual Budget Process

7 (b) Annual Assessments

Annual dues must be collected for:

- ❖ Operation and management of the Association
- ❖ Common Expenses (including reserves)
- ❖ Reserves for replacement and maintenance
- ❖ Performance of all other duties per the Association Documents

Calculating Annual Dues

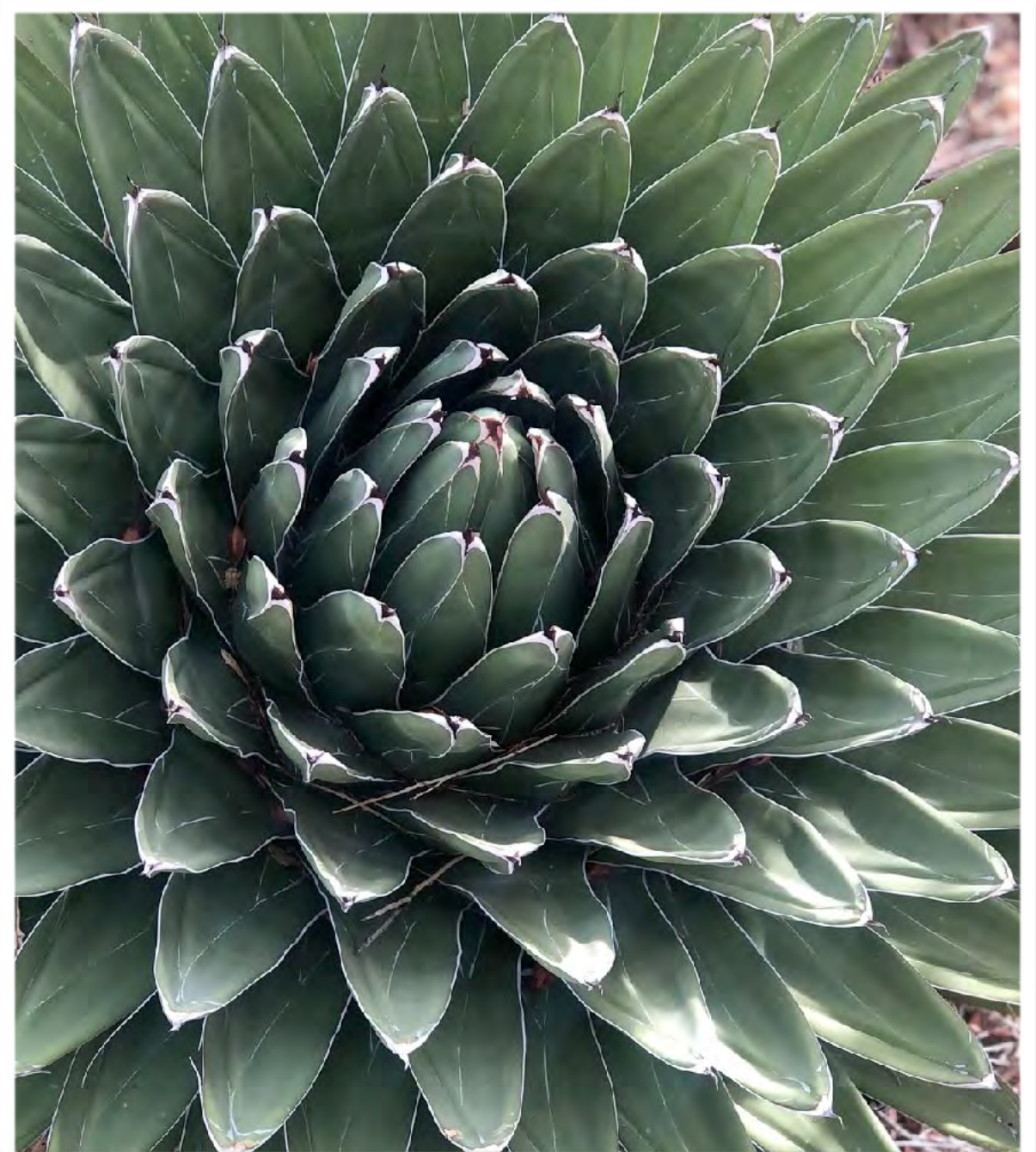
7 (c) Rate of Assessment

Total budget

divided by

Total number of Lots

Each Lot bears an equal share



Proposal

2022 BUDGET (DRAFT)			
	2021	2022	RATIONALE
INCOME	Planned Income	Planned Income	
Annual Dues	\$13,000.00	\$39,000.00	\$300/yr X 130 lots
Late Fees	\$0.00	\$0.00	
Disclosure (Transfer) Fees	\$720.00	\$692.00	assume \$173 fee x 4 sales
Bank Interest	\$25.00	\$5.00	based upon actuals
Other	\$0.00	\$0.00	
Total Income	\$13,745.00	\$39,697.00	
EXPENSES	Planned Expense	Planned Expense	
Taxes + Preparation	\$500.00	\$500.00	no change
Road Sweeping	\$4,800.00	\$4,800.00	no change
Maintenance (signs/posts)	\$1,500.00	\$1,500.00	no change
Insurance (D&O / Common Area)	\$1,800.00	\$2,300.00	increase by 30%
Professional fees	\$300.00	\$1,500.00	\$300 x 5 hrs (pay only as billed)
Rent (Storage Unit)	\$1,000.00	\$1,000.00	no change
HOA Meeting Room / Zoom Account	\$200.00	\$200.00	no change
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PO Box rental	\$250.00	\$250.00	no change
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Projected Transfer to Roads Reserve	\$5,200.00	\$24,000.00	increase by \$18,800 minimum
Total Expenses (estimated)	\$15,980.00	\$39,697.00	
PROJECTED ANNUAL DEFICIT 2021	\$2,235.00		

Projected Reserves 2036

\$360,000.00



The Board recommends that annual dues be increased to \$300 / year

Budget Notes

- ❖ Current dues are inadequate to sustain the Association financially and for board governance duties required by CCRs 7(b) and 7(c)
- ❖ Dues have never been increased despite escalating expenses and our duty to maintain a roads reserve analysis
- ❖ Last and only special assessment was in 2006
- ❖ Changes can be authorized with a simple majority vote (66 Members) to set new minimum annual dues at \$300

Reserve Analysis

Cost in 2021 =
\$1.49 / square
foot

Cost in 2036 =
\$2.05 / square
foot

Assumes 2.5%
increase each year

Remaining deficit to be
analyzed every 5 years

Roads Reserve Budget

ANNUAL DUES (MONEY IN)

Annual Reserve from dues 2022-2036 (\$24,000/yr x 15 yrs)	\$360,000
Current Reserve	\$41,362
TOTAL INCOME	\$401,362

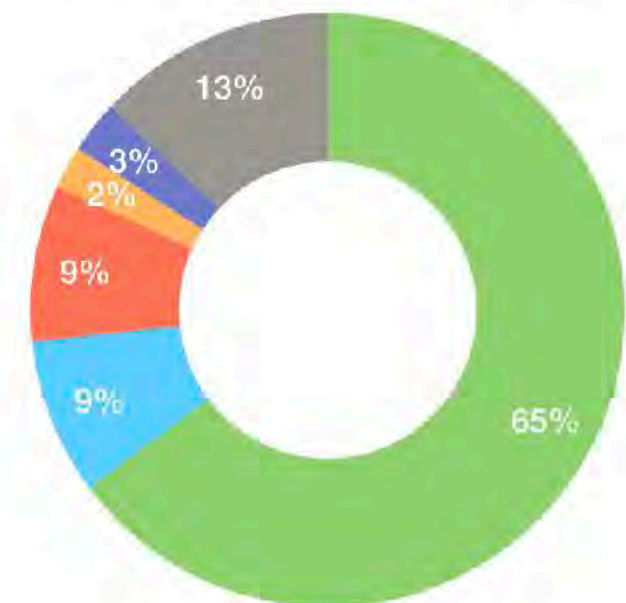
ROADS EXPENSES (MONEY OUT)

Paving	\$415,980
Crack Seal (every 5 yrs)	\$54,720
Shoulder Repair	\$54,720
Professional Supervision	\$15,000
Sweep and Fog Seal	\$18,000
Contingency 15%	\$83,763
TOTAL EXPENSES	\$642,183

POTENTIAL DEFICIT YEAR 2036

Income minus expenses	-\$240,821
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Road Expenses 2022-2036



- Paving
- Crack Seal (every 5 yrs)
- Shoulder Repair
- Professional Supervision
- Sweep and Fog Seal
- Contingency 15%

Association Benefits

- ❖ Architectural rules and covenants
- ❖ Neighborhood watch and safety awareness
- ❖ Self-managed, Member controlled, low cost annual dues
- ❖ Private roads
- ❖ Private trash collection services
- ❖ Maximized property values
- ❖ Sense of place and community standards
- ❖ Neighborhood camaraderie

Registration & Voting



- ❖ Info Sessions at monthly board meetings
- ❖ Send questions or comments to cat9hoa@gmail.com
- ❖ Voting opens in September
- ❖ Annual Meeting November 8, 2021

**VOTE
YES**
to approve the
annual dues
increase to \$300

Thank you

Questions & Wrap-up