

RESERVE PLAN – 2021 THREE YEAR PROJECTS & EXPENDITURES WORKSHEET
PARTNERSHIP OF FINANCE AND BUILDING & GROUNDS COMMITTEES

THE PARTNERSHIP OF THE TWO COMMITTEES JOINTLY PREPARES THIS DOCUMENT FOR REVIEW & APPROVAL BY THE BOARD. THE CHANGES FROM THE 7/20/20 PROPOSED VERSION ARE SHOWN IN BOLD RED ITALICS.

2019 PARADIGM CHANGE CONTINUED THIS YEAR

1) Our previous paradigm which was used prior to 2019 was to have a table *in this section of the document* that showed the work and cost of that work for the three years in scope (the next three years). The source for that information was B&G. The table also included: a) the last fully completed year (actual data) and the current year (planned and projected actual data) and b) reference to work and cost as it relates to what is in the current version of the Reserve Plan (last version of that plan was done in 2016).

2) Our new paradigm is to use a separate document to provide a subset of that view. The document is entitled *Reserve Plan - 2020 B&G Data Input Worksheet*. This worksheet covers 2019 and the three years in scope (2020 – 2022). The other information in the previous table has been eliminated. We have chosen not to add the year 2023 at this time (as would be normal) to keep things simple

A second new document which is in the design stage documents the current health of the facilities assets (by unit) for which the Association is responsible. It also documents information about non-healthy situations and an approach for dealing with each one. That document is entitled *Reserve Plan – 2020 B&G Asset Health Worksheet*.

3) The remainder of the information design of the previous document has been retained, although in a much less detailed fashion.

PREMISES NOTES

1) That the financial impact in 2020, 2021, and 2022 will be dealt with in normal budget worksheet and assessment worksheet cycles for those years.

2) That we will not add the year 2023 information at this time.

3) That the partnership proposed change in where and how selected costs are tracked will be approved by the board at their 9/20/20 board meeting. Based on this premise, the numbers in the Attachment Two table provide that view.

FORMAT NOTES

1) Abbreviations: BOARD = MF HOA Board of Directors, FIN = Finance Committee, B&G = Buildings & Grounds Committee

The letters **PR**, **EXT**, and **R** represent which of the three Reserve Fund components will be impacted: **PR** = project, **EXT** = exterior, **R** = roof. There may be cases where the old abbreviation **PA** for the exterior component has not been replaced with the new **EXT**.

2) The focus for this version of the document, whose scope is the Reserve Plan, is projects and their related expenses within that Plan. The Operating Fund plans and budget for a given year are not in scope. However, it needs to be recognized that there is some overlap between the Reserve Fund and Operating Fund monies in that some of the “repairs” expense line monies in the Operating Fund could be used to cover pre-painting repairs depending on the extent of the pre-painting work effort.

CONTENT NOTES

1) To Be Determined

ATTACHMENT ONE – ISSUES & ISSUE RESOLUTION INFORMATION

The separate document entitled MF Finance Team – Assessment Planning has definitions of our three reserve components and what types of projects and costs are handled in each of the three. Some of the premises below impact the years in scope and some do not – when the next Reserve Plan review is done (notionally in 2021) all the premises will be reviewed for possible needed changes.

This attachment deals with several key (& significant) issues that need to be resolved. There is a high level definition of the issues under the heading below, with some of the issues having more detail follow the issue description.

ISSUES THAT NEED TO BE ADDRESSED

Issues that need to be addressed by Buildings & Grounds [B&G] and Finance [FIN] in order to a) move the draft to a completed product ready for board consideration or b) resolve subsequent to this version being approved.

- 1) [B&G and FIN] Monitor the status of, and resolution of, the work on the issue of deck major repairs and full replacements (currently named the *Healthy Decks & Bridges* project). Once there is a resolution, determine the impact on the current version of the plan and make the needed adjustments.
- 2) [B&G and FIN] Monitor the status of, and resolution of, the work on the issue of siding repair versus replacement (currently named the *Healthy Siding & Painting* project). Once there is a resolution, determine the impact on the current version of the plan and make the needed adjustments.
- 3) [B&G and FIN] Monitor the status of, and resolution of, the work on the issue of drainage (currently named the *Foundation Preservation Project*). Once there is a resolution, determine the impact on the current version of the plan and make the needed adjustments.

The MF LRP team has begun trying to understand the relationship between two challenging areas currently facing us: 1) our sprinkler system design and how it might be improved to mitigate its impact on our MF drainage and 2) our multiple drainage challenges; some examples are a) problems that arise from use of our sprinkler system to maintain the appearance of our grounds and b) problems that arise when we have either ordinary/normal or extra-ordinary rainfall or melted snowfall water flow. As an interim result of that work, B&G has active planning work related to protecting our buildings/facilities and landscaping/grounds from negative impact due to these challenges. The key focus currently is our buildings/facilities, and a named multiple year project has been defined, with an emerging plan for the specific work to be done in 2019 and later years.

4) [B&G and FIN] Determine the threshold number for having each of our three Reserve Fund components at a healthy level. This is important because at the current time our assessment levels for two of those three components are set to get us out of the “living hand-to-mouth” situation. Once those threshold levels are achieved, our assessment planning will only have to deal with setting assessments that a) deal with the needed operational funds for the budget year being planned and b) deal with the needed reserve funds for the budget year being planned (or possibly the next several years as described in the annual Reserve Plan – Three Year Projects & Expenditures Worksheet effort).

*The following table will be used to define those levels: **VERY IMPORTANT NOTE** – this table was developed at the 9/17/20 finance team meeting. The last two numbers are draft values, and will need to be thoroughly discussed by the partnership of B&G and FIN before valid initial values are adopted (will go to the board for review and approval)*

<i>Reserve Fund [RF] Component</i>	<i>Threshold Value [\$]</i>	<i>Comments</i>
<i>Exterior</i>	<i>50,000</i>	
<i>Projects</i>	<i>100,000</i>	
<i>Roof</i>	<i>300,000</i>	<i>Building up over the 20 year useful life of the roofs (new as of 2018)</i>
<i>TOTAL</i>	<i>450,000</i>	

ATTACHMENT TWO

The tables below provide a view of our recent and planned near term assessment changes in the Reserve Fund area and the resulting impact on the Reserve Fund balances. The values for 2020 through 2022 (in bold italics) are taken from the separate document used for assessment planning which the board approved 7/20/20.

ASSESSMENT TABLE

TIME FRAME INVOLVED	ROOF (\$)	PAINTING & SIDING (\$)	PROJECTS (\$)	RESERVE FUND TOTAL (\$)
2013 Level (annual per owner)	240	528	480	1,248
New 2014 Level (annual per owner)	312	696	516	1,524
New 2017 Level (annual per owner)	324	744	540	1,608
2018 Level (annual per owner)	324	804	600	1,728
2019 Level (annual per owner)	324	876	648	1,848
2020 Level (annual per owner)	<i>324</i>	<i>960</i>	<i>684</i>	<i>1,968</i>
2021 Level (annual per owner)	<i>408</i>	<i>1,056</i>	<i>684</i>	<i>2,148</i>
2022 Level (annual per owner)	<i>480</i>	<i>1,164</i>	<i>684</i>	<i>2,328</i>

All the above are average annual assessments per owner. We always try to adopt an annual assessment level that is divisible by 12 since some owners pay monthly.

RESERVE FUND FINANCIAL TABLE

There has been a significant change in the Reserve Fund financial table due to the major challenges we a) faced in 2018 and b) are now facing in the 2019 – 2022 planning time frame.

Financial Factor	Fund	ROOF (\$)	EXTERIOR (\$)	PROJECTS (\$)	RESERVE FUND TOTAL (\$)
1/1/19 balance forward [= 12/31/18 final position]		3,298.51	11.11	10,414.75	13,724.37
<i>2019 PLAN</i>					
Planned contribution		9,720.00 [324.00]	26,280.00 [876.00]	19,440.00 [648.00]	55,440.00 [1,848]
Planned draw		2,485.00	33,260.00	14,405.00	50,150.00
RRP loan repayment		0.00	0.00	6,000.00	6,000.00
Intra-RF transfer		0.00	10,000.00	-10,000.00	0.00
12/31/19 position		10,533.51	3,031.11	11,449.75	25,014.37
<i>2019 ACTUAL</i>					
Actual contribution		9,720.00	26,274.00	19,436.00	55,430.00
Actual draw		2,145.00	26,579.47	13,682.98	42,407.45
RRP loan repayment		0.00	0.00	6,000.00	6,000.00
Intra-RF transfer		0.00	294.36	-294.36	0.00

12/31/19 final	10,873.51	0.00	21,873.41	32,746.92
2020				
Actual contribution	9,720.00 [324.00]	28,800.00 [960.00]	20,520.00 [684.00]	59,040.00 [1,968]
Planned draw	200.00	26,750.00	24,950.00	51,900.00
RRP loan repayment	0.00	0.00	6,000.00	6,000.00
Intra-RF transfer	0.00	0.00	0.00	0.00
12/31/20 position	20,393.51	2,050.00	23,443.41	45,886.92
2021				
Actual contribution	12,240.00 [408.00]	31,680.00 [1,056.00]	20,520.00 [684.00]	64,440.00 [2,148]
Planned draw	0.00	38,450.00	11,350.00	49,800.00
RRP loan repayment	0.00	0.00	1,200.00	1,200.00
Intra-RF transfer	0.00	5,000.00	-5,000.00	0.00
12/31/21 position	32,633.51	280.00	28,813.41	61,726.92
2022				
Actual contribution	14,400.00 [480.00]	34,920.00 [1,164.00]	20,520.00 [684.00]	69,840.00 [2,328]
Planned draw	0.00	42,450.00	17,400.00	59,850.00
RRP loan repayment	0.00	0.00	0.00	0.00
Intra-RF transfer	0.00	8,000.00	-8,000.00	0.00
12/31/22 position	47,033.51	750.00	23,933.41	71,716.92

This table does not deal with the \$35.59 of interest in the Reserve Fund account as of 12/31/19. For the time being, that interest is not allocated across the three components.

NOTES

1) We considered two alternatives when considering the assessment changes for the Exterior and Projects reserve components and opted for the second alternative.

The alternatives were:

- a) use a very atypical pattern for the two to deal with the fact that over this period there will be very large expenditures for the Exterior component and relatively small expenditures for the Projects component – with each component standing on its own for the financial profile
- b) use a more typical pattern for the two and use intra-Reserve Fund transfers to deal with the major difference in expenditures during this period [there are **\$13,000** of transfers during the 2020 through 2022 timeframe in this version of the table].

2) The summary view of the planned revenue & expenses for this three year view (2020 – 2022) is:

YEAR	REV \$	EXP \$	RF GROWTH \$
2020	59,040	51,900	7,140
2021	64,440	49,800	14,640
2022	69,840	59,850	9,990
TOTAL	193,320	161,550	31,770

The data in the above table excludes the RRP project loan assistance revenue which occurs in 2019 & 2020 & 2021.