

President's Annual Report to Lagoon Owners

For the 11th of June 2011 Annual Meeting

Fellow Owners!

As is our custom in past years, this Presidents Letter provides you with the status of the Lagoon Condominium Homeowners Association ("Association") from a legal, financial, and operational viewpoint, in advance of our Annual Meeting on the 11th of June, 2011.

This past year can be summarized as Charles Dickens said in 'A Tale of Two Cities' when he wrote: "it was the best of times, it was the worst of times". Despite the difficult local economy, the record number of unit foreclosures, and record levels of unpaid dues this year, we have managed to do very well financially as you will see detailed in this letter. However, from an operations and maintenance standpoint, the unplanned 100% turnover in our Lagoon staff starting last August, definitely made this a challenging year. Bottom line is that we will start this new fiscal year financially stronger than last year, with a winter-seasoned and capable full time maintenance team.

Please take the time to read this entire document as it includes the following important information and instructions:

1. Updates on the overall financial stability of the HOA, along with the budget we are proposing for the next year.
2. Information on planned modest monthly Dues decreases for many Units.
3. Operational system changes implemented by the Board.
4. Lagoon Operations and Maintenance Issues.
5. Status of the HOA Amended Declarations (approved in the last Annual Meeting).
6. Important attachments, including a Proxy form which we ask you to complete and send back quickly so that a proper meeting Quorum can be confirmed and the announced business of the Association can be voted.

HOA Finances: Despite the struggling national and local economies, and a record number of Lagoon unit foreclosures and bankruptcies, we have performed well financially, ending the year within less than 2% of our targeted budget and a substantial increase in our capital reserves.

Savings this year generally came from utility conservation efforts, reduced facility repair costs, and staff salary savings. Increases generally came from unplanned fire and safety upgrades, increased frozen pipe repairs and snow removal, increases in contract labor, and increases in Association legal expenses.

The net result is that the Association is projecting that its end of year cash position (the amount of money in all HOA accounts) will be increased by approximately \$128,834, for a total in cash reserves of an estimated \$375,000. As part of this improvement in our financial position, the HOAs Reserve Maintenance fund is projected to end the year approximately \$139,954 (54%) higher than last year's reserves balance.

This important increase in our financial stability is the result of four primary actions:

1. Our decision two years ago to terminate Basic Property Management as our management contractor, and move instead to a “self-managed” homeowners association. This required more time and dedication on the part of the Board members, but has produced significant budget savings.

As a side note, some owners still express confusion about the compensation of Board members. Board members volunteer their time and get absolutely zero compensation for their dedicated service to our community. The Association only has 4 salaried staff positions; our Office Manager, our Maintenance Manager, and our two other full time maintenance staff.

2. Our continued focus on limiting any major new capital projects to only those required to protect and preserve our property investment, while maintaining the real estate values of Units in our complex.
3. Our pursuit of the collection of large past dues and penalty amounts owed to the Association from a number of Lagoon units that were foreclosed on in this past year.
4. The initiative of our new staff in identifying significant operational cost savings, while enhancing the usability of our amenities.

Dues Decreases: As a result of our strong financial performance in the last year, and after a review of the Base Dues and the individual “B”, “C”, and “D” Department building Reserve Accounts, the Board has agreed that the Base Dues will not be increased and that some Unit Dues can be modestly reduced for the coming year.

This is especially significant during these difficult financial times, and shows the current Board’s commitment to strong short-term and long-term financial management. Please see the Dues Summary Sheet (Attachment #3) for the new Dues amounts listed by building type.

This keeps our Association in a comparatively low dues category among other Summit County HOAs. A quick check of our dues growth history over the past 11 years that I have served on the Board shows that our Base Dues amount has only increased a total of \$46 per month in the last 11 years. That is an average increase of only about 1.47% per year--which is a fraction of the increase seen in other Summit County Associations.

The Proposed 2011 Budget (Attachment 4) being presented for your vote in the Annual Meeting has been posted on the HOA website for your review. The “Dues Details” for the various groups of buildings (Attachment 3) is attached here so that you can compare your dues for this coming year, with last year’s total dues.

Operational Changes: This past fall, some significant operational changes were implemented to improve HOA communications, work-order tracking, and financial administration and control.

First of all, there is now a single number to call with any issue, request, or report, during or after normal business hours (970-668-5465). The number is answered 24/7 by Lagoon Staff or the “after-hours” live help desk. This avoids the frustration of unreturned voice messages reported in the past. When you make a call, your request/report is now “logged in” and recorded for tracking/follow-up. If needed, a Work-Order is opened so that the Staff can follow-up and report the status on the request. Our after-hours operators have the answers to many routine questions and issues. If it is an emergency, the information will be taken and relayed to our on-call emergency staff who will respond.

Second, additional financial oversight and control measures have been put in place to ensure that the association’s contracts and funds are properly used and accounted for.

This includes multiple reviews of all HOA expenditures, HOA credit card usage, and petty cash tracking.

Operations-Maintenance Report: The Association facilities are in excellent condition as you will see for yourself at the Annual Meeting. In addition to the normal operations and maintenance activities, there are some significant facilities items to report:

1. The past year was a very cold year in Summit County, and the Association Staff spent a lot of time thawing and repairing a record number of frozen pipes in many Lagoon buildings. The last time back-to-back super lows (-30°F) were recorded in Summit County was in the 1940's. Snowfall this winter was also among the highest in 15 years. These record freezes and snowfalls, coupled with a totally new maintenance team resulted in a series of snow removal challenges that were only overcome when heavier snow removal equipment was brought in to break up the built-up ice dams. Our new crew did the best they could, with the equipment that they had, and the very limited knowledge of the complex that they inherited when they took over at the beginning of the record freezes (drain locations, etc.). Thanks for your patience while our new team learned the complex ins-and-outs.
2. As approved in last year's Annual Meeting, our Staff ordered and installed a 25KW natural gas fired, back-up generator. Our amenities facilities and equipment are now fully functional during extended power outages. In an emergency the Amenities building can function as an emergency shelter.
3. Our new maintenance Staff have done an excellent job in identifying and resolving past unresolved O&M problems including rebuilding of the dehumidifiers in the pool building, and resolving long-standing hot tub mechanical problems.
4. In response to Owner suggestions, the Board converted the Racquet Ball court in the Amenities building into a well equipped Exercise Room complete with a wide screen TV. This room is accessible with your electronic keycards from 6am to 9pm daily (extended hours). If you want to have your keys programmed to open the Exercise Room door, you will need to complete a special insurance form that is maintained by the Lagoon office. That form is posted on the Lagoon website.

Other Information:

701 Update: The original 701A residence was split into two units (701, 703) and their owner is now paying monthly dues on both units. Both units remain on the market for sale. The construction of the Triplex Units, over the site of the old 701 garage, was delayed due to the continuing recession and the stagnation of local real estate markets. The three new townhomes will be completed as soon as the market demand allows.

Communications: The Board has increased its communications with members this year using both direct emails to all owners (i.e. inspection notices, weather warnings, etc.), and the Yahoo Group website (Blog), which continues to serve as an additional source of informal information exchange.

The group address is: <http://groups.yahoo.com/group/LagoonOwnersGroup/>

The Board has tried to post the Minutes of monthly Board Meetings as quickly as possible. The majority of last year's Minutes were posted to the Association website during the same month as the Board meetings were held. Please review the Association website periodically for important formal announcements and Board meeting times.

Serving the HOA: To a great extent, the financial savings that we had in the past two years come from switching to “self-management”. This means that Board members and some other volunteers have worked harder in various ways to provide service and cost savings to our community. In these recessionary times, it is important that our HOA has Board members with good business skills to safeguard our investments at Lagoon.

Board Elections: There will be two (2) Board seats open for election at the upcoming meeting, due to the expiration of the current term of one Board member (Bob See) and the January resignation of a Board member. Any Owner interested in running for one of the open Board positions can indicate their intent to stand for election by calling the Lagoon office and requesting that their name be added to the ballots being printed for the Annual Meeting. They will be presented/seconded at the meeting itself.

The chart below shows the current Board members in order of length of service, and reflects when their current terms expire:

<u>BOARD MEMBER</u>	<u>1st ELECTED</u>	<u>TERM END DATE</u>	<u>Open</u>
Bill Tolbert – President	July – 2000	June – 2013	
Sue Gunn	June – 2008	June – 2013	
Bob See	June – 2008	June – 2011	X
Michele Regis	June – 2009	June – 2012	
Jim White	June – 2009	June -- 2012	
(Vacant Position)		June -- 2011	X

Proxy: Lastly and most importantly, if you cannot attend the annual meeting, please protect your investment by providing your proxy to a Board Member or Unit Owner that you believe can best serve your interest. Your vote needs to be recorded for the changes in the Declarations. You will find a Proxy form attached for you to fill out and either *fax back to 970-668-8636, or mail back to the following address*, to arrive by 4pm on Friday, the 10th of June 2010: Lagoon HOA Board, P.O. Box 389, Frisco, CO 80443.

If you choose to appoint me as your Proxy, please email me with any your voting preferences or items that you would like me to discuss on your behalf in the Annual Meeting (BTolbert@LagoonTownhomes.org).

Thank you for your continued support during this difficult year.



Bill Tolbert
HOA President

Attachment 1, Meeting Announcement

Attachment 2, Voting Proxy

Attachment 3, Dues Details

Attachment 4, Proposed 2011 Budget (on website only)