

## **NMC OCTOBER 16, 2019 BUDGET WORKSESSION SUMMARY**

- Approximately 19 residents expressed comments on the 2020 budget at the work session.
- Approximately 25 people attended plus all 6 current board members.

OPENING REMARKS by Kathleen Moran (Board president) shared a summary of information obtained by the board over the last 2 ½ years through efforts taken to assess NMC operating and capital needs. Operating budget needs were addressed through 2018 and 2019 budget increases. The 2020 proposed budget primarily addresses identified reserve fund needs.

2020 BUDGET RECAP by Karin Boychyn (Board treasurer) highlighted the operating budget changes and explained a likely six-year reserve fund plan. The multi-year plan demonstrated that even with the proposed significant increase to the reserve fund of \$523,847 annually, by 2024 the reserve fund balance might only be \$363,000. The funding need for NMC capital projects is large and real. Karin also explained that the 2020 NMC reserve fund is significantly increasing by two actions. First, the annual loan repayment for the townhouse parking lots project in the amount of \$125,060 has been moved out of the operating fund and into the reserve fund. And second, the annual dues contribution to the reserve fund has been increased from \$191,774 in 2019 to \$398,787. The 2020 proposed budget shows a total of \$523,847 for the reserve fund and \$535,847 for the operating fund.

### KEY QUESTIONS BY RESIDENTS:

- If the proposed 2020 budget is approved, can the board guarantee that no additional increases in dues will occur in 2021 and the immediate years following?
- Why are townhouse owners' dues higher than the detached homeowners dues in 2020?
- Is the total increase in the 2020 budget the same as 2019?
- Are there spread sheets to demonstrate the need for this proposed reserve funding level over 20 years?
- Can the increase in dues, associated with the 2020 proposed budget, be implemented over multiple years instead of all at once?

### RESIDENT COMMENTS (in no particular order):

- If the proposed 2020 budget is approved, the funding levels will insure operating and reserve funds can address community needs without additional large increases in immediate years.
- The proposed dues level is excessive and may not be feasible on short notice for some residents.
- Detached homeowners and townhouse owners perceive different benefits or lack of benefits for their dues paid.
- Detached homeowners and townhouse owners perceive different levels of service from the City of Rockville – snow removal for an example.
- The 4/3 ratio of contributions to the reserve account was stated to have been established when the NMC reserve account was created in 1986. The ratio means townhouse owners pay \$1.00 for every \$.75 a detached homeowner contributes to the reserve fund.
- The HOA common property amenities in NMC benefit all residents.
- The upkeep of all areas within the community impacts the value of all homes in the community.

- NMC is “ONE COMMUNITY” and all residents are responsible for the upkeep and improvements made to the community.
- It appears the community is now facing deferred maintenance.
- Frustration over problems in the past to plan for NMC’s future was noted.
- Detached homes have greater personal expenses when it comes to maintaining driveways, tree care, etc. than townhouses.
- Townhouse owners still have yards to take care of.
- Board members are residents who genuinely care about the community. Appreciation of the board members’ service was noted.
- The modernization of the NMC covenants and bylaws is underway. It is in these documents that homeowner responsibilities and dues calculation requirements are found. Changes regarding how dues are determined must be addressed via updates of these governing documents. 60% resident approval is required to implement changes within NMC governing documents.
- It is the board’s responsibility to implement actions via the NMC covenants, bylaws and established policies.
- Communications on all budget issues need to be very carefully crafted in order to maximize a common understanding amongst residents.
- Those who assumed the proposed 2020 budget increase would generate dues increases in a similar distribution as seen in 2019 per type of household, recommended the board implement 2020 dues as in 2019 with the detached homes paying more than townhouses, not as in the proposed 2020 dues chart showing townhouses paying more than detached homes.
- An understanding of the need to implement the identified capital projects was stated. (erosion, lake dredging, retaining walls, etc.)
- The complexity of large capital projects was expressed through comments on the recent NMC townhouse parking lot work that was in development for years.
- When calculating fees for NMC dues for a budget year, the total operating budget needed is divided by the 384 homes per ratios set in the covenants based on living unit types. The total reserve fund budget is divided by a ratio of 4 to 3, with townhouse owners paying \$1.00 for every \$.75 a detached homeowner pays.
- NMC annual fee statements have and will continue to show the split of funding going to operating and to reserves per household.
- Placing the townhouse parking lots project loan repayments into the reserve account responsibilities, along with doubling the contribution to the reserve account in 2020, has created a budget that is approximately \$500,000 for operating and \$500,000 for reserves. This new budget split of 50% operating to 50% reserves has flipped the collection of the total fees collected via dues to amounts that are higher for the townhouses than the detached homes.
- All residents were encouraged to talk with their neighbors and to send 2020 budget comments via emails to the [board@newmarkcommons.org](mailto:board@newmarkcommons.org)
- Any future increases in the dues will continue to look at operating increases and reserve fund increases as separate matters. For example, the mandatory CPI increase, as stated in the NMC

covenants, could be applied to only the operating budget while holding the reserve fund at the same level.

- A new 2020 budget packet will be mailed to NMC residents on October 18. The Board will vote on approving a 2020 NMC budget at a date in late November or early December.