

Finance Committee

Open Meeting

March 1, 2023

Review of Reserve Study

- cash flow forecast
- cost forecast
- Financial needs

Delinquent Collections

- Types of delinquencies effecting asset value
 - past due assessments
 - outstanding taxes
 - extended mortgage
- Other criteria in determination of value
 - Tax Value
 - Market Value
 - Future annual taxes
 - Location/ease of construction
- Options
 - Liens
 - Payment Plan
 - Request Warranty Deed - cost \$500
 - Foreclosure - cost \$2K
 - Tax Foreclosure - what happens to The Springs interest

Solutions/Risks

- Warranty Deed
 - Tax liability
 - No incoming revenue
 - Sell internally
 - Sell on open market
 - Convert to common ground, if possible
- Foreclosure
 - May get bought at auction
 - At what price?
 - Hopeful of future assessment payments
- Combine multiple lots to find buyer
 - reduces # of assessable lots

Revenue generation options

- Regular Assessments (max increase 15% w/o 67% approval)
- Special Assessment (req 50% approval)
- Attack delinquencies
- Fees; Clubhouse, Community Dock Rental, Construction, Boat Storage, Pool

Finance Meeting – March 1, 2023

You hear a lot about the annual budget and how our spending compares to budget. You don't hear a lot about our Reserves.... this is where the real work begins.

WHAT ARE RESERVES? - Savings fund for planned future repairs and maintenance of major HOA property.

Point of having reserves? - Cheaper to fund in advance rather than have to borrow money to pay for repairs you didn't plan for!

Reserve Study – September 2021 - full report on our website

Analysis by Civil and Geological engineers

Independent analysis of where we stand financially and what funds will be needed to be able to pay for necessary maintenance or replacement into the future.

Reviewed all our amenities, condition of each, and developed a plan for paying for upkeep.

Note that their funding report does not include any \$\$\$s for additional amenities, such as a swimming pool expansion, storage yard expansion, playground, dog park, development of Cascade Creek into something more.

EXHIBIT – RESERVE STUDY SUMMARY

Their recommendation – **increased contribution to RESERVES by \$48,500 EACH YEAR from 2023 thru 2027.**

How are reserves FUNDED? Annual revenue less expenses = what's left -> put into reserves

How to increase funding reserves???

1) Increase REVENUES –

a) increase DUES, b) reduce delinquencies c) find other sources of income

2) Decrease expenses - our biggest budgeted expense – was electricity, now Landscape

Putting that recommended increased funding into personal terms.... Equates to a dues increase of over \$100 PER YEAR (each year through at least 2027).

Even at the proposed funding levels, they projected our reserves would be dangerously low in year 2029 due to major road work. (see next 2 slides)



Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the *Reserve Expenditures* tables and include a *Five-Year Outlook* table following the *Reserve Funding Plan* in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Asphalt Pavement, Crack Repair and Patch, Boulder Ridge Road
- Docks, Floating
- Ponds,
- Sediment Removal

Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Phased increases of approximately \$48,500 from 2023 through 2027
- Inflationary increases from 2028 through 2029
- Decrease to \$342,000 by 2030 due to fully funding for mill and overlay of the asphalt pavement
- Inflationary increases from 2031 through 2051, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment in Reserve Contributions of \$48,460 represents an average monthly increase of \$32.31 per homeowner and about an eleven percent (10.9%) adjustment in the 2022 total Operating Budget of \$445,735.

The Springs at High Rock Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2022	202,440 (Budgeted)	829,548	2032	366,400	1,006,369	2042	516,800	4,330,354
2023	250,900	1,008,945	2033	379,200	1,319,037	2043	534,900	4,792,703
2024	299,400	1,100,248	2034	392,500	1,722,144	2044	553,600	5,085,844
2025	347,900	1,212,573	2035	406,200	2,075,059	2045	573,000	5,286,763
2026	396,400	1,357,484	2036	420,400	2,210,216	2046	593,100	4,808,129
2027	444,900	926,399	2037	435,100	2,501,347	2047	613,900	3,223,265
2028	460,500	561,991	2038	450,300	2,916,667	2048	635,400	1,842,854
2029	476,600	151,378	2039	466,100	3,283,432	2049	657,600	342,110
2030	342,000	495,635	2040	482,400	3,541,055	2050	680,600	973,059
2031	354,000	854,343	2041	499,300	3,973,421	2051	704,400	1,574,071

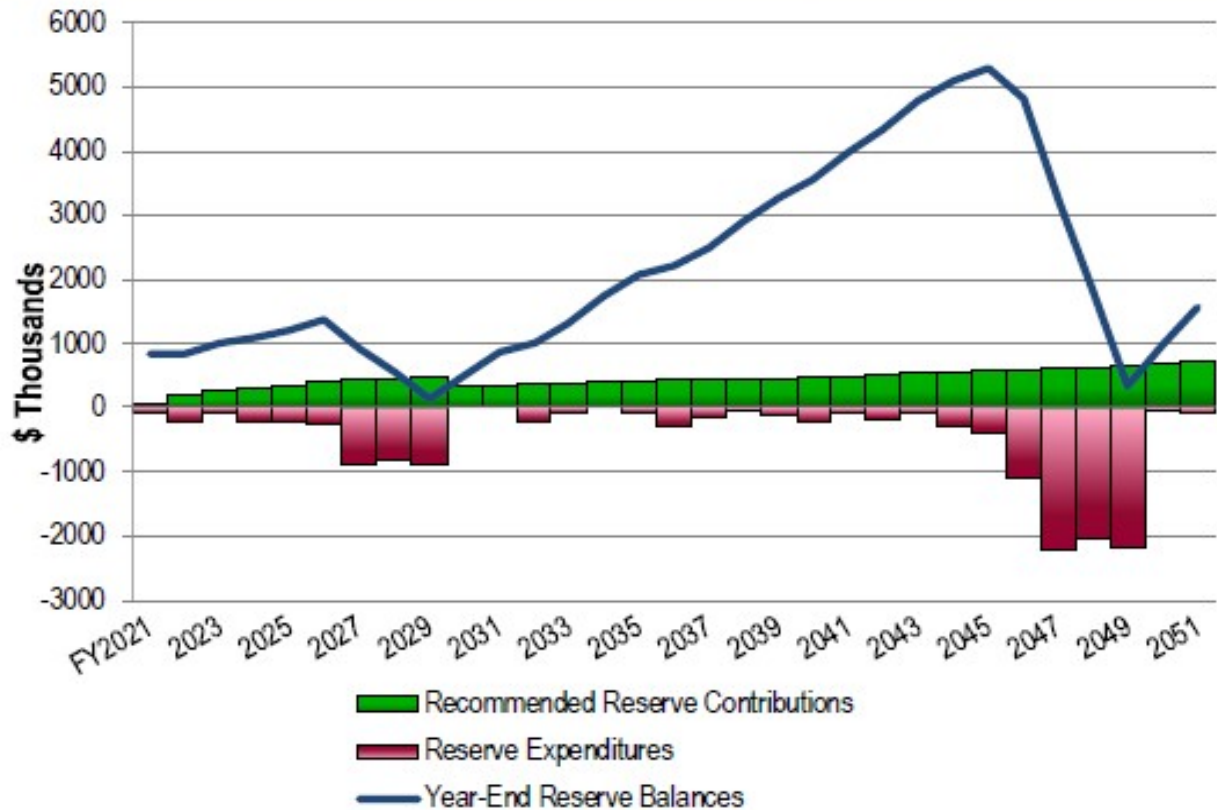


EXHIBIT – RESERVE STUDY FUNDING PLAN

How are we doing so far? (see Reserve Funding Plan slide)

First Section – what reserve study recommended.

Second Section – where we are now.

Third Section – example of \$100/yr increase in dues.

Notes:

Contributions to Revenue >> in 2023 – We did NOT increase dues.

Therefore, instead of the recommended \$250,900, we originally budgeted fund \$168,950 but because additional expenses have come up it, probably more like \$150,000.

Our “budgeted” funding already takes into account the projected electricity savings of \$50K/yr.

Reserve spending – Where has the money gone or going? (since study)

PlanYr	Planned	Actual
2022 Boulder Ridge road	\$113,750	\$175,401
2022 Tennis Courts	\$86,900	\$169,000 (current bid)
2023 Light poles (2023)	\$0	<u>\$ 80,000</u> (assumed lights done & pd for by end of 2021)

>>> (\$224,000) more costs than what Plan study included <<<

Notes: We can change the timing of projects (sometimes don't have a choice), but can't change the NEED to spend this money at some point.

IF No increase in dues – would not be able to do road maintenance.

Third Scenario - if we implement funding increases going forward, we could do SOME road re-paving, but could not do all the roads.

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS

The Springs at High Rock
Homeowners Association

<i>Reserve Study Recommended Plan</i>	2023	2024	2025	2026	2027	2028	2029	2030
Reserves at Beginning of Year	829,548	1,008,944	1,100,247	1,212,572	1,357,483	926,398	561,990	151,377
Total Recommended Reserve Contributions	250,900	299,400	347,900	396,400	444,900	460,500	476,600	342,000
Estimated Interest Earned, During Year	6,412	7,356	8,067	8,964	7,966	5,191	2,488	2,257
Anticipated Expenditures, By Year	(77,916)	(215,453)	(243,642)	(260,453)	(883,951)	(830,099)	(889,701)	0
Anticipated Reserves at Year End	<u>\$1,008,944</u>	<u>\$1,100,247</u>	<u>\$1,212,572</u>	<u>\$1,357,483</u>	<u>\$926,398</u>	<u>\$561,990</u>	<u>\$151,377</u>	<u>\$495,634</u>
	\$940	\$940	\$940	\$940	\$940	\$940	\$940	\$940
Current Amt, no increase @ \$940/yr	2023	2024	2025	2026	2027	2028	2029	2030
Reserves at Beginning of Year	897,146	749,449	698,330	617,718	518,515	(212,405)	(903,553)	(1,668,722)
Total Recommended Reserve Contributions	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Estimated Interest Earned, During Year	16,303	14,334	13,030	11,250	3,031	(11,049)	(25,468)	(31,874)
Anticipated Expenditures, By Year	(314,000)	(215,453)	(243,642)	(260,453)	(883,951)	(830,099)	(889,701)	0
Anticipated Reserves at Year End	<u>\$749,449</u>	<u>\$698,330</u>	<u>\$617,718</u>	<u>\$518,515</u>	<u>(\$212,405)</u>	<u>(\$903,553)</u>	<u>(\$1,668,722)</u>	<u>(\$1,550,596)</u>
	\$940	\$1,040	\$1,140	\$1,240	\$1,340	\$1,440	\$1,540	\$1,640
Revised Senario @ \$100/yr increase	2023	2024	2025	2026	2027	2028	2029	2030
Reserves at Beginning of Year	897,146	749,449	745,800	761,078	807,152	271,885	(172,227)	(637,950)
Total Recommended Reserve Contributions	150,000	197,000	244,000	291,000	338,000	385,000	432,000	479,000
Estimated Interest Earned, During Year	16,303	14,804	14,920	15,527	10,684	987	(8,022)	(7,969)
Anticipated Expenditures, By Year	(314,000)	(215,453)	(243,642)	(260,453)	(883,951)	(830,099)	(889,701)	0
Anticipated Reserves at Year End	<u>\$749,449</u>	<u>\$745,800</u>	<u>\$761,078</u>	<u>\$807,152</u>	<u>\$271,885</u>	<u>(\$172,227)</u>	<u>(\$637,950)</u>	<u>(\$166,919)</u>

Delinquent Acct Stats March 1, 2023

	# accts	Total \$	# w/Mort + Taxes	\$ w/Mort + Taxes	# w/just Mort	\$ w/just Mort	# w/just Taxes	\$ w/just Taxes	# w/ NO Mort/ Taxes	\$ w/ NO Mort/ Taxes
Accounts \$500-\$1000	17	\$ 10,491	0	\$ -	0	\$ -	3	\$ 2,153	14	\$ 8,338
Account \$1000-\$5000	7	\$ 18,699	0	\$ -	1	\$ 3,727	4	\$ 12,175	2	\$ 2,797
Accounts > \$5000	14	\$ 198,753	3	\$ 42,933	3	\$ 43,804	6	\$ 87,001	2	\$ 25,016
	38	\$ 227,943	3	\$ 42,933	4	\$ 47,530	13	\$ 101,328	18	\$ 36,151

Property Foreclosure Decision Tree

