

FLORENCE OVERLOOK HOMEOWNERS' ASSOCIATION
7619 LITTLE RIVER TURNPIKE, SUITE #210
ANNANDALE, VA 22003

MEMORANDUM FOR THE RECORD
FY 2022 RESERVE FUNDING REVIEW

DATE: December 29, 2022

FROM: Jeffrey M. Bobich, 2022 President
Daniel Elder, 2022 Vice President
Carol Joyce, 2022 Secretary/Treasurer

SUBJECT: Reserve Study and Reserve Requirements

Under Virginia law¹, Homeowners Association Budgets must include: (i) a statement of the amount of reserves recommended in the reserve study that is required to be performed every five years, (ii) a statement of the amount of cash currently on hand for replacement reserves. These two statements will inform owners as to whether or not the replacement reserves are fully funded in accordance with the reserve schedule. Boards of Directors are also required to provide owners with the annual budget or a summary of the annual budget prior to the beginning of each fiscal year. The need for adequate reserves has been highlighted due to extensive media coverage of a Florida condominium that collapsed in 2021 due to insufficient maintenance, resulting from insufficient reserves to perform the required structural repairs and maintenance.

In 2012, the Florence Overlook Homeowners' Association (FOHOA) Board of Directors performed a comprehensive reserve study. The study found that FOHOA owned two common, capital properties, known as Parcels A and B. Parcel A is the wooded area to the west of Stegen Drive. Parcel A is a naturally wooded draining are kept in its natural state for decades and provides a privacy buffer with the adjoining neighborhoods. Parcel B is the Civil War era cemetery which is located directly behind Lot 8 on Rebecca Jane Way. Parcel B consists of one large multi-burial tombstone, surrounded by a cast iron fence estimated to be over 100 years old. These are the only common, capital properties owned by FOHOA for which capital reserves would be required. Potential capital expenditures include Parcel A tree removal, and potential debris removal and clearing to facilitate proper drainage. Parcel B capital expenditures could include fence repair and replacement.

At the time of the 2012 study, the Board established a target reserve range of \$5,800-\$17,500 for both common areas. Since then, the reserve has grown and far exceeded that amount. The reserve is expected to exceed \$30,000 at the end of 2022. Even when inflation is factored in to the 2012 study range, the current reserve balance of over \$30,000 should be more than adequate to cover any capital expenses for the two common parcels.

¹ Property Owners Association (POA Act). Code of Virginia, Title 55.1. Property and Conveyances, Subtitle IV. Common Interest Communities, Chapter 18. Property Owners' Association Act.

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Accordingly, it is agreed that the Board will suspend contributions to the capital reserve fund for 2023 and later years, subject to annual reassessment. To the extent the current dues structure generates a surplus, that amount should be kept in an operating reserve to fund potential legal expenses which may be needed to enforce compliance with Architectural Review Board requirements. Furthermore, the 2023 board should coordinate with Sentry Management to determine if routine Parcel A tree maintenance/removal expenses should be paid directly from the Capital Reserve Fund, rather than the operating budget as has been the case in recent years.

Signed:

Jeffrey M. Bobich
President

Daniel Elder
Vice President

Carol Joyce
Secretary/Treasurer