

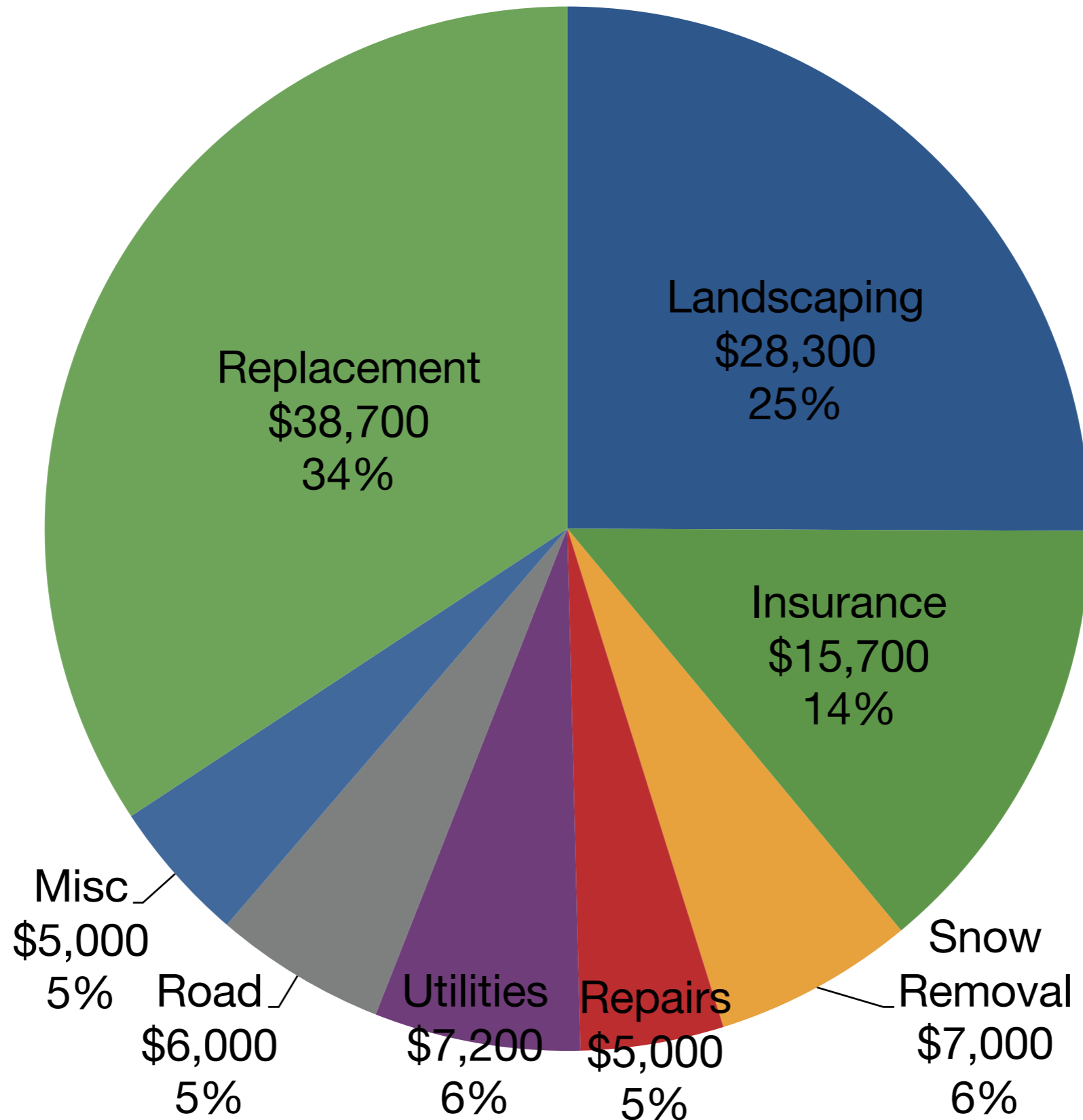
Victorian Gables Homeowner Association

Finances

Where VGHOA's Money Goes

The 2018 Budget

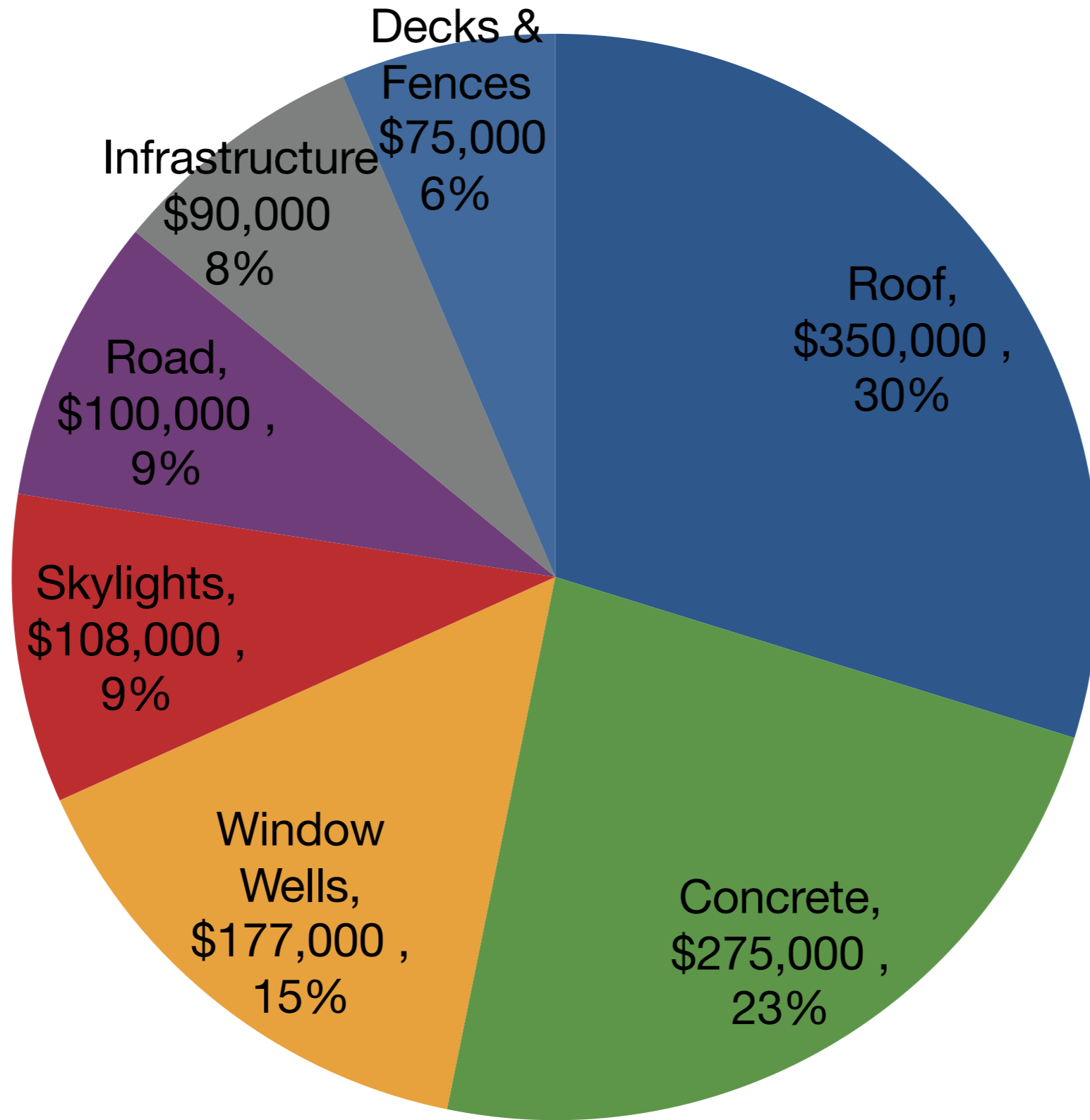
2018 Budget \$112,900



Assuring VGHOA is Fully Funded

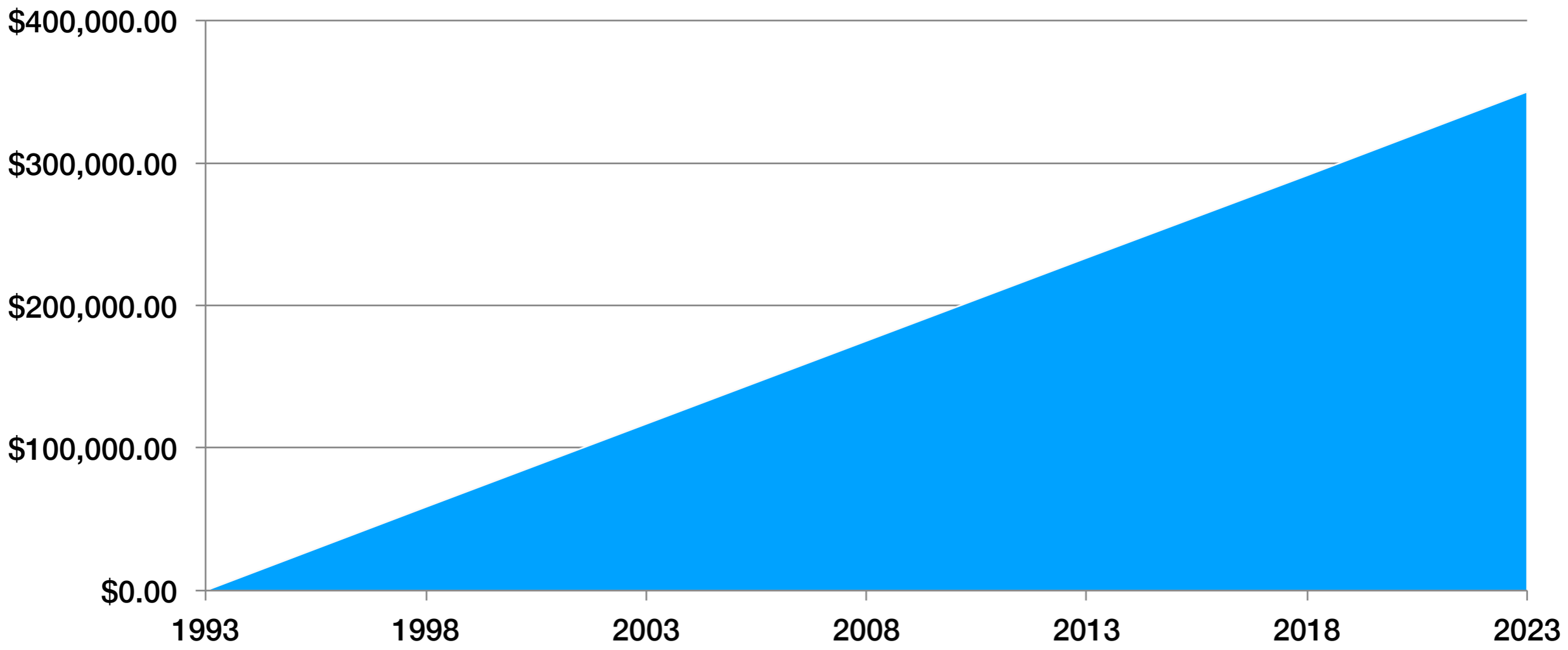
**And Avoiding Special Assessments Except for
Something Totally Unexpected**

30 Year Replacement Budget \$1.16M



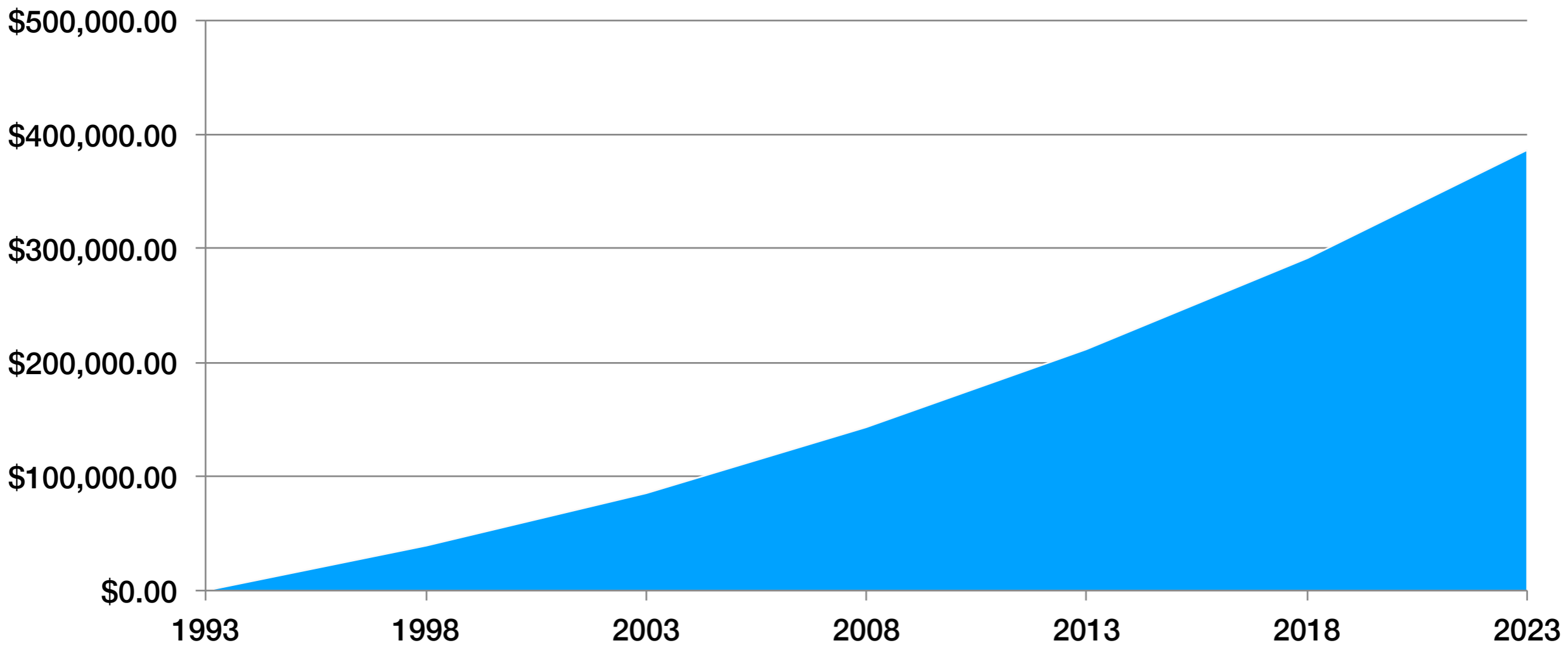
Funding Replacement Reserves

- Premise: **Fund the replacement item as the existing item is used up.**
- In an ideal world (roof example):
 - Roof Replacement Cost -> \$350,000 (today's dollars)
 - Roof Replacement Cost/Unit -> $\$350,000/40 \text{ units} = \$8750/\text{unit}$
 - Roof Lasts 30 Years -> $\$8750/30 \text{ years} = \$292/\text{year}$
 - Assume inflation constant at 2%/year



Example: Roof Fund

Replacement Reserve in 2018 Dollars



Roof Fund with Inflation

Replacement Reserve Accounting for Inflation

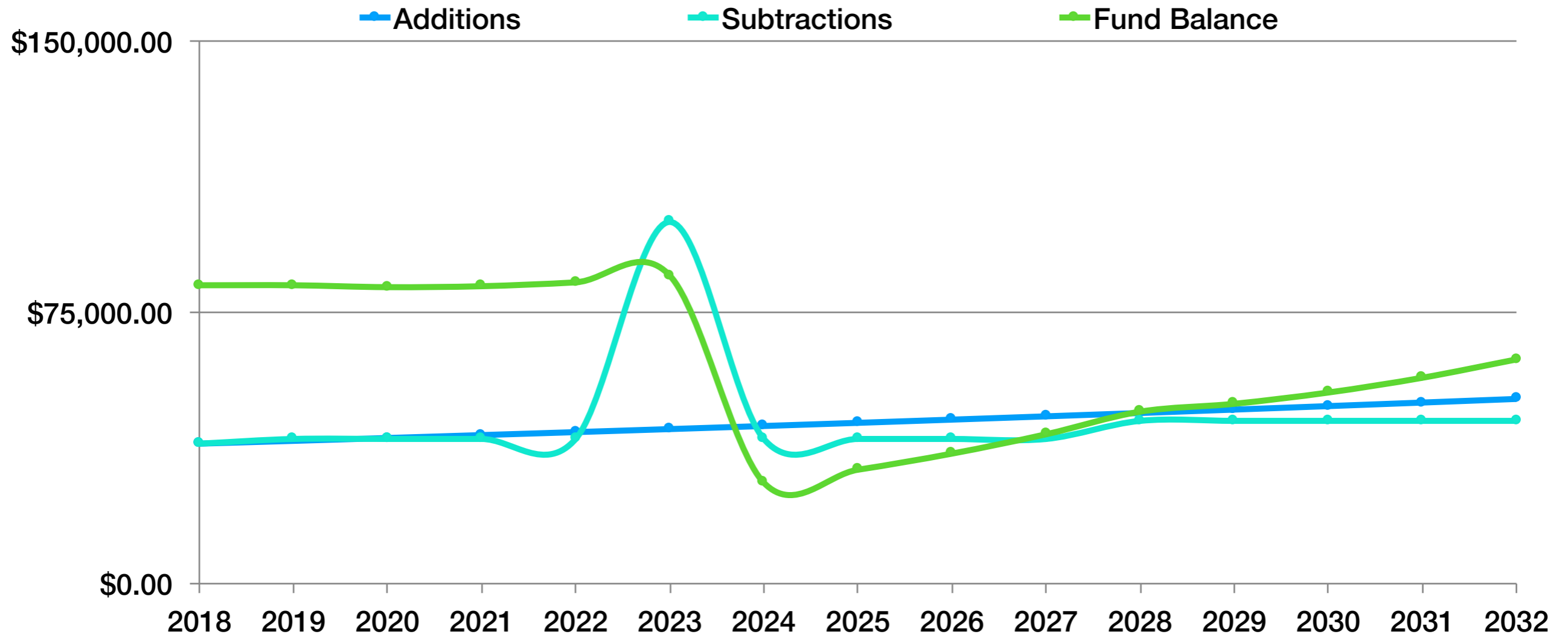
Replacement Funding

- If \$1.16M in replacement expenses is equally distributed over 30 years, the HOA needs \$38,667 per year ($\$1.16\text{M}/30$ years) in today's dollars
- The current Replacement Reserve Fund has a balance of ~\$82,500.
- There are some expenses, such as the \$100,000 road replacement, that will need to be done all at once and will draw down our Replacement Reserve Fund.
- Our priorities for determining which replacements to pursue are: 1) Safety, 2) Avoiding Extra Expense from Failing to Act and 3) Replace as Item Wears Out
- The Board has reviewed a 30 year replacement plan, which calls for a \$40 annual HOA dues increase each year, over the next 30 years (assumes 2% inflation/year).
- The HOA can avoid special assessments for known replacement items if the reserve fund is funded appropriately and the replacement schedule is maintained.

	2018-2022	2023-2028	2029-2032	2033-2037	2038-2042	2043-2047	TOTAL
Curbs & Sidewalks	\$35,000	\$35,000	\$35,000	\$30,000			\$135,000
Driveways	\$25,000	\$25,000	\$25,000	\$25,000			\$100,000
Decks & Fences	\$38,000					\$37,000	\$75,000
Window Wells	\$15,000	\$15,000	\$15,000	\$15,000			\$60,000
Skylights	\$30,000	\$30,000	\$48,000				\$108,000
Road		\$100,000					\$100,000
Roof					\$125,000	\$125,000	\$250,000
Infrastructure		\$29,000	\$30,000	\$10,000	\$10,000	\$10,000	\$89,000
Inflation		\$23,400	\$30,600	\$24,000	\$54,000	\$86,000	\$218,000
TOTAL	\$143,000	\$257,400	\$183,600	\$104,000	\$189,000	\$258,000	\$1,135,000

Replacement Timeline

30 Year Plan



Replacement Fund Balance

Fair and Equitable VGHOA Dues

Today's Dues Allocation

- Each unit contributes 2.5% of VGHOA's annual budget
- 40 units each paying the same amount in dues
- VGHOA is responsible for almost everything on the outside, including decks, window wells
- Owner exterior improvements are not incorporated into dues, as owners are responsible to maintain these in perpetuity
- That would be great if all units were identical in terms of their maintenance and replacement needs

Problems With Current Allocation Method

- Not all units are identical and the cost to maintain the exterior of unit is potentially different; e.g., some have decks (some more expensive than others), skylights or fences and others don't
- Future owners are disappointed to learn VGHOA does not cover certain items
- Owners are disadvantaged when making exterior improvements, as VGHOA doesn't cover future maintenance; e.g., change a window and VGHOA will no longer be responsible for that window
- It is in the Owners' best interest to assure the exterior of units and the common areas are maintained according to HOA standards. Currently the HOA has no ability nor resources to maintain owner installed improvements.

Proposal

- VGHOA is responsible for everything on the exterior structure and all common space.
- Unit dues are assessed based on the maintenance requirements of each unit.
- When an Owner chooses to improve the exterior of a unit, and it is approved by the Board, the owner pays for the initial improvement and VGHOA takes responsibility for future maintenance. The Unit dues are recalculated based on future expected maintenance costs.

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