

VZ Top HOA Reserve Funding  
Executive Summary and Recommendations  
April 2021

### **Background Summary**

At the HOA Annual meeting in October 2019, several owners recommended the Board investigate conducting a reserve study to determine if our current reserves were adequately funded to cover significant future maintenance expenses. Following that meeting, Ellen Fagan was appointed by the HOA Board to chair a Reserve Study Committee composed of homeowners Karen Miller, Dan O'Neill, Miner Harrell, Mark Williams, and Ellen Fagan. The charge to the committee was to: Determine if the HOA should conduct a reserve study and if so, recommend to the Board how to conduct the study, what the cost and timelines might be, and any other recommendations pertinent to the topic. The committee was to report their findings and recommendations to the Board.

The Reserve Study Committee held two meetings via Zoom (2/25/2020 and 3/14/2020). They also conducted business and made decisions via email. After the 3/14/2020 meeting, the committee recommended that the Board solicit bids from companies specializing in reserve studies. The Board approved the recommendation and charged the Reserve Study Committee with identifying companies, obtaining and reviewing bids, and recommending a company to conduct the reserve study. The committee solicited bids from six companies and obtained four proposals. Each committee member reviewed and ranked the proposals independently. There was unanimous agreement to recommend Reserve Professionals (Alex Lui, Principal).

The Board engaged Reserve Professionals to conduct the reserve study. The committee and Board provided the company with numerous documents describing the HOA and its history, the property and our components as well as current financial information, budgets and reserve funding status. After several phone calls between the Board and Mr. Lui, it was agreed that a site visit would be conducted in August 2020. Following the site visit, the Board received the preliminary draft of the report. The Board held several meetings to review the draft and met with Mr. Lui several times to clarify items in the report. The initial report included all VZ Top components\*.

\*Components are items that qualify for reserve budget funding and pass all four tests below:

1. The component must be a common area maintenance responsibility.
2. The component must have a limited Useful Life.
3. The component must have a predictable Remaining Useful Life.
4. The scope of work must be above a minimum threshold cost.

The Board felt many of the components listed in the report were already budgeted for in the repair or replacement line item in our annual operating budget. A decision was made to talk to Alex Lui again and have him revise the calculations to include only our most expensive components which were not covered by the operating budget.

### **Board of Director Recommendations**

The Board held a final meeting with Alex Lui on January 21, 2021 and sent instructions to revamp the reserve study report to reflect the most expensive component items that will need replacement

between 2021 and 2050. Based on that goal, the final report contained the following big-ticket expenses:

<u>Components</u>	<u>Replacement/Repair Estimates</u>
• Repaving	\$ 178,680
• Roofs, gutters, lightning protection	\$1,133,675
• Exterior Siding	\$1,103,255
• Wastewater Treatment Plant Equipment	\$ 81,000
<b>Total Current Estimated Expense</b>	<b>\$2,496,610</b>

To fund our reserves to pay for the above-mentioned components, the estimated average increase in fees would be approximately \$207.00 per month per unit. The final amount of monthly increase will vary slightly based on the type of unit and would likely be billed on a quarterly basis.

### **Next Steps**

Small group sessions will be held during the 2021 season prior to the October HOA meeting to discuss the report and recommendations with homeowners. Some sessions will be at VZ Top and others will be offered via a Zoom call.

The Reserve Study report will be posted on the website along with this summary.

A recommendation will be made at the HOA meeting in October 2021 to accept the recommendations and approve the required funding of the reserve fund.