

## Annual Homeowners Meeting Discussion on 2019 Budget

The 2019 Budget was adjusted to allow for capital reserves. Capital Reserve is money set aside to cover estimated expenses related to the preservation of existing components within the community that the association is responsible for maintaining. The estimated future expenses are a result of an examination of each item and an estimated remaining useful life, an estimated useful life when new, a present cost and an estimated future cost based on inflation.

The HOA Board ordered a reserve study from a reputable third-party vendor and the results of the study suggested that the annual reserve contribution for Twin Falls beginning in 2018 will range between \$40,000 and \$45,000 annually.

The 2018 Budget allotted for approximately \$19,000 in reserve contribution. Upon review of the survey, the HOA Board decided that it would not pass on to the residents an adjustment to account for the \$21,000 shortfall in capital reserves but would instead begin to build the suggested reserve contribution in the 2019 budget.

Relevant questions that were asked and responded to are below:

### ***What is the difference between non-capital reserves and capital reserves?***

Non-cap reserves are discretionary funds that can be used for everyday ongoing expenditures that fall outside of the budgeted amount. Example: Additional treatments for weeds not already included in the landscaping contract or annual budget. Capital reserve is a reserve fund set aside for unforeseen circumstances or planning for future repairs and replacements.

Think of the non-cap reserves in the same way that you do your checking account for normal everyday operating expenses for your household. The cap reserves is similar to your savings account used to fund bigger projects, repairs, replacement that you are planning for and/or unforeseen more costly repairs.

### ***Do residents vote on the budget?***

Not exactly, the budget is presented by Community Solutions to the elected HOA Board (President, Vice-President and Secretary) who are volunteering to represent the members of the HOA. The HOA Board reviews, refines and votes on the final annual budget.

### ***Why was the Reserve Study necessary?***

It is the responsibility of the HOA Board to ensure that we have funds allocated for future expenses related to the preservation, repair and upkeep of the existing assets of the community. Those asset components include but are not limited to the pool, the pool building structure, lakes, playground equipment, retaining wall along Hamilton Falls and Richland Falls. If we do not plan for those expenses by setting aside or 'reserving' money when repair or replacement becomes necessary, the options to care for the repairs would be a special assessment (a special payment received from residents), a loan paid back with interest or neglect the repairs. As such, the HOA Board has decided to be proactive in preparing for such expenses by including a line item for reserves in the annual budget.

### ***Why was the Reserve Study not completed in previous years?***

Meritage Homes held two of the positions on the board through the end of 2016. The 2017 budget was voted on and approved by Meritage. The 2018 budget was the first opportunity that we had

to include a line item for the reserve study in the budget. When Meritage turned over the community to residents, they did the bare minimum required by law and brought the community accounts to a \$0 balance, leaving no reserve.

***How often is a new reserve study completed?***

Every 3-5 years.

***How can residents view the reserve study, can you put it online?***

The reserve study includes some very detailed information about our community so we prefer not to place it on the [twinfallshoa.com](http://twinfallshoa.com) website, since it is a public portal. However, if you would like a copy, you can call or email Community Solutions and request a copy of the reserve study via email. The document is large, so we will not mail it out to residents. We also expect that residents recognize that the reserve study document is confidential and should not be shared outside of the members of the Twin Falls HOA.

***Will the annual assessment decrease in 2020?***

No, the reserve study recommends a contribution of \$40,000 to \$45,000 annually so the 2019 assessment is our new baseline. However, barring any unforeseen circumstances and/or substantial inflation increases we do not expect to have to increase the budget by the max allowed by law variable going forward.

***Did you look for ways to decrease other areas of the budget prior to making the increase in assessments?***

Yes we did. If you compare the 2018 budget amounts to the 2019 budget amounts, you will see where non-essential areas were decreased, some contracts were renegotiated. We also knew that there would be an increase coming which is why we used 2018 to reduce expenses related to the pool by adopting SAYOR.

***How does the annual assessment compare to other subdivisions?***

As you know, the developer of any communities goal is to sell homes. So the initial assessment set by Meritage was intended to attract buyers. This along with consideration for the amount that existing homeowners in the established front streets of the neighborhood are the baseline of the initial assessment. The information that we have is that the annual assessment for Twin Falls is still significantly low when compared to other subdivisions in the area with comparable home values. and similar amenities. The Chancel is \$905, Laurel Park is \$875 and Lakes of Avalon is \$835. Consideration should also be made for the facts that we have a large amount of landscape and common areas, that we are also paying for the Sunoco pipeline area to be mowed since the owner of the pipeline will only commit to mow it once annually and the overgrowth was contributing to an increase of coyote and other wildlife traffic in the neighborhood. Although the pipeline is not owned or managed by the HOA, the decision to absorb the costs for mowing into the annual budget was for the overall quality of life for the community; we will reduce the number of mows in 2019 thus reducing the associated budgeted amount.