

# Smoky Ridge Reserve Study 2017

Authored by McCaffery Reserve Consulting  
Slides and Presentation by Amelia Almazan

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# Warnings

- ▶ Any numbers presented here are subject to adjustment as we get more information.
- ▶ At anytime, we can see a project increase in cost as our government can inject new tariffs any day for the cost of imported lumber, supplies or equipment needed for improving this community.
- ▶ Nobody can accurately predict the costs of future needs but this study is one of the best tools we have.
  
- ▶ If anything raises questions or comments, please attend a meeting or reach out to the board through [Mark@withcpmg.com](mailto:Mark@withcpmg.com) or send a private message to Amelia Almazan at Nextdoor or our Facebook group.

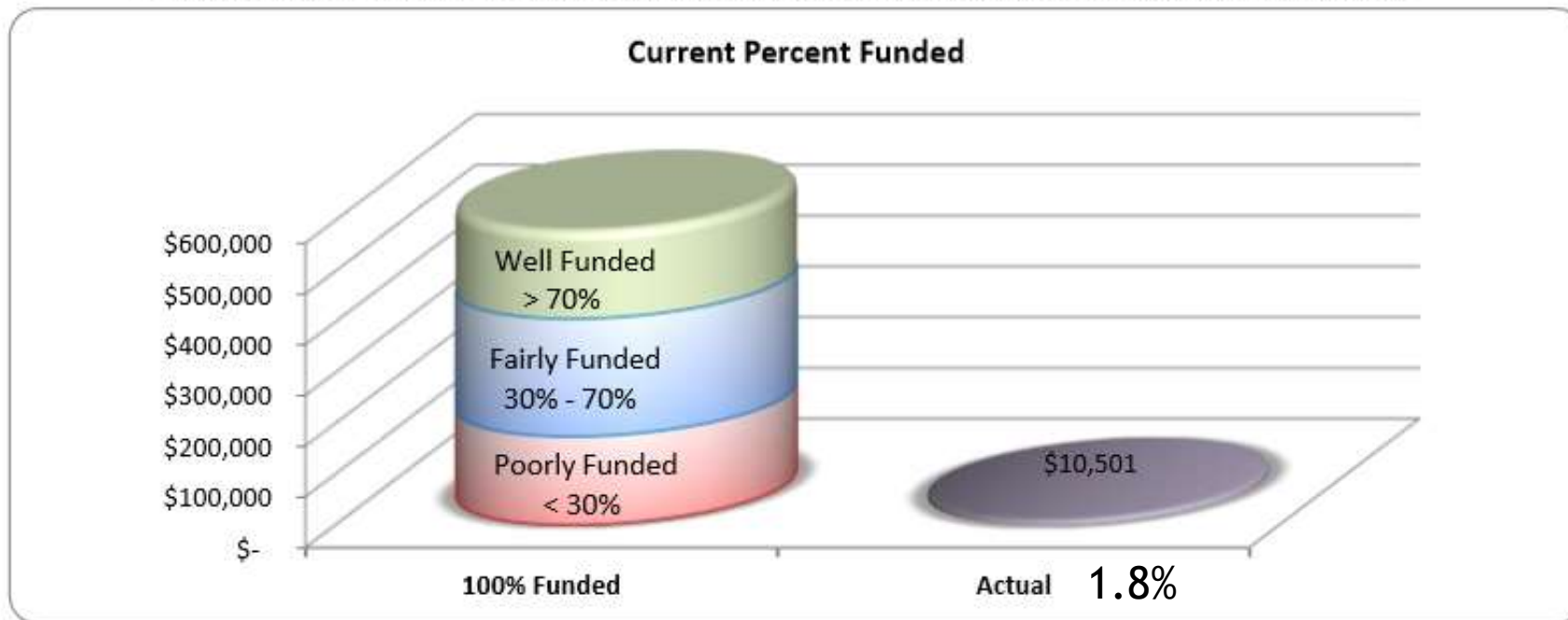
# Why did we procure a reserve study?

- ▶ A reserve study is a detailed report that assists common interest developments (like HOAs) in planning for long-term common area repair and replacement expenses.
- ▶ In states like California, this is required every year for HOAs by law. It is only recommended for HOAs in Colorado to complete every 3 years .
  - ▶ Our last one was completed in 2010.
  - ▶ Past and current budgetary restraints keep us from doing this as often as we should.
- ▶ This is a tool to help us fine tune how much of an increase is necessary to fix our financial situation.

# What it tells us?

- ▶ We are poorly funded:

The higher your percent funded, the lower the risk of special assessments and deferred maintenance.



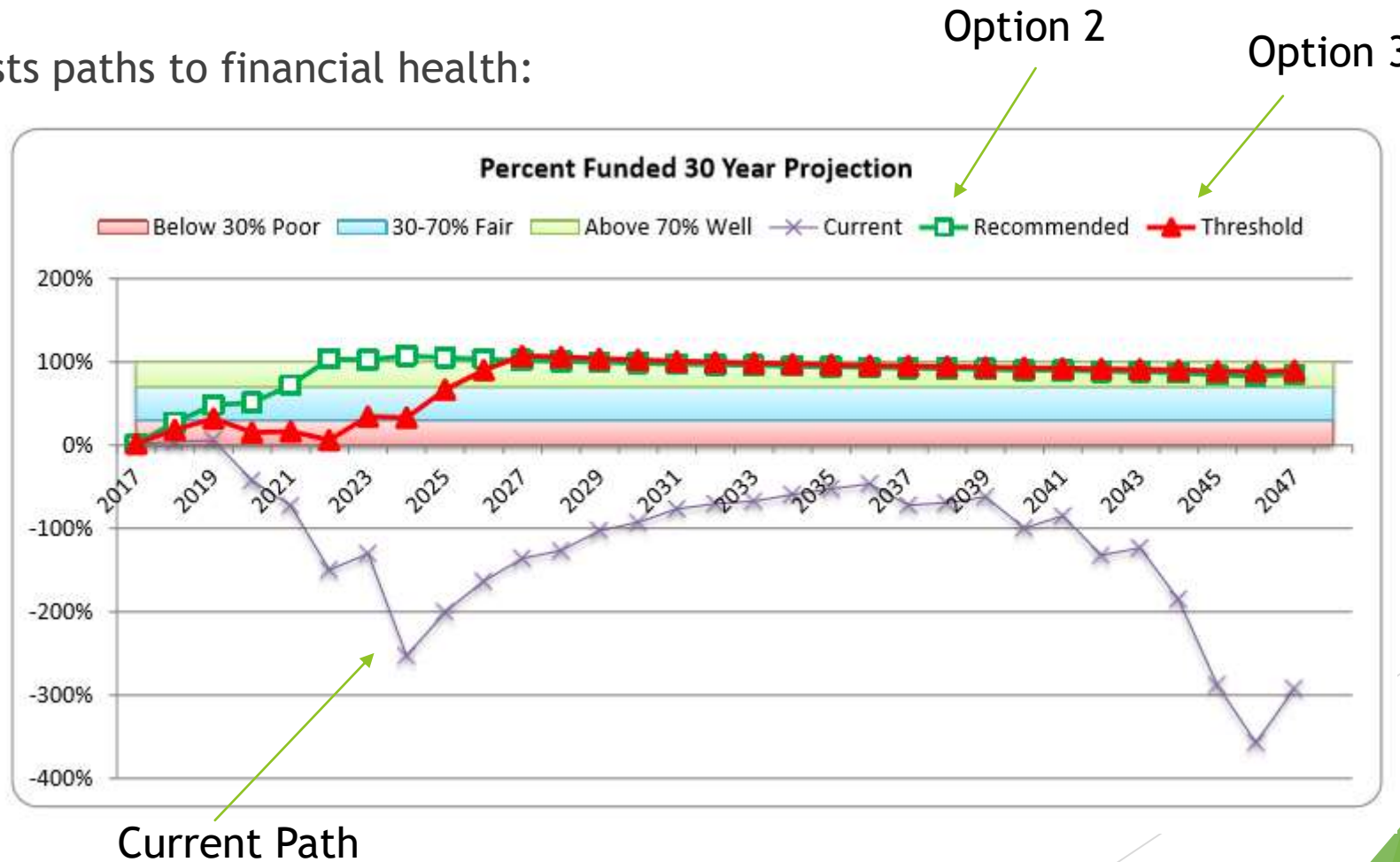
# What does this reserve study tells us?

- ▶ The Executive Summary says to have a fully funded reserve balance, we should have \$580,208 but we only have \$8,953.56 as of our 12/31/2017 Balance Sheet.
- ▶ That is \$571,254.44 behind where we should be or \$1,107.08 per household.
  - ▶ We can not use special assessments to refill our reserve:

**Section 4. Special Assessments for Capital Improvements.**  
In addition to the annual assessments authorized in this Article IV, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of any capital improvement upon the Maintenance Property, including fixtures and personal property related thereto, or for the funding of any operating deficit incurred by the Association. Any such assessment shall have the assent of both two-thirds (2/3) of the votes of the Members other than Declarant and two-thirds (2/3) of the Members including Declarant who are voting in person or by proxy at a meeting duly called for this purpose and shall be levied equally against each Assessment Unit.

# What does this reserve study tells us?

- Suggests paths to financial health:



# Where can we go from this information?

- ▶ This is just a guideline for us to decide how much to raise our rates to accomplish our infrastructure goals.
  - ▶ The current board has yet to come to a consensus as to what the final number should be for the purposed increase.
  - ▶ The following options are purposed by McCaffery and should be considered but the board needs feedback from the community to know how successful a campaign would be before proceeding.
- ▶ If you find the numbers are outrageously high please note that once the immediate big projects are completed we may have the chance to decrease the dues.
  - ▶ This requires an active community to keep the board on task in the next 5-10 years.

# Theoretical 30 Year Funding Plans

Smoky Ridge

Above 70% = Well Funded (Low Risk of Special Assessment)    Between 30% and 70% = Fairly Funded    Below 30% = Poorly Funded (Higher Risk of Special Assessment)

Before Tax Interest Rate	1.5%
Annual Inflation Rate	3.0%
Annual Funding Increase	3.0%

Future  
Decrease  
Possible

Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			5% Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2017	\$ -	\$ 580,208	\$ 18,000	\$ 10,501	2%	\$ -	\$ 10,501	2%	\$ -	\$ 10,501	2%
2018	\$ -	\$ 651,848	\$ 18,540	\$ 29,199	4%	\$ 168,000	\$ 178,659	27%	\$ 111,000	\$ 121,659	19%
2019	\$ 6,953	\$ 719,745	\$ 19,096	\$ 41,780	6%	\$ 173,040	\$ 347,426	48%	\$ 114,330	\$ 230,861	32%
2020	\$ 274,776	\$ 501,703	\$ 19,669	\$ (212,700)	-42%	\$ 178,231	\$ 256,093	51%	\$ 117,760	\$ 77,308	15%
2021	\$ 127,139	\$ 438,517	\$ 20,259	\$ (319,579)	-73%	\$ 183,578	\$ 316,373	72%	\$ 121,293	\$ 72,621	17%
2022	\$ 178,959	\$ 319,168	\$ 20,867	\$ (477,671)	-150%	\$ 189,085	\$ 331,246	104%	\$ 124,931	\$ 19,683	6%
2023	\$ 22,459	\$ 367,326	\$ 21,493	\$ (478,637)	-130%	\$ 62,872	\$ 376,627	103%	\$ 128,679	\$ 126,199	34%
2024	\$ 177,770	\$ 250,845	\$ 22,138	\$ (634,269)	-253%	\$ 64,758	\$ 269,265	107%	\$ 132,540	\$ 82,862	33%
2025	\$ 12,450	\$ 311,606	\$ 22,802	\$ (623,918)	-200%	\$ 66,700	\$ 327,554	105%	\$ 136,516	\$ 208,171	67%
2026	\$ 12,668	\$ 375,956	\$ 23,486	\$ (613,099)	-163%	\$ 68,702	\$ 388,501	103%	\$ 140,611	\$ 339,237	90%
2027	\$ 13,208	\$ 443,712	\$ 24,190	\$ (602,117)	-136%	\$ 70,763	\$ 451,883	102%	\$ 144,830	\$ 475,947	107%
2028	\$ 39,475	\$ 487,217	\$ 24,916	\$ (616,676)	-127%	\$ 72,885	\$ 492,071	101%	\$ 72,885	\$ 516,497	106%
2029	\$ -	\$ 576,905	\$ 25,664	\$ (591,013)	-102%	\$ 75,072	\$ 574,524	100%	\$ 75,072	\$ 599,316	104%
2030	\$ 28,691	\$ 640,507	\$ 26,434	\$ (593,270)	-93%	\$ 77,324	\$ 631,775	99%	\$ 77,324	\$ 656,939	103%
2031	\$ -	\$ 739,366	\$ 27,227	\$ (566,043)	-77%	\$ 79,644	\$ 720,896	98%	\$ 79,644	\$ 746,437	101%
2032	\$ 30,438	\$ 810,662	\$ 28,043	\$ (568,438)	-70%	\$ 82,033	\$ 783,304	97%	\$ 82,033	\$ 809,229	100%
2033	\$ 45,762	\$ 869,984	\$ 28,885	\$ (585,316)	-67%	\$ 84,494	\$ 833,786	96%	\$ 84,494	\$ 860,099	99%
2034	\$ 16,047	\$ 965,757	\$ 29,751	\$ (571,612)	-59%	\$ 87,029	\$ 917,274	95%	\$ 87,029	\$ 943,982	98%
2035	\$ 16,732	\$ 1,066,274	\$ 30,644	\$ (557,700)	-52%	\$ 89,640	\$ 1,003,941	94%	\$ 89,640	\$ 1,031,050	97%
2036	\$ 17,024	\$ 1,172,180	\$ 31,563	\$ (543,161)	-46%	\$ 92,329	\$ 1,094,305	93%	\$ 92,329	\$ 1,121,820	96%
2037	\$ 240,271	\$ 1,042,591	\$ 32,510	\$ (750,922)	-72%	\$ 95,099	\$ 965,548	93%	\$ 95,099	\$ 993,476	95%
2038	\$ 53,051	\$ 1,114,446	\$ 33,485	\$ (770,488)	-69%	\$ 97,952	\$ 1,024,931	92%	\$ 97,952	\$ 1,053,279	95%
2039	\$ 24,556	\$ 1,222,212	\$ 34,490	\$ (760,554)	-62%	\$ 100,890	\$ 1,116,640	91%	\$ 100,890	\$ 1,145,412	94%
2040	\$ 304,665	\$ 1,033,300	\$ 35,525	\$ (1,029,695)	-100%	\$ 103,917	\$ 932,642	90%	\$ 103,917	\$ 961,845	93%
2041	\$ -	\$ 1,171,334	\$ 36,590	\$ (993,105)	-85%	\$ 107,035	\$ 1,053,666	90%	\$ 107,035	\$ 1,083,308	92%
2042	\$ 323,219	\$ 967,158	\$ 37,688	\$ (1,278,636)	-132%	\$ 110,246	\$ 856,497	89%	\$ 110,246	\$ 886,584	92%
2043	\$ 54,696	\$ 1,050,572	\$ 38,819	\$ (1,294,514)	-123%	\$ 113,553	\$ 928,202	88%	\$ 113,553	\$ 958,739	91%
2044	\$ 321,072	\$ 851,810	\$ 39,983	\$ (1,575,602)	-185%	\$ 116,960	\$ 738,012	87%	\$ 116,960	\$ 769,008	90%
2045	\$ 325,359	\$ 645,956	\$ 41,183	\$ (1,859,779)	-288%	\$ 120,469	\$ 544,192	84%	\$ 120,469	\$ 575,653	89%
2046	\$ 205,913	\$ 566,722	\$ 42,418	\$ (2,023,274)	-357%	\$ 124,083	\$ 470,524	83%	\$ 124,083	\$ 502,456	89%
2047	\$ 23,856	\$ 685,729	\$ 43,691	\$ (2,003,440)	-292%	\$ 127,805	\$ 581,531	85%	\$ 127,805	\$ 613,942	90%



# Before We Move On

Since we are proposing to include trash collection we need to look at the increase with our own trash bills.

This varies depending on each households current bills...

Waste Management last year \$42.73 / month (x12)

$\$512.76 + 246.70 = \$759.46$  per year Trash and Dues

American this year \$61.35 a quarter (x4)

$\$245.40 + 246.70 = \$492.10$  per year Trash and Dues

Include your current trash fees before comparing to the possible rate increases.

\*For the following exercises we are estimating a \$13/month, \$156/ year per household trash rate.

# More Comparisons

## (Our current yearly dues is \$246.70)

- ▶ American at \$72.33 / Q ... Currently pays \$536.02 in trash and dues
- ▶ American at 300 /y ... Currently pay \$546.70 in trash and dues
- ▶ Lies at 60/q ... Currently pay \$486.70 in trash and dues
- ▶ Lies at \$205 /y... Currently pay \$451.70 in trash and dues
- ▶ \$216 at Republic /y ... Currently pay \$462.70 in trash and dues
- ▶ \$190 / y ... Currently pays \$436.70 in trash and dues
- ▶ \$336 / y ... Currently pays \$582.70 in trash and dues
- ▶ \$290 / y ... Currently pays \$536.70 in trash and dues



Option 1:  
Special Assessment + Increase

# Option 1 - Special Assessment For Everything

- ▶ Lifted from 3-14 is the Total to fix and paint fence, update landscaping, replacing mailboxes: \$703,308 or \$1,363 a household. (minus Himalaya)
- ▶ A rate increase would still be needed to be implemented but would be:
  - ▶ \$59.58 (per household increase to fund reserves adequately) + 246.70 (Current Dues) + \$156 (Estimated Trash) = \$462.28 yearly dues

# Option 1 - \$1,363.00 Special Assessment, \$462.28 annual dues

## ▶ Pros:

- ▶ No worry about increase in labor or cost of materials as the years tread on.
- ▶ Smallest increase in dues after one painful year.

## ▶ Cons:

- ▶ Not realistic to the average homeowners budget.
  - ▶ About 63 percent of Americans say they're unable to handle a \$500 car repair or a \$1,000 emergency room bill, according to [a new survey from Bankrate.com](#).
  - ▶ I don't believe that we can get a 2/3 approval for this option.
- ▶ May need to do future special assessments every time we need to fix or replace something.



Option 2 -  
Follow the Reserve Study's  
Recommendation

# Option 2 - Recommended Reserve Contribution

Funding Plans	Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2017	\$ 52,654	\$ 4,388	\$ 8.50
Budgeted Reserve Contribution 2017	\$ 18,000	\$ 1,500	\$ 2.91
5% Threshold Reserve Contribution for 2018	\$ 111,000	\$ 9,250	\$ 17.93
<b>Recommended Reserve Contribution for 2018</b>	<b>\$ 168,000</b>	<b>\$ 14,000</b>	<b>\$ 27.13</b>

The Recommended Reserve Contribution for 2018 is \$27.13 monthly per household.

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# Option 2 - Recommended Reserve Contribution

We are projected to place \$2.91 every month per household into reserves so we can subtract this.

$(\$27.13 - 2.91) = \$24.22$  per month increase or  
 $\$24.22 * 12 = \underline{\$290.64}$  yearly increase per household



# Option 2 - Recommended Reserve Contribution

Proposed Increase (yearly) + Current dues (yearly) + estimated Trash (yearly)=

$$\$290.64 + \$246.70 + \$156.00 = \$693.34$$

# Option 2 - Recommended Reserve Contribution - \$693.34, possible surplus after 5 years

After about 5 years, we are projected to need less to put into reserves and could put forth a decrease in our dues.

## Option 2 - \$693.34 Annual Dues, possible surplus after 5 years

### ▶ Pros:

- ▶ Will see results within a few years.
- ▶ Will achieve a surplus sooner which will hopefully translate into a decrease sooner if the community wants a decrease.





### ▶ Cons:

- ▶ We had some difficulty getting people to get on board with the increase to \$564.00 last year and this \$129.34 above that.

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The overall composition is clean and modern.

## Option 3 - Follow the Reserve Study's 5% Option

# Option 3 - 5% Threshold Reserve Suggested Increase

Funding Plans		Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2017		\$ 52,654	\$ 4,388	\$ 8.50
Budgeted Reserve Contribution 2017		\$ 18,000	\$ 1,500	\$ 2.91
5% Threshold Reserve Contribution for 2018		\$ 111,000	\$ 9,250	\$ 17.93
<b>Recommended Reserve Contribution for 2018</b>		<b>\$ 168,000</b>	<b>\$ 14,000</b>	<b>\$ 27.13</b>

In this plan the reserves never drop below 5%.

Lower increase, slower fixes. Monthly per household contribution is \$17.93

(page 2-7)

# Option 3 - 5% Threshold Reserve Suggested Increase

We are projected to place \$2.91 every month per household into reserves so we can subtract this.

$(\$17.93 - 2.91) = \$15.02$  per month increase or

$\$15.02 \cdot 12 = \underline{\$180.24}$  yearly increase per household

# Option 3 - 5% Threshold Reserve Suggested Increase

Proposed Increase (yearly) + Current dues (yearly) +  
estimated Trash (yearly)=

$$\$180.24 + \$246.70 + 156 = \$582.94$$

# Option 3 - 5% Threshold Reserve Suggested Increase, \$582.94 possible surplus after 10 years

After about 10 years, we are projected to need less to put into reserves and could put forth a decrease in our dues.



# Option 3 - \$582.94 Annual Dues, decrease after 10 years

## ▶ Pros:

- ▶ This number is much closer to the \$564 we asked for in 2017 and we were growing support for this.

## ▶ Cons:

- ▶ We will not see any infrastructure projects start for at least 4 years.
- ▶ In 10 years, who will be involved on the board and will a decrease be discussed.

# Side By Side

Option 1 - One Time Special Assessment of \$1364, Annual increased to \$462.28

Option 2 - Annual increased to \$693.34, possible decrease in 5 years

Option 3 - Annual increased to \$582.94, possible decrease in 10 years

Stay the Course - File for bankruptcy when we go insolvent, split the legal bill 516 ways and still have to pay for repairs but in a one time special assessment forced by the courts. May or may not have an HOA at the end of the day.

# Compare Current to Option 1

## Special Assessment of \$1363, Dues at 462.28

Service	Currently Trash Bill	Currently pay HOA + Trash	Proposed Yearly	Actual Change
American	\$72.33 / Q	536.02	\$462.28	-73.74
American	\$300 / Y	546.70	\$462.28	-84.42
Lies	\$60 / Q	486.70	\$462.28	-24.42
Lies	\$205 / Y	451.70	\$462.28	10.58
Republic	\$216 / Y	462.70	\$462.28	-0.42
unknown	\$190 / Y	436.70	\$462.28	25.58
unknown	\$336 / Y	582.70	\$462.28	-120.42
unknown	\$290 / Y	536.70	\$462.28	-74.42
Waste Management	42.73 / M	759.46	\$462.28	-297.18
American	61.35 / Q	492.10	\$462.28	-29.82

Almost everyone's yearly bill would go down but only after paying over 1k in a special assessment in a one year span.

# Compare Current to Option 2

## Dues increased to \$693.34

Service	Currently Trash Bill	Currently pay HOA + Trash	Proposed Yearly	Actual Change
American	\$72.33 / Q	536.02	\$693.34	157.32
American	\$300 / Y	546.70	\$693.34	146.64
Lies	\$60 / Q	486.70	\$693.34	206.64
Lies	\$205 / Y	451.70	\$693.34	241.64
Republic	\$216 / Y	462.70	\$693.34	230.64
unknown	\$190 / Y	436.70	\$693.34	256.64
unknown	\$336 / Y	582.70	\$693.34	110.64
unknown	\$290 / Y	536.70	\$693.34	156.64
Waste Management	42.73 / M	759.46	\$693.34	-66.12
American	61.35 / Q	492.10	\$693.34	201.24

Yearly bills go up for almost everyone but the benefits will be seen much quicker. This in theory will prevent any painful one time special assessments.

# Compare Current to Option 3

## Dues increased to \$582.94

Service	Currently Trash Bill	Currently pay HOA + Trash	Yearly	Actual Change
American	\$72.33 / Q	536.02	\$582.94	46.92
American	\$300 / Y	546.70	\$582.94	36.24
Lies	\$60 / Q	486.70	\$582.94	96.24
Lies	\$205 / Y	451.70	\$582.94	131.24
Republic	\$216 / Y	462.70	\$582.94	120.24
unknown	\$190 / Y	436.70	\$582.94	146.24
unknown	\$336 / Y	582.70	\$582.94	0.24
unknown	\$290 / Y	536.70	\$582.94	46.24
Waste Management	42.73 / M	759.46	\$582.94	-176.52
American	61.35 / Q	492.10	\$582.94	90.84

Increases would be much less for most households but there is a risk that if we can't fix projects in time or if projects jump in price over time, we would have to pass special assessments.

Notes to mention:

Our reserve is for special projects only. It is why we only carried over 8k from last year and have 63k in operating. We are going to need that money in our operating for mailers or legal consultation to get us through our push for an increase this year. The more we save in mailers and legal, the more we can put to the infrastructure goals.

If we were tied to Boulder/ Denver CPI from the 1988 creation of this community (started at \$100 in assessment fees) we would be at about \$224.07 in annual dues. Conclusion - we are not in this budget crisis because we are to DC's CPI but should change our CPI Index to Boulder as DC is going through a very long crisis while Denver is projected to boom along with our bills.

The numbers mentioned in this presentation are based off of a 2017 reserve study on our community. It is already out of date as it assumes that we were able to raise our rates January 2018 and that we can increase our budget by 3% every year. The board may have to pick a number that is more than what is in this presentation as our operating may need an increase as well as attempting to adjust for these issues that this study can not adjust for. This is hopefully what will help start the conversation so we can start to assess what increase is the most likely to be successful.