

Connemara Woods Homeowners Association 2020 Reserve Study Summary

The Connemara Woods Homeowners Association (CWAHA) Board of Directors (here after referred to as the Board) commissioned a reserve study early in 2020 and the CWAHA 2020 Reserve Study was delivered to the Board on March 4, 2020. Virginia Statutes, 2019 Condominium and Property Owner's Association Act requires associations to conduct reserve studies at least every five years. There was a similar requirement in the Virginia Statutes that preceded the 2019 update. The last record that could be found of a CWAHA reserve study indicates that one was prepared in-house by a Board member in 2004.

It became apparent in 2019, while preparing Sales Disclosure Packets for homes being sold in the neighborhood, that there was no reserve study to include with the packets, as is required by the Virginia Statutes. The Board attempted to use the old 2004 reserve study as an example to prepare an updated one, but after digging into the details, decided that the old one lacked sufficient detail, and that preparing the new one was beyond the expertise and time availability of the Board members. The Board then looked for companies that could prepare a reserve study and solicited bids. Few companies were found that were willing to perform the work for a very small HoA with very few components (items covered by the reserve study). Of the companies that did provide bids, PM+ Reserves was selected because they had the lowest bid, they could complete the work in the desired time frame, and they are local. The reserve study cost \$2200, which spread over the five year life of the study, costs the homeowners \$8.00 per year per home.

The purpose of a reserve study is to determine the amount of money that needs to be kept in a reserve fund so that the association is prepared to pay for the repair or replacement of community owned common elements. For CWAHA these common elements include the entrance feature with light, the stairs and retaining wall to the common area above Connemara Drive, the pavement for the emergency access Y connecting Edenberry Court, Tramore Court and the access lane to Amelia Street, the fence and access gate at the end of the Y, and trees and shrubs in the common areas.

The Board realizes that many homeowners will not want to read the entire reserve study (posted on the Connemara Woods website under the Reserve tab – www.ConnemaraWoods.org), however IF YOU READ NOTHING ELSE IN THE RESERVE STUDY, the Board recommends that you read the following sections (about one page total) of the study to better understand the what and why of the study:

Page 1 – KEY TO UNDERSTANDING STUDY RESULTS

Page 4 – FOLLOWING CONSIDERATIONS

Pages 5 and 6 – FUNDING FOR RESERVES SHOULD BE FAIR TO ALL OWNERS

It is the intention of the Board to implement the reserve fund levels recommended in the CWAHA 2020 Reserve Study. CWAHA currently has about \$20,000 to initiate the fund, but this is still below the initial funding recommended by the study. In order to properly fund the reserve, the annual dues will need to be raised. There are two ways to do this. The homeowners can approve a motion (to be voted on at the annual meeting) to raise the annual dues to reach the required funding level in about five years, or the Board can raise the annual dues 10% per year without homeowner approval (as allowed by the covenants) until the full funding level is reached, which will take about eleven years. The Board recommends that the homeowners approve the motion to raise the annual dues to \$290 for the 2021 calendar year. After that, the dues are projected to go up slowly to keep pace with inflation. A comparison of the projected dues increases between the homeowner approved increase option and the 10% per year increase option is provided below.

Year	Annual Dues for homeowner approved increase option	Annual Dues for 10% per year increase option
2021	\$290.00	\$181.00
2022	\$290.00	\$199.00
2023	\$290.00	\$218.00
2024	\$290.00	\$239.00
2025	\$290.00	\$262.00
2026	\$300.00	\$288.00
2027	\$300.00	\$316.00
2028	\$300.00	\$347.00
2029	\$300.00	\$381.00
2030	\$310.00	\$419.00
2031	\$310.00	\$460.00
2032	\$320.00	\$320.00
2033	\$330.00	\$330.00
2034	\$330.00	\$330.00
2035	\$330.00	\$330.00

The above comparison is an estimated projection. Near term estimates are likely to be more accurate than those that are further out. The homeowner approved increase option starts at the homeowner approved level of \$290 and increases slowly over time. This option is projected to reach the reserve fund level recommended in the CWA 2020 Reserve Study by 2025. The 10% per year increase option is projected to increase the annual dues 10% annually for 11 years to catch up to the recommended reserve fund level, reaching \$460 in 2031. In 2032 it is projected to drop to the same level as the homeowner approved increase option in order to maintain the desired reserve fund level. The full analysis showing how these numbers are derived is available on the Connemara Woods website under the Reserve tab – www.ConnemaraWoods.org.

Funds in the Reserve Fund are set aside specifically for Reserve Fund expenses and are not to be used for operating expenses. Operating expense funds have been separated out from the Reserve Fund expenses in the calculations used to determine annual dues increase needed to bring the Reserve Fund to the recommended level. The Board is required by Virginia Statutes to review the reserve study and reserve fund each year to determine if it is still valid or if an adjustment needs to be made. Based on this review of the Reserve Study and the Reserve Fund, and on the projected operating expenses for the next calendar year, the Board then decides each year what the annual assessment will be for the next year. The board is permitted to increase the annual assessment by up to 10% over the previous year without getting approval from the homeowners. The Board also can decrease the annual assessment if it determines that the current annual dues exceed what is needed to fund the Reserve Fund and cover the operating expenses.