

# Special Assessment

The Glen of Pacific Grove HOA

Marc Schonbrun 4/26/2023

**Six points — and then data**

**1. The Glen of PGG reserve is  
massively underfunded**

**2. The dues are too low and have  
been for a long time**

**3. This is not just inflation**

4. These units are 40 years old and are costing more to maintain now vs when new

**5. A healthy reserve is essential  
to protect our investments**

**6. Nobody wants to do this; this  
is a hardship on everyone**



# What is a Reserve?

- HOAs put money aside for planned maintenance into a reserve fund
- Money for the reserve is financed from a portion of your monthly dues and is saved in interest bearing accounts
- HOAs contract with reserve study companies to help them estimate how much to save
- A reserve study is forecasting:
  - How much things cost to fix/replace
  - How long they expect things to last
  - How much you'll spend each year vs what you bring in
  - They estimate a reserve balance and give you a percentage funded metric

# Who does our reserve studies?

- We currently use RAC (Reserve Analysis Consulting) for our reserve studies
- We switched to them in 2021
- We switched to them because we had been using a different company for 7 years and the BoD felt it was a good idea to diversify
- They were recommended by Regency as the best in the business
- 2021s reserve study did not have a physical inspection
- 2022s reserve study did have a physical inspection

# Competitive Analysis—comparable units

- We have the lowest dues in the Monterey area
  - Monterey Woods - \$680
  - Homestead Place - \$706
  - Ranch House Place - \$764
  - High Meadow Outlook - \$531
  - High Meadow Ridge - \$680
  - Skyline Crest - \$725
  - Glen Heights - \$625

# Current Reserve Study from RAC

- In 2022, the BOD approved a new reserve study from RAC:
  - 100% funded at \$1,600,000 in reserve
  - We have 590k currently; 36.88% funded
  - % funding as a single metric is incomplete; it really depends on what work is needed and how much funding is recovered over time; lower numbers are generally risky
  - We believe that this study is correct; widely-respected in industry and used by Regency on all large properties.
  - How did we verify they were right? We brought in trades for our most expensive repairs: paint, dry-rot and roofing to validate their numbers; their estimates were extremely precise

# Where your monthly dues go

- Monthly, you pay an assessment that covers a current year Operating Budget and a Reserve Budget
- The operating budget pays for Regency, utilities, lake maintenance & gardening (and other smaller items)
- The reserve pays for everything else
- We have the operating expenses very tightly aligned with the budget and we rarely exceed budget

# Where we are financially

- We ended 2022 with an operating excess of \$9,000 est
- We budget only \$8,659.59 monthly to the reserve
- Reserve grows by only \$103,915.08 yearly
- We spent nearly all the current years reserve money on small, needed projects
- Total reserve sits at \$590,000 est as of 3/31/2023
- **We're a million dollars short of funding goals**

# Current Reserve Projects for 2023

• <u>Total Reserves</u>	<u>\$590,000</u>
• Dry Rot Repair	-\$137,140 (Approved in Feb)
• Paint	-\$279,000
• Drainage, Fence repair, Hydrant	-\$50,000 est
• Tree work	-\$20,000
• Sum	\$104,000 est
• Ending %	6.1% percent funded

# We need a new roof soon

- We have 3-5 years left on the current roof
- Estimates are in with a total cost of \$900,000 est
  - Reserve study estimated a new roof at \$788,000 + 100k for garages
  - The roof prematurely aged due to improper venting, installation issues, quality of materials and weather/environmental issues
- Plan is to replace the roof over 3 years starting in 2026
- We have a few years to get funding secured
- Monthly dues aren't going to get there fast enough
- This is what special assessments are designed for



# Proposed Assessment

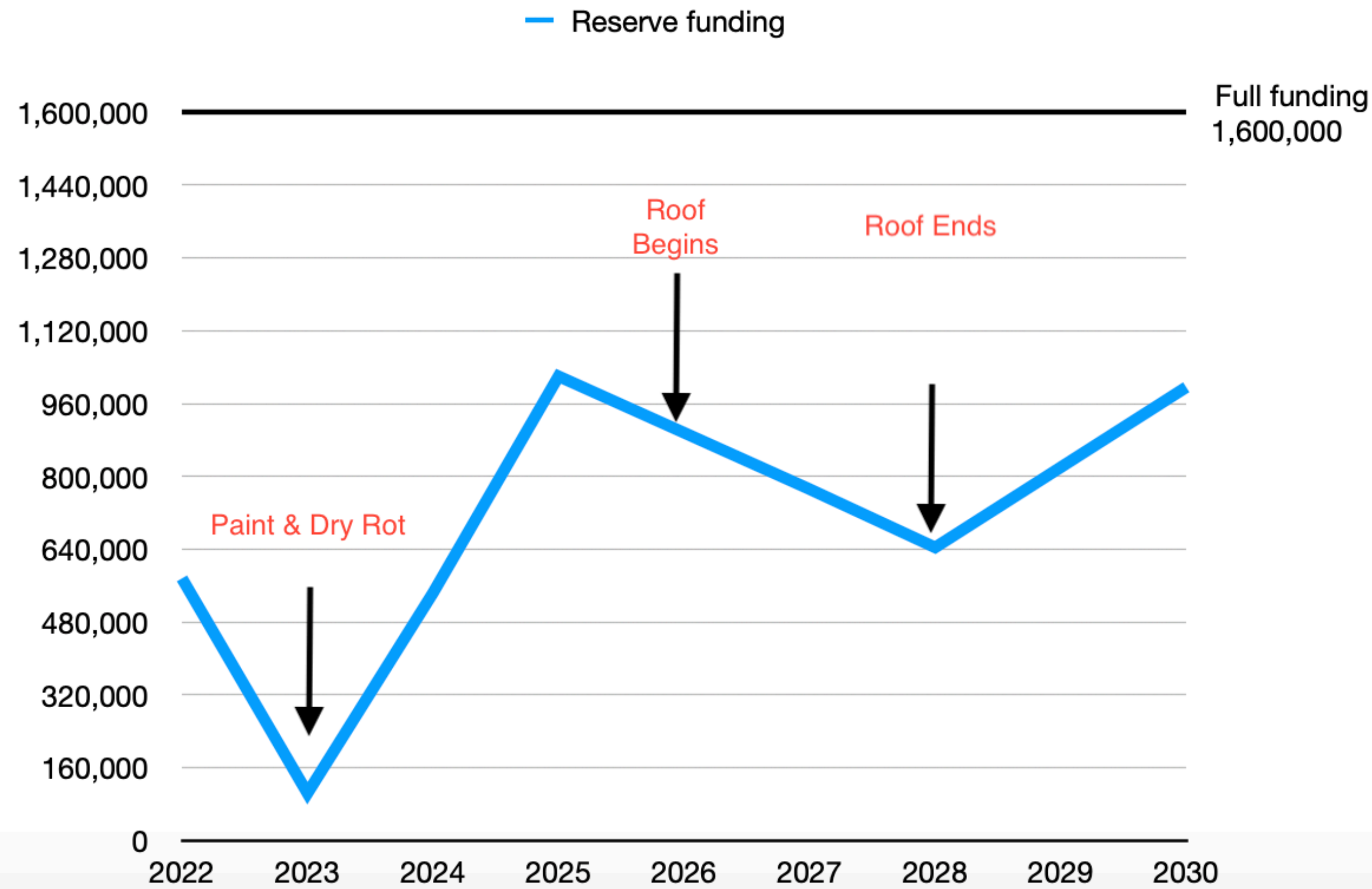
- Goal is to raise \$600,000 by the end of 2025; \$10,000 per unit
- Flexible options for payment—lump sum; monthly; yearly
  - For example, \$416 a month per home for 24-months  
*(This is in addition to your current HOA dues)*
  - All units need to be at least 50% paid by the end of 2024
- We will raise dues again in 2024 to \$500
- I expect that we will need to raise again past 2024
- Plan to keep operating budgets the same; all HOA monthly dues increases will go to the reserve account

# Proposed Assessment Timing

- Proposal to start collecting funds as soon as the community approves this plan
- By the end of 2025, here is our forecasted reserves (assume paint/trim paid):
  - +\$600,000 in assessment income
  - +\$150,000 in monthly HOA 2023 dues
  - +\$180,000 in monthly HOA 2024 dues
  - \$1 Million est in reserves at the end of 2025
  - Roof replacement 900k over 3 years, \$300,000 est a year in 2026-2028.
  - We will rebuild over time with fewer large expenditures

# Reserve Funding

Year	Reserve funding
2022	576,000
2023	104,000
2024	544,000
2025	1,020,000
2026	896,000
2027	772,000
2028	644,000
2029	820,000
2030	996,000



# How did we get here?

- Prior reserve company believed that we were greater than 90% funded
- Prior boards acted on their advice
- Inflation was flat for a number of years in the mid 2000s
- Inflation is dramatically increased since 2019
- We changed reserve companies in 2021
  - The 2022 report was the most shocking
  - Once paint + dry rot bid came in, it was clear we were in trouble

**The goal is to be transparent and  
work together on solutions**

The next step is a vote of the  
owners

Q & A