

**May 22, 2014**

## **Interim Update to road reserve study**

**Philip Walters and Steve Boone**

**Members of the Property Management Committee**

### **Introduction**

Under ESRPOA Policy #9, Reserve funds may be used to improve, maintain, repair or replace common property. Policy #9 requires a Reserve Study to be made every 5 years, with interim updates as required. A Reserve study of June 6, 2011 was made using a financial basis, with a physical inventory follow up on 4/13/2012.

### **New Experience and Findings**

While this study is still not out of date by our policy #9, significant impacts from flooding subsequent to the Weber Fire demonstrate a significant gap in this study. The study of June 6, 2011 only anticipated regular usage and normal weather impacts upon the infrastructure. Also, the study does not set goals for maximum and minimum balances in the reserve account; it only recommended a rate of assessment to keep up with an estimated rate of planned reserve expenditures, which was estimated to be \$290 per parcel per year.

A lack of funds in the Reserve has caused the association to have to make emergency special assessments two years in a row in order to remain solvent and able to maintain access to property. The Association found itself pulling operating funds almost to zero at times. The road repair expenses for the 2012-2013 operating year were \$39,062 above the expected \$13,000 for the time period.

While the Association has made a significant number of drainage improvements in the areas immediately affected by the fire related runoff, we now know that unexpected disaster can tax the association's ability to maintain safe ingress and egress. Other sources of flooding can occur in the mountains, such as rapid warming and rain during snow season. The Association finds it prudent to provide for unexpected disaster impacts in the reserve study now.

**Based upon actual physical and financial experience, in order to maintain ability to cover unplanned disaster expenditures, the planned usage of Reserve funds should not take the Reserve balance below \$30,000 during the budget period. The maximum reserve should be determined adding \$40,000 to the planned reserve expenditures during the budget period. The Reserve Assessment for each budget period shall be computed to achieve these goals.**

### **Analysis of Reserve Assessment for the period 8/1/14 to 7/31/15**

As of 5/22/14 the reserve account contains \$11,542.56

It is anticipated that between 5/22/14 and 7/30/14 we will spend \$8716 on capital surface improvements to RD G.3 and \$2500 on additional capital drainage improvements to RD 46. This will take the reserve account to near zero. To replenish the account, we should immediately transfer \$18,824

from operations accounts to the reserve account, posting against the Weber Fire Expense line, since this amount represents capital improvements that have been required by the Weber fire.

During the fall of the 2014-2015 budget period, we plan to make \$10,000 in additional surface improvements on RD G.3 and \$10,000 in surface repairs to the portions of RD 46 that have not been rehabilitated since the Weber fire. This work will not be performed until the monsoon period has passed and we are assured that the drainage situation is stable enough to make RD 46 surface repairs. In anticipation of this work in the fall, and to build up the reserve to the recommended level, at the end of July 2014, we should transfer an additional \$28,400 from the operations accounts to the reserve account. This would bring the reserve to ~\$27,500, which is still below the minimum of \$30,000.

### **2014-2015 Reserve Assessment Recommendation**

It is recommended to continue an additional year of **\$290 per lot** annual reserve assessment to bring the reserve within the target levels. This will bring the estimated reserve to ~\$37,700 at the end of the 2014-2015 budget period. The table below summarizes all of this.

Reserve Update Calculations as of 5/22/2014			
Date	Description	Amount	Balance
5/22/2014	Current Balance		11,542.56
6/30/2014	RD G.3 surface upgrades	(8,716.00)	2,826.56
6/30/2014	New Culvert @ CL22	(2,500.00)	326.56
6/30/2014	Xfer Weber Fire to reserve	18,824.00	19,150.56
7/30/2014	Xfer Ops cash to reserve	28,400.00	47,550.56
9/30/2014	RD G.3 surface upgrades	(10,000.00)	37,550.56
9/30/2014	RD 46 surface repairs	(10,000.00)	27,550.56
10/30/2014	\$290/lot reserve assessment	10,150.00	37,700.56

This analysis should be revisited next year when the 2015-2016 budget is drawn up.