

History of Dues Increases and Special Assessments

Heritage Place Governing Documents restrict any increase in annual dues to a maximum of 3.0% without a two-thirds majority vote. This limit was put in place in 1965 to protect our community's homeowners from unexpected financial surprises. It was the job of the HP HOA board to manage effectively making sure productivity would meet or exceed any inflation. If homeowners wanted to increase their assets or type, then they would vote to have a dues increase or assessment.

Historical documents from 1986 and 2000 provide information on dues increases and special assessments. The first dues adjustment and special assessment were approved in 1986. Annual dues were increased 35% to \$150/yr. Additionally, a special assessment of \$250/household was approved.

After 1986, the next special dues increase was approved January 1, 2000 making the dues \$250/yr. There was no other special assessment. In 2002, a special assessment of \$200/household was approved to provide exclusively for rehabilitating the Quebec perimeter fence. The assessment paid for the stucco-foam refinishing and column façade structure.

Past reserve reports and last years HP board request for additional funds were evaluated and found to be of limited planning value. These reserve reports simply identified a text book value for both the life and replacement value of our assets based on an unsubstantiated asset condition. If a 35 year old asset was 33 years old, then HP HOA would conclude that 33/35 of the replacement value should be in our reserve cash bank account. This method might be valid for HOA's who do limited if any maintenance on their assets. The past reports and this methodology causes one to conclude that HP HOA needs somewhere between \$224,000 to \$987,000. The latter two estimates were done by the same author in the same year for the same client on the same assets. Hence the method and reports provided limited useful data. Uniform Standards for Professional Appraisal Practice warns against using unsupported data when determining value.

HP HOA assets needed to be accurately inventoried. This has now been done and most of the assets have been found to be in good structural condition but needing upgrades and rehabilitation to put them back into good looking and functioning condition. An alternative approach, "Partial Asset Replacement Preventative Maintenance" (PARPM) has been adopted for the 2010 approved budget which starts the rehabilitation of HP assets this winter for the sprinkler system, over 2 years for fences, over next 4-5 years for storm water drainage and next 7 years to rebuild dry lay rock walls. The method doesn't just fix an asset but partially replaces the "unbroken" parts of the asset so that they remaining life of the asset is lengthened. The current 2010 budget and five year forecast is based on the existing dues increasing at 3% per year without any new increase in the due's base or special assessment. All HP assets are returned to good condition. At the end of 5 years there would be \$150,000-\$170,000 in cash reserves with prospects for rapidly increasing. PARPM requires knowledge of our assets and an aggressive board to manage the cash flow and work.

If homeowners want different assets or faster rehabilitation, then such work would require additional funding. Current assets do not require additional funding.