

Introduction



We all have the same goal - a nice, clean neighborhood for current residents and prospective residents.

- **Maintain common grounds – we have 20 acres of Open Space**
- **Provide needed services (groundskeeping and snow removal)**
- **Maintain common elements – clubhouse, pool, tennis courts, etc**

Today's Presentation



Three reasons for this presentation:

- 1) To give you information so that we are as transparent as possible with any changes such as - increases in dues and changes in the budget**
- 2) To give you the opportunity to give us feedback on the budget & help us to better understand the resident perspective - good or bad**

Today's Presentation



3) To get you motivated to become involved, whether by running for the board or by reviving our committees, including the very important Finance Committee . Running for the board is a very effective way to influence and shape future budgets & projects. Please also consider joining the Finance Committee – they will have knowledge and oversight as far as our income, spending, and everything related to operating this neighborhood and completing projects.

2018 to 2028



Increasing funds for projects over the next 10 years

- In 2018, to increase funding for the Common Reserve Fund - we are increasing dues by 50 cents per day.**
- We have a list of projects from our Reserve Study – primarily over the next 10 years – with the biggest projects being re-paving the roads as soon as possible, through an anticipated replacement of the pool & deck in 2028**

Purpose



We do not want to raise dues without a purpose

The purpose of raising dues will be to set them at the required level to fund operations, current projects, and long-term projects. As well as maintain sufficient funds to accommodate emergencies and the unexpected.

Future Increases



Primarily for Roads

- Pay for roads collectively, anticipate \$15/month increases in both January 2019 and 2020.

or

- Pay for roads by splitting cost per homeowners on the street -
Anticipate assessments based upon condition of road and
estimated date of paving.

Townhouse Increases



Primarily to fund sidewalk repairs and trash corral replacements

- **Very small reserve at present time and townhouses are right on budget for operating expenses with an insufficient reserve contribution (currently projected to be \$500 in 2018)**
- **Anticipate annual \$5 to \$10/month increase beyond common increases for next 3 years beginning in 2019**

Waiting for 2028



All of our major projects including the roads could be completed by 2028 if we seek appropriate funding for Road repaving and maintain adequate reserves to fund our current and long-term projects up to and including total replacement of the pool and deck.

After that time, dues and reserves will see a predictable increase strictly along the lines of inflation/cost of living, barring the unexpected.

Reserve Study for Hedgerow

**Maintaining the Physical and Financial Health of Hedgerow
Homeowners Association, Inc. by Reserving for the Future**



Why Reserve



Protects your investment

Preserves the appearance of the community

Reduces cost of maintenance

Fulfills fiduciary responsibilities

Consistent plan

Compliance with laws and accounting requirements

Peace of mind

Our Reserve Study



Physical Analysis

- On Site Inspection - September 12, 2017
- Quantification and Qualification of Reserve Components
- Cost and Life Analysis

Financial Analysis

- Cash Status of Reserve Fund
- 2.5% inflation, 1.2% interest
- Reserve Funding Projections

Report Issued - October 10, 2017

Summary of

Results COMMON

Overview



**\$51,586 actual Reserves as
of August 31, 2017**

**\$51,792 projected Reserves
as of December 31, 2017**

**\$33,000 anticipated transfer
from Operating Budget on
January 1st = \$84,792 reserve**

Common Budget

2017



Category	2017 Amount
Admin	\$500
Donations	\$250
Insurance	\$7,800
Landscaping	\$30,000
Pond	\$1,000
Pool	\$25,000
Bookkeeper	\$3,600
Lawyer	\$2,800
Tax Acct	\$300
Cleaner	\$1,050
Trees Fences Common Ground	\$25,000
Playground	\$500
Snow	\$25,000
Social	\$500
Street	\$6,000
Tax (Houses)	\$2,500
Phone	\$1,750
Water	\$11,000
Loan	\$17,000
Reserve Fund Contribution	\$0.00
	\$173,750

Summary of

Results COMMON

Initial Adjustment



**Initial increase to
\$129,000 annually in
2018**

**74% adjustment in total
budget**

**Increase of average \$61
per owner, per month**

Plan for Reserve Funding

Direct contingency items
to reserve and gradually
increase monthly dues



Right-size budget items
and direct contingency
funds to reserve - \$34,220

Target ~50% of needed
funding = \$65,000

Increase dues by \$15
per owner, per month

Common Budget

2018



Category	2018 Amount
Admin	\$500
Donations	\$250
Insurance	\$7,800
Landscaping	\$30,000
Pond	\$0
Pool	\$25,000
Bookkeeper	\$3,600
Lawyer/Reserve Study	\$2,000
Tax Acct	\$300
Cleaner	\$1,050
Trees Fences Common Ground	\$12,500
Playground	\$0
Snow	\$12,500
Social	\$500
Street	\$4,000
Tax (Common)	\$3,700
Phone	\$1,550
Water/PECO	\$7,600
Loan	\$17,000
Reserve Fund Contribution	\$65,000
Total	\$194,850

Summary of Results COMMON

Threshold Funding Years



Funding Goal: Maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures

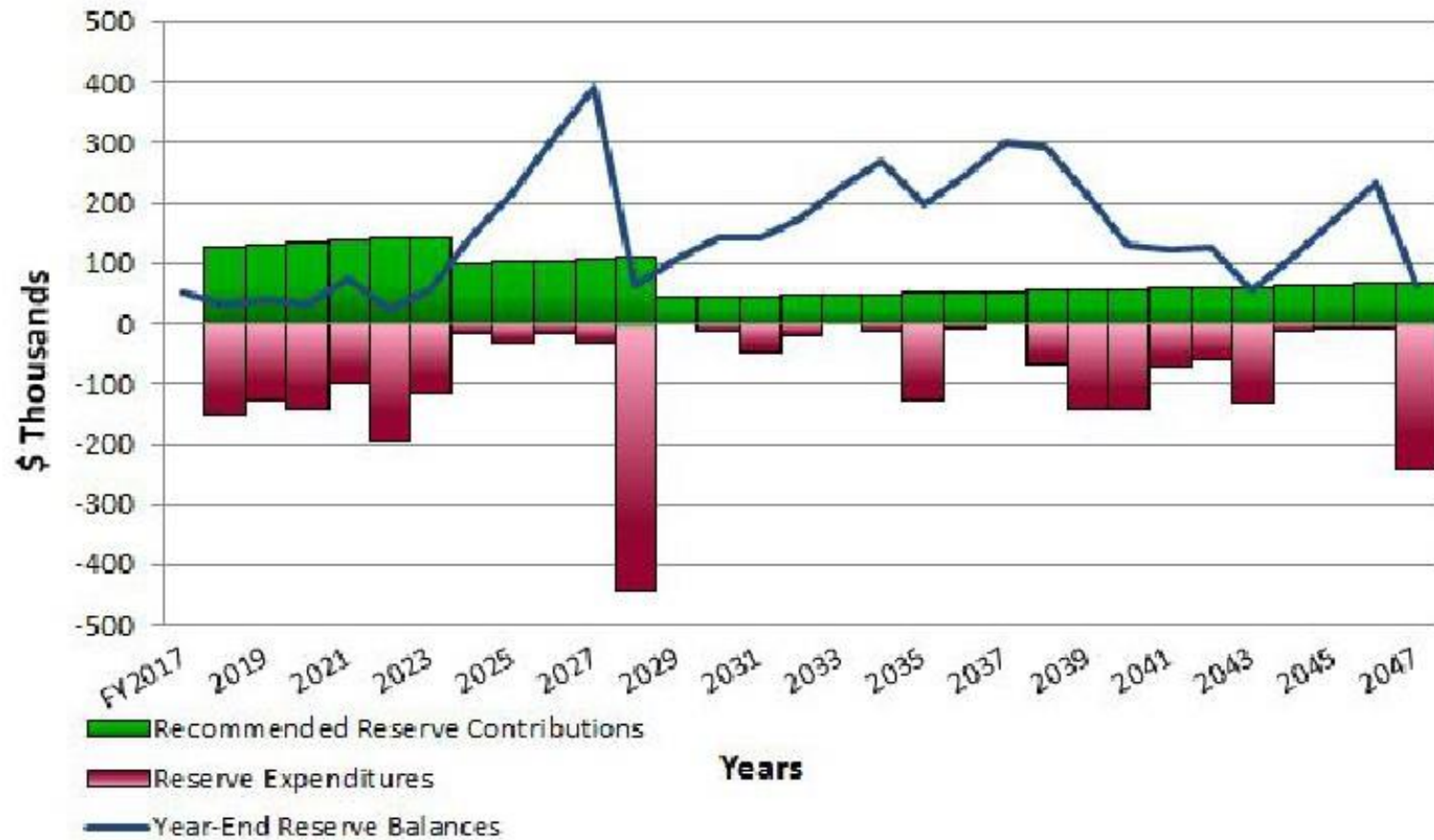
Threshold Funding Year(s):

2022 due to repaving

2028 due to replacement of the pool structure and deck

2043 due to subsequent repaving

2047 due to subsequent replacement of the tennis & basketball court



Bar chart depicting expenditures and reserve funds throughout 30-year study period

Waiting for 2028

Target Funding Achieved



Following the major pool project in 2028,
Required reserved funding returns to a
conservative annual amount, adjusted
for inflation

2029 reserve funding level becomes:

\$22 per homeowner, per month

Long-term projects are covered by funds:

2043 due to subsequent repaving

2047 due to subsequent replacement of the
tennis & basketball court

Summary of Results TOWNHOME

Overview



**\$4,370 actual Reserves as of
August 31, 2017**

**\$4,422 projected Reserves as
of December 31, 2017**

TOWNHOME Budget

2017 – Over Budget



Category	2017 Amount
Tax (Townhouses)	\$1,200
Trash (Townhouses)	\$11,000
Reserve Fund Contribution	\$0.00
Total	\$12,200

Summary of Results TOWNHOME

Initial Adjustment



**Initial increase to \$6,500
annually in 2018**

**3.7% adjustment in total
budget**

**Increase of average
\$16.41 per owner, per
month**

Plan for Townhome reserve funding

**Defer Maintenance
and small dues increases**



**Paint and repair trash corrals
to extend useful life. Lower
dumpster fees by 50%.**

**Additional ~\$5 to \$10/month
increase annually beginning in
2019 until desired funding is
met**

TOWNHOME Budget

2018



Category	2018 Amount
Tax (Townhouses)	\$1,200
Trash (Townhouses)	\$7,000
PECO (Lights)	\$1,400
Reserve Fund Contribution	\$500
Total	\$10,100

Summary of Results TOWNHOME

Threshold Funding Years

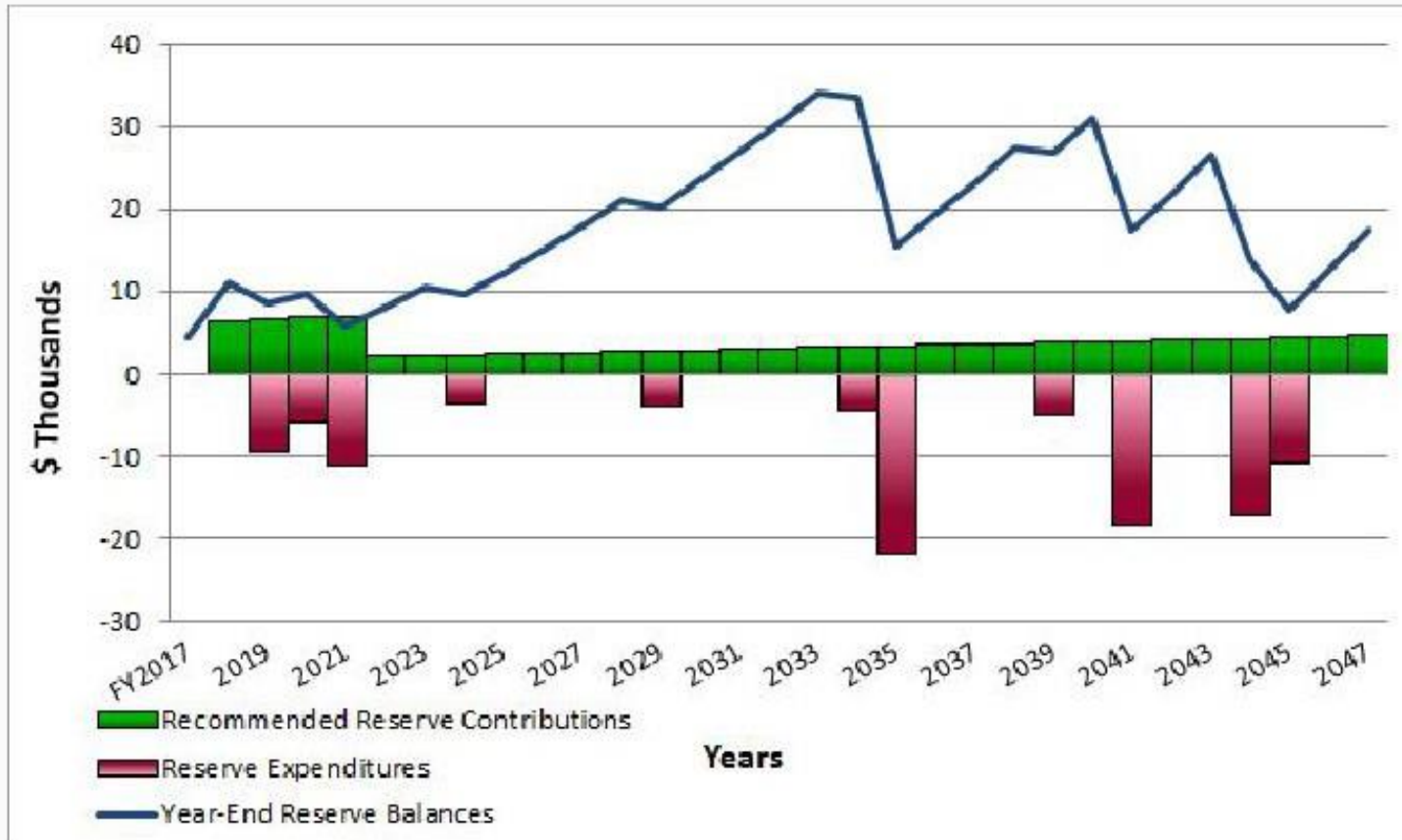


Funding Goal: Maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures

Threshold Funding Year(s):

2021 due to replacement of the trash corral fences

2045 due to replacement of the mailbox stations



Bar chart depicting expenditures and reserve funds throughout 30-year study period

Significant Expenditures - First 5 Years



Upcoming Expenditures



Repaving of the streets and parking areas



Replacement of the plaster and tile finishes at the pool



Replacement of the roof at the clubhouse

Replacement of the fixtures at the clubhouse rest rooms

Townhome Trash Corral Fences



Townhome Mail Stations



Moving forward



- **Establish a formal reserve policy**
- **Revisit investment strategy**
- **Discuss incorporating financing**
- **Document and record actual expenses**
- **Regularly update plan**
- **Talk to contractors and trade organizations to help plan future projects**
- **Form committees to oversee reserve plan and large capital projects**

2018 Major Projects



- Pool finish – plaster & tile @ \$43,000
- Baby pool repair @ \$4,200
- Pave Hedgerow Drive @ \$16,000

Remaining reserve funds at end of year = \$63,280 reserve fund contribution minus (\$47,200 pool repairs and \$16,000 paving) + existing \$84,792 reserve fund = \$84,872 remaining into 2019

2019 Major Projects



- Clubhouse carpet

2020 Major Projects



- Catch basins
- Clubhouse roof
- Pool deck repair
- Replace pool covers
- Replace/repair pool equipment

What About the Roads?



- **Declarations versus recent precedent**
- **Declarations divide road cost by homeowners on each street**
- **For at least 13 years, road repairs were common expenses**
- **Advantage of per road funds – consistent with declarations**
- **Disadvantage – large immediate assessments for worst roads**
- **Advantage of common fund – fast and efficient way to fund repairs**
- **Disadvantage of common fund – long-term ROI for best roads**

**** This issue needs to be settled by 2019 budget time ****

Loan Matures in June 2020



- \$8,500 extra to reserves in 2020
- \$17,000 extra to reserves in years that follow

Following this Plan



- The best way to have the plan followed is by reintroducing the Finance Committee
- They can hold the board accountable
- They would also persist beyond changes in the board