

**Castlewood Home Owners Association
Monthly Board Meeting
September 18, 2007
Association Meeting Minutes**

Walter Colquitt, President
Denny Reid, Vice President
Paula Cuva, Secretary
Tony Leone, Treasurer
James Richter, Member

I. Call to Order

The meeting was called to order at 7:00pm by President Walter Colquitt.

II. Establish Quorum

Attending the meeting were board members Walter Colquitt, Denny Reid, and Tony Leone and a quorum was established (James Richter came later). Also attending were CCMC community management team Ron Stephens and Susan Garrison.

III. Approve Minutes of August 21, 2007 Meeting

Treasurer Tony Leone read the minutes from the August 21st BOD meeting. The minutes were approved as written by the board.

VI. Social Committee Update

Amanda Mitchell gave the social report: "The community garage sale went very well, we had more than expected. The Back to School Party also went well, we served over 250 snow cones and hot dogs. We priced snow cone machines from the website, local discounts, restaurant suppliers and they are more expensive than expected. We will research this more next year. The Block Parties are coming along, everything is coming together. The section chairs are handling their own sections, handing out fliers and getting their own bounce houses, organizing food, etc. We are also working on the details for the Tejas Trail Progressive Dinner. We will be charging \$25 per couple or \$15 per person. I am trying to rent a DJ. The money charged will be going towards the DJ, paper products, helping the "house hostesses," extra desserts, etc. Last year approximately \$500 was spent for the progressive dinner. We cancelled the Halloween party due to budget and the close proximity to the block parties. We cancelled the bus lights tour for Christmas and will have a "cookies and photo with Santa. We will have more info on this later."

Walter asked Susan to check the maximum occupancy of the clubhouse.

Amanda said that she was disappointed with the newsletter not being printed because it was the only way she could communicate with residents. Even though it is on the website, many people don't read it. She asked if we could mail out flyers. Walter stated that we were cutting down on discretionary spending, that we were approximately \$6,000 over budget (some of this due to fine violations that will never be collected). It is not the goal to cut the printing forever, but to cut down on costs. The newsletter used to be self-supporting and due to lack of advertising the costs have become too high. Walter asked Amanda if she could help with securing more advertising commitments. Amanda said that she would work with Jo Lynn to try and get more advertising. We

especially need 6 and 12-month contracts. Water suggested trying the new shopping center. The board agreed that Amanda has done a great job in getting more resident participation and they will do whatever possible to get costs lowered and the newsletter back in print.

V. Open Session

A resident asked why we were over budget. Walter said that we had some unexpected large expenditures (i.e., plumbing, irrigation, pool repairs, pool gate repairs, bridge repairs, etc.), that set us back. A resident asked if the dues were going to increase and Tony Leone responded that he didn't know yet, but it is a possibility every year because you reevaluate and increases in utilities, operating expenses, etc., can cause the dues to be increased. A resident asked if we still had our reserves and Walter responded "yes." The resident asked if we had tapped into them and Tony said yes we had and it was not uncommon to borrow from the reserves to pay operating expenses and pay back the reserves at the first of the year.

Denny Reid reminded residents that if they see anything going on that shouldn't be (i.e., skateboarding on the tennis courts), to call the police.

Open Session was closed at 7:30 p.m._____

Attachment – Water Increase

From: Ken Heerman [mailto:Kheerman@highlandvillage.org]

Sent: Friday, September 07, 2007 4:56 PM

To: ajleone@verizon.net

Subject: Water rate information

Tony,

I have calculated charges for your three irrigation accounts for FY 2006 and FY 2007. As we discussed, the change will be significant. Our consultant showed the overall irrigation change to be 60%, but with higher usage it is in reality closer to 100%. Following are the calculations. Give me a call Monday with any questions you have (972.899.5089).

FY 2006

	<u>Usage</u>	<u>Previous</u>	<u>Proposed</u>	<u>Change</u>	<u>%</u>
Oct	676,000	\$ 2,067.00	\$ 4,609.91	\$ 2,542.91	123%
Nov	447,900	1,382.70	2,942.50	1,559.80	113%
Dec	377,400	1,171.20	2,564.54	1,393.34	119%
Jan	62,200	225.60	331.97	106.37	47%
Feb	135,800	446.40	798.45	352.05	79%
Mar	74,300	261.90	484.97	223.07	85%
Apr	43,900	170.70	210.93	40.23	24%
May	550,100	1,689.30	3,689.58	2,000.28	118%
Jun	701,600	2,143.80	4,797.05	2,653.25	124%
Jul	835,400	2,545.20	5,775.12	3,229.92	127%
Aug	783,700	2,390.10	5,397.20	3,007.10	126%
Sep	<u>688,800</u>	<u>2,105.40</u>	<u>4,703.48</u>	<u>2,598.08</u>	<u>123%</u>
	5,377,100	\$16,599.30	\$36,305.70	\$19,706.40	119%

FY 2007

	<u>Usage</u>	<u>Previous</u>	<u>Proposed</u>	<u>Change</u>	<u>%</u>
Oct	500,100	\$ 1,539.30	\$ 3,324.08	\$ 1,784.78	116%
Nov	415,900	1,286.70	2,708.58	1,421.88	111%
Dec	43,200	168.60	179.37	10.77	6%
Jan	24,200	111.60	120.54	8.94	8%
Feb	11,400	73.20	98.02	24.82	34%
Mar	88,500	304.50	366.24	61.74	20%
Apr	406,400	1,258.20	2,653.63	1,395.43	111%
May	624,600	1,912.80	4,234.18	2,321.38	121%
Jun	247,800	782.40	1,504.21	721.81	92%
Jul	276,500	868.50	1,702.04	833.54	96%
Aug	693,400	2,119.20	4,737.10	2,617.90	124%
Sep	<u>688,800</u>	<u>2,105.40</u>	<u>4,703.48</u>	<u>2,598.08</u>	<u>123%</u>
	4,020,800	\$12,530.40	\$26,331.47	\$13,801.07	110%

Here is the proposed rate structure for residential and commercial irrigation.

Water		
Proposed (Wholesale Portion)		
	Rate	Amt
Base Chg	\$ 15.00	15
Per 1,000 gal	0.76	
Proposed (City Portion)		
	Rate	Amt
Min	9.55	9.55
4-10	0.85	14.65
10-20	2.85	43.15
20-30	4.00	83.15
30-40	5.10	134.15
40-	6.55	199.65

Thanks,
Ken Heerman

From: Tony Leone [ajleone@verizon.net]

Sent: Mon 9/10/2007 10:52 AM

To: Council

Cc: 'Denny Reid'; 'James Richter'; Jo Lynn Taft; Paula Cava; 'Paula Cava'; 'Walter Colquitt'; Denny Reid

Subject: Non-residential water rate increase

Mayor Costa and Council Members,

The Castlewood HOA was informed last week that there is a proposal to change the rate structure for non-residential entities resulting in a significant (100%+) increase in irrigation costs for us. I understand from speaking to Ken Heerman that rate study was conducted and the recommendation was to change the structure for non-residential. I have to first say I am shocked at the increase amount. We are a community of 386 homes and operate on a relatively small budget. This proposed increase will cost us approximately \$32,000 per year at our current consumption. This equates to 15.8% of our yearly budget. We are a non-profit organization and to spend 16% for irrigation is allot. I am additionally concerned that this proposed change is taking place during our current budget year and with such short notice. Our current budget is already allocated and a change of this amount places us in a very tight situation.

I ask you to consider giving a reduced rate for non-profits before you make your final approval on this issue. If not permanently, at least until the beginning of the new year. This will allow us to account for any increases. With the additional yearly tax revenues (millions, according to Mayor Costa) you are expecting from the new commercial development, you should be able to allow a reduced rate for non-profits.

Thanks in advance for your consideration in the matter.

Tony Leone

Castlewood HOA Treasurer

972-317-2373

From: Austin Adams [aadams@highlandvillage.org]
To: Tony Leone; Council
Sent: Thu 9/20/2007 12:44AM
RE: Non-residential water rate increase

Dear Mr. Leone,

Thank you for writing. I have been concerned that during the rate review process not enough involvement was present by non-residential class users. This not only includes HOAs but all commercial, churches and schools. I have been involved in several (maybe every one) rate studies in my 27 years of involvement. I hope that this letter gives you more information to better understand our thought processes, but in the end there will still need to be some adjustment for your class of user.

- In terms of cash flow, "the drought giveth and the rain taketh." In the past several years the extremely dry weather patterns caused people to water their yards and revenue flowed like water. (Pardon the pun.) But this last year with record rain and cooler temperatures, was like a dry hole for revenue into the utility fund. Additionally, high lake levels pushed more water through the wastewater system, which drove higher treatment volumes and higher expenses in the fund. These wide swings directly connected to the vagaries of weather patterns mandate that higher working capital balances be maintained. The recovery to appropriate balances is significantly driving the rate increase. The drought years postponed the rate increase, but this past year has just as much driven the requirement of an increase in rates.
- Prior to this rate study, non-residential users were such a small percentage of use, we frankly did not want to build a rate structure specifically for such few users. Essentially, we established a flat rate near the variable cost of delivery for non-residential users.
- The flat rate was further justified by rationalizing that a significant portion of this small percentage was "indoor" use by business, churches and schools that was fairly consistent day in and day out. We should build our system to meet whatever is the supply demand of this type user.
- To meet the demand requirements of the user that requires high peak use seasonally is much more expensive and difficult. Typically this is outdoor irrigation of landscapes.
- This particular user - both residential and non-residential put tremendous stress not only physically on our water delivery and production infrastructures but also *fiscally* on our working capital balances in our utility enterprise funds.
- The costs of the water and wastewater infrastructure systems and the employees who operate the systems are separately accounted for in its own budget and funding through the water utility rates.
- We strive to reasonably allocate the cost of indirect overhead from the utility funds through an adjustment transferring utility funds to the general fund, but I suspect a true audit would find that the general fund under bills the utility fund. If this were true, the effect of this is as you suggest that general fund revenues are subsidizing the utility fund keeping the rates marginally lower. Given established policies, I could not support any effort to consciously subsidize the utility fund to any degree that would make a meaningful difference in rates for the high peak user.
- Finally, we are out of a drought. We were fortunate to have helped to form the Upper Trinity Regional Water District with a principal purpose of long range water supply planning. As a reward for this planning, our community in contrast to Plano, Richardson and Garland had very limited abnormal watering restrictions.
- An integral part of this planning however is for the entire North Texas area to cut its per capita water usage through conservation and wise stewardship of our increasingly limited water supply. Our very economic survival depends on this as more people move into the metroplex.
- The targeted areas for conservation are maintaining tighter systems with fewer leaks and better monitoring outdoor irrigation use.
- In HV specifically, the council is setting a strategic policy through staff to emphasize education rather than just fines to encourage wise use. The tiered water rates are another tool to encourage users to pay attention to what our landscapes really need as opposed to what they will accept.
- Up to this time irrigating homeowners have subsidized the rates of all other users. When non-residential use was a small percentage, this was not significant, but today needs to be addressed. This is the policy decision that drove the steep rate change for your class of user.

- The council's direction to staff was to develop a rate structure to similarly bill non-residential irrigators as we bill residential irrigators - no subsidy to either group. This seems to be fundamentally fair.
- The actual rate changes will not effect water bills until the bills received in November or December. The final read of the rate ordinance will be next week and the charter requires 30 days afterwards to put rates in effect. By then the seasonal use should have greatly decreased allowing little effect on this year's HOA budget. I recognize next year is a different matter.
- I have generally observed overwatering as an accepted norm for our community. This must change. If this has been the case for Castlewood, then conscientious irrigation techniques may save enough water use as to show little net effect on your overall bill.
- There may be benefit to dedicating meters for strictly landscape use. Check with the water department.

Again my thanks for your concerns. If you have read this far, thanks for allowing me to share my thoughts with you. I would hope that you stay engaged on this topic and give us feedback on how it works and doesn't work. If you would like to talk more about this, please call me at a number below.

Best regards,

Austin Adams

Cell 972-896-4794 Home 972-317-6163 Work 972-410-0206