

May 26, 2020

To: Waterside Owners

From: Waterside Condominium Association Board

Subject: Financial Reserve Projections

At the last annual meeting of owners in August 2019, the issue of reserves not being adequate to fund anticipated capital expenses going forward, such as repainting the building, was discussed. The Board was tasked with developing a plan to address the potential shortfall.

At the last Board meeting held in February, a plan was presented to address the potential shortfall. The plan includes estimates for anticipated major capital projects to maintain the property out 15 years. The major expense is repainting the entire property, assumed to occur over the next five years. Other significant expenses include replacing shingled roofs, repaving parking areas and spa repairs. These estimates are from a combination of bids on previous work, estimates from knowledgeable professionals and the experience of our property management.

At the current dues level of \$330/month for most units, Waterside is setting aside about \$30,000 annually for major capital projects. The reserve plan shows that at the current dues level, we would experience major deficits, particularly over the next five years, if the buildings are repainted. A plan was developed to avoid a shortfall in reserves that would raise Waterside dues by \$50/month, to \$380/month, later this year.

The Board approved this plan in late February for implementation on July 1, but in subsequent communication decided to delay its implementation due primarily to the COVID-19 crisis. The Board realizes that some homeowners may be experiencing financial difficulties due to the crisis, and the outlook for the near future is very uncertain. Given these realities, the Board thought it better to delay a dues increase until such time that the economy has returned to a more normal state. This may require delaying major projects, such as repainting, but the Board will endeavor to make sure that no significant damage or cost increases are realized because of any delays.

For those that are interested, attached are reserve projections with and without a dues increase that formed the basis of the Board's action.

Sincerely,

Jack Jenkins (for the Waterside Condominium Association Board)

Waterside Reserve Projection - Without HOA Dues Increase

PROJECT	Cycle	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PAINTING																	
Building 1		\$75,000	\$75,000														
Building 2		\$100,000	\$100,000	\$100,000													
Building 4		\$100,000			\$100,000												
Building 3		\$100,000				\$100,000											
Garages & other		\$100,000					\$100,000										
Staining		\$25,000											\$25,000				
ROOFS																	
Building 1		\$45,000											\$45,000				
Building 2		\$45,000												\$45,000			
Building 3		\$60,000													\$60,000		
Building 4 and garages		\$60,000														\$60,000	
SPA AREAS																	
Pool house		\$5,000							\$5,000								
Resurface spa w/tile and coping		\$9,000						\$9,000									
Rebuild waterfalls		\$15,000								\$15,000							
Replace heaters and pumps		\$20,000									\$20,000						
GROUNDS																	
Resurface parking area		\$75,000				\$10,000											
Landscape plants and trees		\$20,000								\$10,000							
Fencing		\$15,000					\$5,000								\$5,000		
Stairway/lighting		\$12,000															
TOTAL EXPENSE		\$881,000															
Total Annual Expense		\$17,000	\$75,000	\$100,000	\$110,000	\$100,000	\$105,000	\$9,000	\$5,000	\$25,000	\$25,000	\$60,000	\$45,000	\$55,000	\$90,000	\$60,000	\$0
Beginning Reserve		\$130,000	\$143,000	\$98,000	\$28,000	-\$52,000	-\$122,000	-\$197,000	-\$176,000	-\$151,000	-\$146,000	-\$141,000	-\$171,000	-\$186,000	-\$211,000	-\$271,000	-\$301,000
Annual Reserve Contribution		\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Balance		\$143,000	\$98,000	\$28,000	-\$52,000	-\$122,000	-\$197,000	-\$176,000	-\$151,000	-\$146,000	-\$141,000	-\$171,000	-\$186,000	-\$211,000	-\$271,000	-\$301,000	-\$271,000
Reserve Contribution Assumption - current contribution of \$30,000 annually - no increase in HOA fees																	

Waterside Reserve Projection - With HOA Dues Increase

PROJECT	Cycle	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PAINTING																	
Building 1			\$75,000														
Building 2				\$100,000													
Building 4					\$100,000												
Building 3						\$100,000											
Garages & other							\$100,000										
Staining														\$25,000			
ROOFS																	
Building 1			\$45,000														
Building 2			\$45,000										\$45,000				
Building 3			\$60,000											\$45,000			
Building 4 and garages			\$60,000											\$60,000		\$60,000	
SPA AREAS																	
Pool house			\$5,000						\$5,000								
Resurface spa w/ tile and coping			\$9,000				\$9,000										
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GROUNDS																	
Resurface parking area		\$5,000		\$10,000								\$60,000					
Landscape plants and trees		\$20,000							\$10,000					\$10,000			
Fencing		\$15,000					\$5,000				\$5,000				\$5,000		
Stairway lighting		\$12,000															
TOTAL EXPENSE		\$881,000															
Total Annual Expense		\$17,000	\$75,000	\$100,000	\$110,000	\$100,000	\$105,000	\$9,000	\$5,000	\$25,000	\$25,000	\$60,000	\$45,000	\$55,000	\$90,000	\$60,000	\$0
Beginning Reserve		\$130,000	\$153,000	\$147,000	\$116,000	\$75,000	\$44,000	\$8,000	\$68,000	\$132,000	\$176,000	\$220,000	\$229,000	\$253,000	\$267,000	\$246,000	\$255,000
Annual Reserve Contribution		\$40,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000	\$69,000
Balance		\$153,000	\$147,000	\$116,000	\$75,000	\$44,000	\$8,000	\$68,000	\$132,000	\$176,000	\$220,000	\$229,000	\$253,000	\$267,000	\$246,000	\$255,000	\$324,000
Reserve Contribution Assumption - 15% increase in HOA dues Oct 2020 (\$50/mo increase)																	