

**Eagles Nest Property Homeowners Association
Design Review Committee
Budget Philosophies
Approved by ENPHA Board December 14, 2017**

BACKGROUND

The Design Review Committee (DRC) is treated as a separate financial unit, although it is not a separate legal entity from ENPHA. While the DRC has a day-to-day responsibility to manage the design review process within the resources available, the ENPHA board has overall responsibility and accountability for all financial matters of the organization including the DRC finances which are reported on separate DRC financial statements.

Beginning with 2016 the ENPHA board members who chair the DRC have prepared annual budgets that are reviewed and adopted by the ENPHA board along with the ENPHA general operating budget. The DRC chairs are considered the account owners for the DRC line items under the ENPHA financial rules.

BUDGET PHILOSOPHY

The DRC is expected to cover its costs on an ongoing basis. Since the DRC is a permanent committee, a long-term view of financial stability is taken and operating reserves are provided to offset an economic downturn on the scale of the 2008 recession or a decline in construction activity for any other reason. Although the annual budget is generally prepared on a break-even basis, any surplus of actual revenue over related expense is designated as reserves available to fund costs in excess of annual revenue in subsequent years.

REVENUE

The DRC has two basic sources of revenue: design review fees and fines for non-compliance. **Design review fees** are intended to cover operating costs of the design review function over time as defined by the Board and the DRC..

Fines for non-compliance are imposed to encourage compliance with the design review guidelines and ENPHA's declarations and covenants. They are a separate category of revenue from fees and are not taken into consideration when determining whether design review fees cover the committee's costs for providing design review services.. Fines for non-compliance are currently designated as legal reserves to be used if it is necessary to bring a legal action or defend against a legal action involving design review as approved by the ENPHA board.

COSTS

It is the responsibility of the ENPHA board to define costs to be recovered from design review fees.

Direct costs of the design review process including:

- Architect's fees for application review – fixed fees per application

- Architect principal's fees – meetings, file preparation and consultation billed at an hourly rate
- Architect's reimbursable costs such as copying and postage
- Bookkeeping fees
- DRC costs - supplies and miscellaneous expenses incurred by the committee
- Legal costs specific to the design review process such as consulting on specific applications, legal review of design guidelines and other legal questions posed by the DRC.
- General and administrative costs incurred to support the design review process such as filing fees for DRC guidelines and similar documents recorded with the Summit County Clerk and Recorder; premiums for DRC members' insurance; changes to the DRC website page when not in connection with changes to the entire site.

Indirect costs including:

- Share of legal costs for amendments to the by-laws or other ENPHA documents that include DRC provisions.
- Share of costs for website, mailings, annual meeting and other communications costs which include DRC information as well as other ENPHA information.
- Community Center usage fee/rental for DRC meetings and storage.

Lawsuits: Unfortunately, it is sometimes necessary to bring a legal action or defend against a legal action to enforce the ENPHA declarations and covenants. When such legal action is related to design review activity, which was the case in the only lawsuit ENPHA has been a party to, funds from the DRC legal reserves will be used to the extent available. If DRC legal reserves are not sufficient, the remainder may be covered by ENPHA legal reserves or assessments as determined by the ENPHA Board.

RESERVES

The DRC financial statements reflect two categories of reserve funds – operating reserves and legal reserves.

The objective of the DRC operating reserve is to protect against fluctuations in revenue and/or operating expenses from year to year. To adequately protect against revenue and expense fluctuations, an operating reserve target of 50% of revenue is recommended. This is a higher target than the ENPHA general operating contingency due to the volatility of the DRC revenue stream and its dependence on external factors such as the economy and the housing market. Once the operating reserve target has been met, any annual surplus may be designated as legal reserves.

The objective of the DRC legal reserve is to provide funding for any lawsuit or legal action involving design review committee activities. It is understood that the DRC legal reserves will pay the costs of such legal action to the extent DRC funds are available with the remainder funded by the ENPHA legal reserve or ENPHA assessments..