

Schieveling HOA

Reserve Study 2020 (*AKA why your dues need to go up*)

❑ **We've been reactive rather than proactive.** We were able to do so when the neighborhood was new and needed little work. Not now.

❑ **Age brings deterioration and the need for repair & replacement.**

❑ **Special Assessments are an acknowledgement of failure:** of not knowing our assets and not anticipating future needs.

❑ **Pay now or pay later – with unanticipated timing & cost.**

- In 2018, HOA members paid \$255 to renovate community pool.
- HOA property: 15 acres, much heavily forested.
- In 2019, the HOA spent about \$28,000 from reserves in storm damage clean up.
- Special assessments will require additional administrative and processing costs

- ❑ **HOA reserve funds** are community savings accounts that serve as a cushion — protecting the HOA's finances from the burden of necessary future expenditures. ***By design, a reserve account grows over time through regular funding that comes from a percentage of our dues.***

- ❑ **A reserve study** assists with the HOA's long-term financial planning by taking into consideration the current status of the reserve fund and ***determining a regular funding contribution that will offset ongoing wear and tear and/or achieve future community enhancements.*** The reserve study is comprised of two parts — a comprehensive physical analysis of the current condition of your community's assets, and a detailed financial analysis.

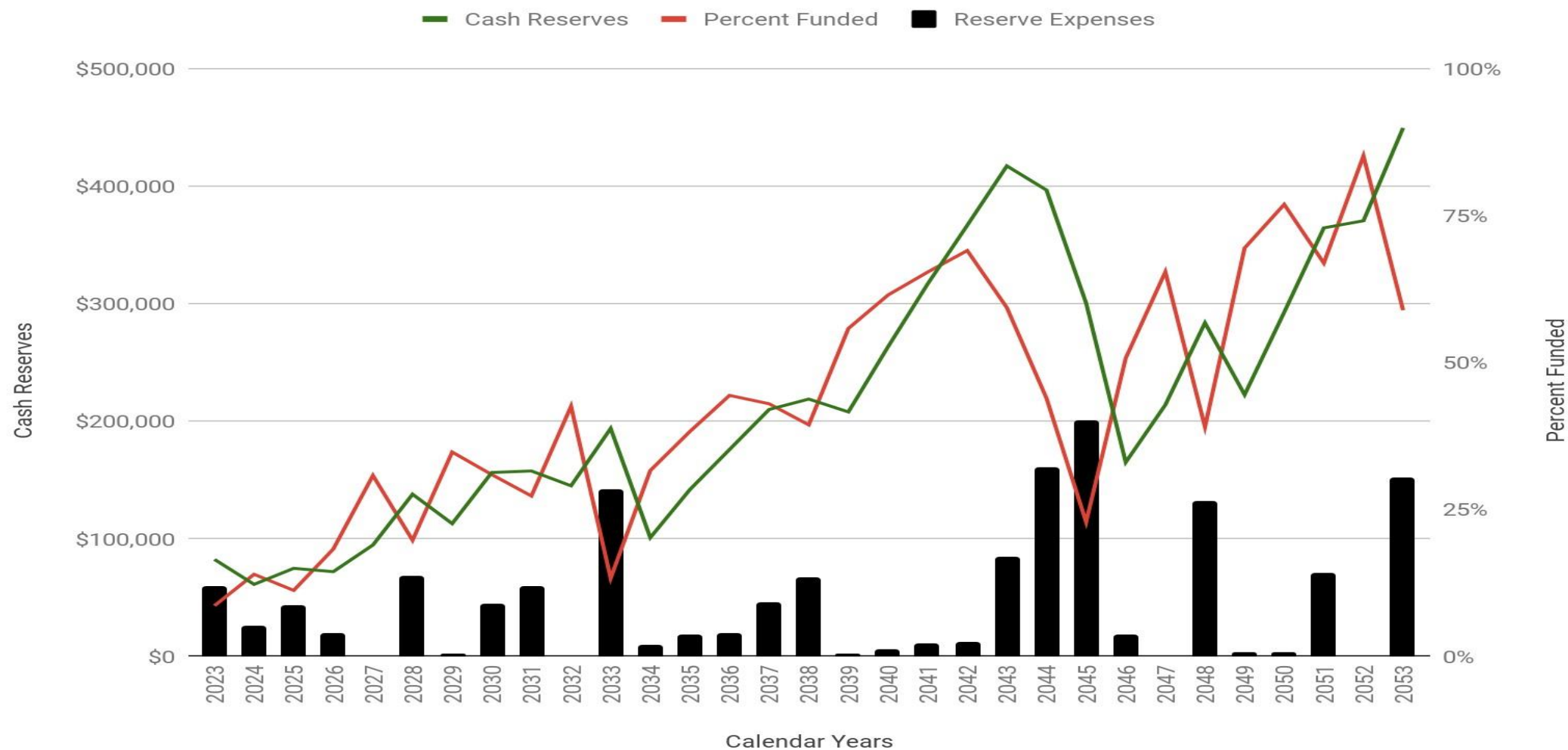
Both the reserve fund and reserve study are critical components of the budgeting process that help ensure the long-term financial security of our community.

Consistent Funding of the reserve accounts has the benefits of:

- **Peace of mind** - A reserve fund gives HOA members greater confidence and comfort in knowing money will be there when it is needed.

- **Market value preservation** – When reserves exist to support shared assets in the community, the market value of properties within the community are better maintained.

- **Equitable cost participation** – One of the main advantages of establishing and maintaining a reserve fund is that it ensures all residents who are using and enjoying community assets are contributing to their costs. Without reserves, a special assessment may be needed whereby only those residents who are living in our community at the time an asset needs to be replaced would be impacted. *By funding reserves over time, we can ensure that generations of owners share in the costs of assets.*



Annual Reserve			Annual Income Tax		
Calendar Year	Payment	Annual Interest	Annual Expenses	on Interest	Net Reserve Funds
2023	\$38,000	\$221	\$60,226	\$66	\$22,200
2024	\$38,916	\$111	\$26,353	\$33	\$34,840
2025	\$39,854	\$174	\$43,743	\$52	\$31,073
2026	\$40,814	\$155	\$19,333	\$47	\$52,663
2027	\$41,798	\$263		\$79	\$94,645
2028	\$42,805	\$473	\$69,051	\$142	\$68,730
2029	\$43,837	\$344	\$1,846	\$103	\$110,961
2030	\$44,893	\$555	\$45,072	\$166	\$111,170
2031	\$45,975	\$556	\$60,021	\$167	\$97,513
2032	\$47,083	\$488		\$146	\$144,938
2033	\$48,218	\$725	\$142,307	\$217	\$51,356
2034	\$49,380	\$257	\$10,049	\$77	\$90,866
2035	\$50,570	\$454	\$18,212	\$136	\$123,542
2036	\$51,789	\$618	\$19,557	\$185	\$156,206
2037	\$53,037	\$781	\$46,058	\$234	\$163,732
2038	\$54,315	\$819	\$67,070	\$246	\$151,550
2039	\$55,624	\$758	\$2,342	\$227	\$205,362
2040	\$56,964	\$1,027	\$5,887	\$308	\$257,158
2041	\$58,337	\$1,286	\$10,961	\$386	\$305,434
2042	\$59,743	\$1,527	\$11,974	\$458	\$354,273
2043	\$61,183	\$1,771	\$84,339	\$531	\$332,357
2044	\$62,658	\$1,662	\$160,993	\$499	\$235,185
2045	\$64,168	\$1,176	\$201,273	\$353	\$98,902
2046	\$65,714	\$495	\$19,033	\$148	\$145,929
2047	\$67,298	\$730		\$219	\$213,738
2048	\$68,920	\$1,069	\$132,155	\$321	\$151,251
2049	\$70,581	\$756	\$2,972	\$227	\$219,389

❑ Most mortgage companies (including FHA, Fannie Mae etc.) now require minimum of 10% of annual assessments go to reserve funds – condos only at present. But some movement toward PUD & HOA requirement.

❑ More than 24 states require some asset reserve requirement but not NC or SC, at least not yet.

❑ Many HOAs require 15% to 40% of total dues go to reserve accounts.

❑ The Global Study recommendation = 28% of total dues go to reserve accounts.

COMPARABLE COMMUNITIES												
									Schieveling	Schieveling	Schieveling	
	annual	# of	total	annual	reserve share	reserve	Schieveling	Schieveling	recommended	recommended	recommended	
	dues	homes	cost	reserve	per home	share %	dues comp	reserve comp	dues	reserve/ home	reserve total	
community 1	\$825	185	\$152,625	\$26,000	\$141	17%	\$1,114	\$190	\$977	\$277	\$38,000	
community 2	\$916	188	\$172,208	\$29,350	\$156	17%	\$1,257	\$214				
community 3	\$620	211	\$130,820	\$13,800	\$65	11%	\$955	\$101				

							special
year		category	reserve item		cost		assessment
2023		Clubhouse	Commercial 120 gallon hot water heater replacement		\$3,000		\$21.90
2023		Clubhouse	Exterior painting		\$30,000		\$218.98
2023		Clubhouse	Window over front porch replacement		\$2,900		\$21.17
2023		Pool Area	Pool furniture replacement		\$18,326		\$133.77
2023		Site Elements	Drainage repair and maintenance allowance - Phase 1		\$6,000		\$43.80
			<i>TOTAL for 2023</i>		<i>\$60,226</i>		<i>\$439.61</i>
2024		Paving	Concrete walkways repair allowance (10% every 10 years)		\$6,281		\$45.85
		Paving	Gravel walkway to pool off of Rhett Butler Drive		\$1,639		\$11.96
		Site Elements	Drainage repair and maintenance allowance - Phase 2		\$18,434		\$134.55
			<i>TOTAL for 2024</i>		<i>\$26,353</i>		<i>\$192.36</i>

							special
vear		categoryv	reserve item		cost		assessment
2025		Paving	Gravel parking area restoration		\$17,654		\$128.86
		Clubhouse	Lattice skirting replacement and painting		\$2,246		\$16.39
		Site Elements	Detention pond maintenance and repair allowance		\$3,092		\$22.57
		Site Elements	Irrigation system equipment replacement allowance		\$1,872		\$13.66
		Site Elements	Drainage repair and maintenance allowance - Phase 3		\$18,878		\$137.80
			<i>TOTAL for 2025</i>		<i>\$43,743</i>		<i>\$319.29</i>
2026		Site Elements	Drainage repair and maintenance allowance - Phase 4		<i>\$19,333</i>		<i>\$141.12</i>

NEXT STEPS:

- ☐ ***Vote to approve the reserve study recommendation to increase the HOA annual assessment from \$700 to \$977 effective January 1, 2023, with \$277 of the annual assessment to be dedicated to the reserve funds. Vote to be held on 4/28/2022***
- ☐ ***In subsequent years, vote on an annual basis to increase the reserve fund contribution by 2.4% as recommended by the reserve study.***