CCA Reserve Study meeting

Coronada Clubhouse

January 9, 2025

The Reserve Study is a new requirement for us; Tennessee Code changed to require all HOAs to have a Reserve Study. This is Coronada's fiftieth anniversary; it started before there were HOA laws in Tennessee, and we have been grandfathered consistently until now. The Florida situation has made a lot of states make this apply to everybody. Our goal is to establish a sustainable path for the HOA regarding maintenance and funding; there is some flexibility in the study, and we'll talk about that.

Now that we have a formal document, adjustments to it have to be supported by credible evidence. Prospective buyers and everyone else can view this document; we will attach appendices to it as we determine action. This will let viewers see that we are not looking at the study as static and that we're looking at taking steps toward improvements. Failure to address the recommendations in some manner would require a new study; the study says that we would do something and that it would not be ethical to leave this document up on the Web site if we didn't. Lynette Wuensch of EPRpc said that mystery is more detrimental to your property value than certainty even if that certainty is bad.

In fall of 2003, Carole Earls, Hunter Crabtree, Eli Lavender, and Kent Dolezal were charged by the Board at the time to form a Reserve Study committee; the committee found six possible providers and ended up recommending EPRpc to conduct the study, and the Board accepted that recommendation. Lynette Wuensch did a site visit, reviewed the documentation that we have, and worked to make several drafts of the final study document. The document that exists now is "to the best of our knowledge"; if we get more knowledge, we will need to adjust it. We were obligated to post the study document by the first of the year, so that's why we did that. The contents of the study will be in there, as well as the appendices and other clarifying information of the study, and the recording of Kent's presentation tonight.

The first five pages of the study are the legal part of it. Page 6 is where the numbers begin to appear, and it talks about the current reserve funding; this is where we are. The date of the study's financial aspects began officially on January 1, 2024, at which time we had approximately $95,000 in savings/in our reserves. We don't gain very much in interest rate on that. Our contribution for 2024 was $2,656. The red numbers are not the ones that you want to see.

Cash flow funding model can be a little bit tricky; there are two numbers to talk about. First is the projected inflation use. You can look at the calculation of the data; it's the actual last page of the document. It has the Producer Price Indices for Construction, which we believe is the measure that they're using. It's a weighted average that really weights over the last five years, so they take that average and say that's the average inflation rate, 4.07, for the last five years for

construction. So the inflation rate that this is tied to is an industry inflation rate and not the common CPI that some of you may experience. The Projected Annual Contribution Escalation Rate is at 48 percent, and what we're talking about is escalating our savings. So it's not hard to have 48 percent of $2,600. So we'd be making $4,000 in savings, $5,000; $8,000; $12,000. When you get deeper into the document, you'll see that these numbers get quite large; and we'll talk about what's called a threshold or a fully funded threshold, and that's what we're working toward.

Pages 7 through 12 are the schedule of components. The committee talked with several people in the complex to get some historical information about some things in the community. The **lasting service date** means the date that it was last fixed that we have a record for. So as you look at this document and you know for a fact that something was done this year, please let the Board know; and remember that we need to be able to document that. What's a great help is if you could tell us something like, yes, I think we did that in the spring of 2002; at least that helps find the minutes to start looking for. So this is the part we can look at and have a little crowd sourcing, so to speak. We've done the best job we can getting these components right. So that's 7 through 12.

Pages 13 through 18 are what we call the Life Cycle component, so it talks about the same components but in regard to their life cycle and where they are. Examples of components would be the roads, asphalt overlay (which repeats because it's in different sections), striping, etc. SY means square yards. Our components here are mostly in the roof area, current estimated useful life when you install it, twenty years, forty years; interval of replacement twenty years; useful life left is the key number for us: how long until it is extinguished on its current life. Some of these components have three years. The year 2030 is a big year in this document. At the end you look at unit costs and replacement costs; these are estimates. These are calculated by EPRpc, which has access to an industry database (they subscribe to it) that has contractor prices all across the country; so then Lynette is able to localize that kind of pricing and get as good an estimate as you can get. Sometimes these numbers are inflation adjusted, and other times they're not. Kent asked about this and has not heard back from Lynette. Kent estimates that the numbers on the document are what the cost would be today.

Pages 19 through 53. This Reserve Study covers thirty years of time, and so there is a page for each year saying what you should/need to, based upon the knowledge that EPRpc had to do this, address in that year. So this is for the year 2025, which shows that we need some asphalt patching and some big things. Lynette said she had concerns about some of our timber retaining walls and where they are in their lifespans; and so when we get to talking about possible courses of action, Kent will address that. He doesn't think there's anyone who doesn't think the tennis courts need to be repaired; then there are roofs and then another big chunk of roofs and finally wood siding. These are the constant things that your HOA president hears are in deficit, and this document is going to help us address that. This document takes us through 2032; it shows in 2026 there is still a lot of roof work. The pool fence may be a case in which we can approach

someone who actually knows what they're doing and document it with someone who actually has expertise in that area. We need to be able to document this to show the public and potential buyers that we take this seriously and mean to do the job well. The other thing is from legal liability; if we go out there and say the fence is good, and then someone yanks it out and falls on his head, we must be concerned about that. If we get someone with expertise in pool fences, that person may be able to say that we could patch it here and paint it there and bring down some of these costs as recorded in the reserve study as shown today. There are some components later on that we'll see, like the dining tables; maybe we could sand them off and paint them and that would be good and save us some money. We don't need an expert for documentation of moving the pool dining tables as that will not be too tricky; but for things like retaining walls and pool fences, we really do need solid documentation.

The year 2029 is a short year because 2030 is the big year. Things like the Adirondack chairs are listed as ours, but the gas grill—do we really want to replace it?

So 2030 is the "massive" year. It has quite a bit of work here; one of the things Kent looked at in here was that it's a big roof year, but it was a saving out from one year and an expenditure in the next. Wood siding is also big in this year, and there's some chimney work too. It's $1,159,000 for that one year, but half of that is on roofs; it's $520,000 on roofs. We should replace them at their useful life (twenty-five years) rather than waiting for them to leak. This is one of those things wherein if we stick to process, prospective buyers will like that. If there's something that needs to be fixed now, like a chimney, that's something that we have to consider now; we may have to move things around in here based on current conditions. If we have a process, then future boards will be able to know what they're doing and be ready to do it. This is a many-year process; this is a commitment. The year 2031 comes out a little lighter. This document isn't putting anything off; it's saying that this is when it needs to be done.

On donated items like the treadmill and the TV, we can choose not to replace those things and save some money that way. Things that are structural and safety related are things we must have documentation on in order to eliminate or move where it is in the program.

On page 53 is the graph of progress. The yellow line is the threshold; this is where we're trying to get our savings over time. In 2053, the graph shows that we're great, compared to the early lines where there are lots of red lines; these are expenditures above. So these are expenditures above our income so that basically the green is our income and the red is expenditures. We make up the difference by assessments or raising the fee. At $95,000 we have only four insurance deductibles; so if we have an event that takes out two buildings, we're done. We have to assess immediately to get the deductible. Looking at the graph that shows what it's like if we don't do anything, we see that green lines show the deficits that we'd have. So you'd be trying to fix things in the immediate but letting other things go. Some of the deficits are in the neighborhood of $3,000,000, which is very unattractive to prospective buyers. There are some options when we talk about documenting things, the threshold line, she's giving it to us at the

end, that's great, there are some different ways we could dip it or have a different ramp. This is a consistent ramp; you could swing it in different ways. At the bottom of this page you'll see that it's a repeat of what you see on page 6. It has year selected; and it has the inflation rate in here, the contributions, and the ramping of this. The yellow line is a threshold of where we would like to be. This is based on our facility and then as a percentage by industry.

So on the spreadsheet (no page numbers at present) are included the first ten years. On the income part, these would be contributions to reserves that we'd be making; you can see the ramp that we saw earlier. You will also see the special assessment in aggregate, meaning that this is $535,000 for the whole place; that comes out to $5,000 each. This repeats for four years; that's when we start to turn the curve in year five. In 2032, we're caught up; we can stand up to prospective buyers and say we've got it together, that we're financially well run.

If it's circled and an arrow in red, that's an annual contribution; and the other is the monthly fee. So the annual contributions will be $4620 (these are not inflation adjusted), so these are ramping up, so this $5,500 is 2029 dollars versus 2025 dollars. So then we break the curve for the next year. So it's the next year after that that it starts to decrease. Kent has asked Lynette to give us this chart in greater detail, but he has not heard back from her as she may be out of town or something.

So the monthly contribution increases to help inflation and those kinds of things, and you see the amount that's going into the reserve is increasing. The possible way we're thinking about doing it, in the first section we're talking about these three: data collection, prioritization, cost estimates and funding investigation, these are the requests for proposal (RFPs) in assessment construction and then implementation and the collection of assessments. Again, none of this is set in stone; we haven't voted on anything.

Phase One: Data Collection and Prioritization. We're hitting this pretty hard in February and March, gathering the exact conditions of the property and having experts inspect things; we've consistently asked McGarr to do this, and we haven't seen the evidence. So we've asked him to do inspections on the roofs by unit, and we consistently don't get it. So we're just going to get it and do the job. What we're doing is trying to get the real costs so we can structure the real numbers. We don't want to assess on an estimate. So we determine what the necessary actions are and then prioritize them. So when we do this data collection, we will have a lot of meetings and give you the initial cost estimates; so we're getting it down to specifics.

Phase Two: RFPs. This is going to be an estimate of what we think the RFPs and their return will give us the hard numbers. That's the actual bid for the company; from there we can really finalize this cost estimate and what our funding options are at that time. So we wouldn't really be talking about those specifics about funding maybe in April. We're not talking about doing this stuff until early fall. The more quickly we can get the numbers to you, the more quickly you can plan.

So we start the projects, improve our moods, we start to see some things going on around us. The Board would like to start the design of 2026 this fall to give ourselves more time for people to plan. So we're planning in the fall, but we move up the collection maybe a little bit so we get the prime time of construction, plan in the fall, people plan in the spring, work in the summer and the fall, plan again, and have this nice rolling thing that people feel comfortable to step in and out of and contribute in the way that they can. These financial changes would begin in the fall of 2025.

Community Involvement. Again, Kent has asked that homeowners look at the document; and if you have that knowledge, please share it. We'll have several special meetings; when we have something big, such as when we finish one of those phases, we'll have a meeting to bring you up to speed. You can ask Kent if you have questions; you don't have to wait for a meeting to ask where we are in the process. So this is maximum transparency for us so that homeowners know where their money is going and also so that we can be proud of what we're doing. Addressing your questions and concerns openly and taking your suggestions in at value and judging them as a valuable contribution, looking at active participation of the units' residents in the way that you want and including this community feedback in our decision-making process as we go through. That's the other thing about it too, learning as we go through, we're going to learn things about our process as we do this and then adjusting that and documenting that so that we can have some institutional memory that people can refer to. There is some updating of facilities included in the study; it's not just repairs.

Right now we don't have the condition by unit of the property. We need to have these real numbers and not just an estimate in order to start funding projects. Part of the delay is due to the calendar we're on; we're starting this in January, but it would have been nicer to start in October. So instead of having an August-September-October collection we'd be looking more at a July start on the fiscal years. If we can get this to the fiscal years, that would also be great because that helps our accountants tremendously. Now we have an overlap. We're talking about having experts look at the condition of things now. The crawlspace inspections are an example, so we're going to do it. We do have things from Leeper Roofing, but those are by the billing and not by the unit. We need the condition of those roofs because there may be some that have more usable life on paper but that are in poor condition and need repair or replacement. McGarr's program makes documents that are unreadable because they are in bad need of being reformatted by a human. The information we need is out there; we just need to go get it. Then we can talk about things and see what the timeline is, [redacted]