

Condo Board Capital/Reserve Finance Ad Hoc Committee Final Report
2/24/2022

The Condo Board of Directors approved a motion on February 23, 2021 to form an ad hoc committee for researching financial options available to Venture Out to fund the many capital and reserve projects in the coming years.

The committee consists of Kay Hanks, Chair, Alice Anderson, Resident at large, Gordy Klofstad, Director, Greg Shelby, Condo Board Vice President, John Varner, Director, Greg Fox, Resident at large and Mary Schmidt, General Manager.

The first meeting was held on October 19th, 2021.

The following areas were explored and will be expanded on in this report.

Loans, special assessments, increase reserve amount contributed in assessment fees, implement a capital improvement fee on new purchases, continue to increase by the allowed 5% annually but also explore increasing that amount, role ‘excess funds’ to the reserve fund annually, donations and do nothing new.

1. Loans from financial institutions – we talked with our banker about how an HOA could take out a loan.

Pro: *we would be able to do projects faster.

Con: *requires approval of 67% of 1,749 eligible votes.

*we would need a special assessment equal to or greater than the loan requested, pre approved by homeowners before we could negotiate a loan.

*requires a large reserve balance before a loan would be considered.

2. Special assessments for an identified project as we have historically done and are doing now for the 48 inch drain pipe and the west swimming pool.

Pro: *the money becomes available to ensure that the project is done.

*the special assessment projects of the past have greatly enhanced both property values and the re-sale values for owners.

*the past projects (community center, east pool with gym and sports complex) have greatly enhanced the lifestyle of residents.

Con: *requires resident vote and if no the project does not proceed.

*requires 50% + 1 voter approval of a 875 minimum quorum of owners.

*residents sometimes object to paying it forward – I won’t be here so why should I vote for it or I don’t use the XYZ facility so why should I pay for it.

3. Amend Declaration of Covenants, Conditions, Restrictions and Easements Document 6.5 Special Assessment section to increase the amount from the current one hundred dollars (\$100) per lot.

Pro: *increases funds available.
* must be project specific.

Con: *Increased cost to residents on quarterly assessment.
* Requires resident approval per vote of 67% of our residents.

4. Implement a capital improvement fee to be determined that would be paid by new owners when they buy into Venture Out. The money would go into the capital contribution fund. This would apply to both private and realtor sales of property when a new title is issued.

Pro: *new owners help pay for improvements that they will be using.
*new owners would be paying, not current residents.

Con: *impact may be felt by family transfer of ownership.
*needs research per legal with HOA expert to determine if we can do this.

Committee recommendation: Condo Board should pursue the legality of this with an attorney with HOA expertise. This should be put into motion before the end of March so that the information is available by the time Condo Board reconvenes in the fall.

5. Continue to approve during budget the homeowner reserve assessment that is built into the quarterly association fees by the 5% that is currently allowed. Refer to Declaration of Covenants, Conditions, Restrictions and Easements document 6.7 Reserve fund for major repairs and replacements section.

Pro: *this is at the Board discretion to implement or not during budget development.
*this allows a known amount of money to go into the reserve fund annually.

Con: *the 5% is not enough to keep up with inflation.

6. Increase the amount as described in #5. to a percentage tied to the North American Quarterly Construction Report Cost Index for Phoenix, Arizona that is compiled by Rider, Levett & Buckmall.

Pro: *better fund the reserve account.

Con: *requires changing of the Declaration document with 67% of 1749 lot owner votes.
*the index could go down.

7. Roll excess funds into the reserve fund on an annual basis.

Note: need to define excess funds.

Pro: *increases the reserve fund.

Con: *not sure of the legality of doing this.

Committee recommendation: Condo Board should pursue the legality of this with an attorney with HOA expertise. This should be put into motion before the end of March of this year so that the information is available by the time Condo Board reconvenes in the fall of 2022.

8. Donations – develop a program that allows/asks residents to donate to a specific project as identified by the Board.

Pro: *Raise money for projects.

Con: *No tax deductible mechanism for residents who donate.

Committee recommendation: Condo Board should pursue the legality of this option with an attorney with HOA expertise. This should be put into motion before the end of March of this year so that the information is available by the time Condo Board reconvenes in the fall of 2022.

9. Do nothing new.

Pro: *residents are not asked to pay more.

Con: *the park would decline as there would be not enough money to repair or replace aging buildings and infrastructure.

*property values would decline.

*the long range plan for new hobby center etc would not be able to be implemented.

*the reserve account would not increase.

Committee recommendation: Not a good option.

