

HOA PRESIDENTS' INFORMATION SHEET – NOVEMBER 2019

PRESIDENT'S REPORT:

Several HOA Presidents and other residents have asked us for our thoughts about the GHCA 2020 Budget Meeting that was held on November 18. I hope this will explain why those of us on the LLC Board were less shocked than many of the residents in attendance.

The 2020 GHCA Budget document excerpt that was issued to attendees had nothing in it of particular note. Both the expected revenue and expenses for 2020 were similarly higher compared to the 2019 Budget and 2019 Actual so the GHCA unit fee per household for next year had no change. The only striking element in the budget document related to the small print legal addendum at the bottom of the page. This notice had never been seen before and was apparently inserted at the suggestion of the Developer's legal counsel. We can safely assume that it was meant to imply that the Developer had the right to take certain actions with reserves that came up during open discussion after the GHCA Board vote on the 2020 Budget.

During the open discussion section several attendees asked about the repair of the Harbor Pointe Bridge, its anticipated costs and timing, and how the repair was going to be paid. Joe Colasuonno, President of GHCA, stated that certain reserves would be used next year to pay the estimated \$500,000 to \$550,000 bridge repair cost. Included among the reserves to be used, he said, are the road resurfacing reserve and a payment that Comcast made several years ago when their community-wide cable contract was renewed. Many HOA Presidents and other residents verbally expressed their shock at this news. Yet those of us on the LLC Board were not shocked. Why not?

First of all we knew what was coming. Secondly, we were pleased that when the vote on the GHCA 2020 Budget was quickly held among the 5 directors of the GHCA Board, the two resident directors both broke with tradition and voted NO on the budget. Of course, this was somewhat symbolic since the three Developer-controlled Board members voted YES and the budget was approved. However, their NO vote put a stake in the ground that set the right precedent for our future negotiations. Secondly, as you will note from some of the LLC committee reports below, the entire subject of GHCA reserves, and the lack thereof, will be a major component of our transition negotiations with the Developer which will commence early in the new year.

TREASURER'S REPORT:

We have received a total of \$116,100 of third round LLC funding to date. Every Grand Harbor and Oak Harbor member HOA has now contributed with only a few Falls homeowners that are still outstanding, and all but two non-member Oak Harbor HOAs have sent in their voluntary contributions.

Some large engineering fees have been paid this month including the roughly \$50,000 pond pipe cleaning costs that we have prepaid for the Developer. Kimley-Horn September and October bills included the charges for the remainder of the field inspections, and Shenandoah finished the majority of the pond interconnection inspections and cleaning.

As of this date we have \$86,051 in the bank which does not include the \$50,000 we expect from the Developer nor our \$25,000 prepaid Legal Retainer. Engineering fees will be lower as we move into the reporting phase, but we expect our monthly legal fees to increase as we prepare for and enter into transition discussions early next year.

CURRENT CASH POSITION:

Member Contributions:	\$306,800
Voluntary Contributions:	<u>40,300</u>
Total Contributions:	\$347,100

Legal Expenses:	\$75,000
Legal Retainer:	25,000
Engineering Expenses:	157,890
Insurance Expenses:	2,726
Administration:	<u>432</u>
Total Expenses:	\$261,049

Cash Balance:	\$86,501
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LEGAL COMMITTEE:

We have joined the engineering committee and the LLC's engineering inspectors in several meetings to review their draft reports. Our emphasis has been on (i) identifying the assets that require remediation to bring them up to the standards required under the Declaration of Covenants, (ii) identifying the assets for which reserves should be established, including the expected required replacement date for each of those assets and the amounts which should be in each of the reserves as of the transition date.

We have also further refined our diligence request to the Developer and have met with the Developer's representative to attempt to secure documents not previously provided. Finally, we have undertaken a review, with LLC council, of the proper use of the GHCA reserves currently existing. All of these items will be dealt with in the transition demand to the Developer in the first part of next year.

ENGINEERING AND ASSET EVALUATION COMMITTEE:

The vast majority of GHCA asset inspections are finished. We are still waiting for an estimate to do the last pond interconnection inspections, after which all inspections will have been completed. We have held a series of meetings this past month with Kimley-Horn to review all the field findings in detail. We are determining what assets need to be remediated now, the basis for making the claim for immediate remediation, and how to do so for each item inspected (please refer to the inspection scope that we included in our May report). For instance, there are some sections of the roadway that are cracked and/or are being affected by tree roots. We need to get those sections fixed before they deteriorate further and cause the whole section to fail.

Secondly, we are defining which assets will need reserves for future replacement/remediation. Reserves will not be required for all assets. Some items like landscaping are periodically replaced as plants age and are part of the regular maintenance budget. Reserves are therefore not needed. However, for other items we will need to make sure there are sufficient reserves on hand. For instance, when we need to resurface our roads there must be available reserves since this will be a major expenditure. We will estimate when that will be required and how much it will cost.

If we estimate that the current roads will need to be repaved 5 years from now, we should have reserves accumulated in the GHCA reserve account for that event. If the roads are 25 years old now and we need \$X in 5 years, we should have 25 of the 30 total years accumulated as of today and we would add the remaining 5 years as deposits to the reserve as part of our annual budget. We will then look at the road reserves in the GHCA balance sheet to determine if there are any gaps in what is there now versus what needs to be there.

Both of these elements, items for immediate remediation and reserve requirements, are the two major issues we will be discussing with the Developer when we begin negotiating a transition agreement early next year. We have many assets to review, and it is our objective to have a comprehensive, well documented list of assets that need immediate repair, and a complete reserve requirement backed by accurate and defensible engineering calculations of useful life and estimated replacement costs.

FINANCE AND ACCOUNTING COMMITTEE:

The Finance and Accounting Committee is continuing to evaluate the information that we received from the Developer.

OPERATIONS COMMITTEE:

The Operations Committee recently met with the purpose of reviewing open due diligence requests with GHCA. We have identified the open requests and have added several new issues that require an inquiry be made with GHCA. The primary focus of these open points is to capture all of the day to day operations of GHCA and to identify the involvement of outside service providers working on behalf of GHCA.

The Operations Committee also discussed the approach and fundamental structure of the Request For Proposal "RFP" that will be drafted to solicit bids to provide outside property management services which will be necessary once the Developer is no longer providing those services to GHCA.

FINAL NOTE:

It has come to our attention that we are not always advised when there is a change in HOA Presidents and our mailing list has recently been behind the times for a couple of HOAs. We ask that either the incoming or the outgoing HOA President tell us about the change so we can insure that the right people are getting our communications and are forwarding them on to their residents in a timely fashion. Thank you.

In closing, we hope that all Grand Harbor and Oak Harbor residents have a very happy Thanksgiving.

Jeff Caso
President, on behalf of the Board