

Presidents Message on the State of the KCHOA Finances

By Silvio Krvaric, KCHOA President

With the new year now underway, I would like to bring everyone up-to-date on the state of the KCHOA finances and the process that the Board of Directors utilizes in determining the yearly budget. The Board and the various committees are made up of your friends and neighbors who have volunteered their time and efforts to make Kingston Chase a desirable community. As stewards of all financial aspects that drive our community and maintain the pool, tennis court, common areas and all aspects of community maintenance, the Board constantly evaluates the needs and cost of getting the highest quality results at the lowest possible cost. This has led to the lowest annual assessment of any like neighborhood in the area.

In the past, the Board would employ a Special Assessment to address critical infrastructure needs. This was a reactive process and did little to address future planning. In 2004, the Board commissioned an engineering study that completed a thorough review of the community property and provided an outline of what financial costs would be needed in future years. The engineering study takes into account expected life spans and anticipated replacement costs of structures and equipment. The study sets annual targets for the capital reserve, and how much should be added every year to have enough funds set aside to meet future capital needs. This study has proven to be an effective guide to chart costs, and has proven to be a blueprint the Board can follow to ensure the integrity of our community is efficiently maintained. The Commonwealth of Virginia recommends updating the engineering study every 5 years, and we plan on commissioning a new one this year. With the results of that updated study, I hope to be able to provide you with ongoing and up-to-date results next year.

The budget process itself involves the Board reviewing the engineering study and its recommendations throughout the year, along with current needs. The budget review starts in September of each year, and the Board provides a draft that is published in the *Crier* for all homeowners to review and comment on. This budget is voted on by the Board at our annual homeowners meeting in December. The Board is authorized to raise the dues annually by a percentage no higher than the rate of inflation. The Board will continue raising the annual dues at or below that rate until it is very evident that our capital reserve accounts are more than adequate, as measured by the engineering study.

This year, the 2009 budget foresees revenues of \$183,000 and expenditures of \$140,000, with a \$43,000 surplus. After deducting for capital expenditures, the Board allocates the surplus of dues revenue to the capital reserve account. This

capital reserve account is then invested in 3-year certificates of deposit, which provide a modest but safe return, while being accessible for use if needed. Our strategy has ensured that the HOA's reserves remained safe during these turbulent times.

From this year's surplus, the Board has authorized \$23,300 in capital expenditures. Almost half of that is for pool drain replacements due to a recent Virginia law to prevent drowning as a result of swimmers' hair getting caught. Another \$8,000 is for re-concreting the walk up to the pool, which has become uneven following the replacement of the underlying water pipes four years ago. The remainder is for repairing the fence and net of the tennis court, adding lights to the pool area where it connects to the promenade from the new development, and a few minor other repairs. This would leave \$20,000 of surplus which would be added to the capital reserve.

The HOA's capital reserve is very well-funded. At the beginning of the year, we had \$165,000 saved in CDs and another \$45,000 in the checking account. The 2005 engineering study envisions that we reach \$187,000 in the capital reserve by 2015, which is the year of maximum reserve. It also envisions spending about \$130,000 up until that time. The Board therefore intends to ensure the HOA collects enough dues to accumulate this full \$317,000 by the time 2015 arrives. If we continue to accrue and allocate to capital reserve a \$20,000 surplus every year through 2015, we will reach \$330,000, which should also leave enough room for unexpected expenditures.

As I mentioned earlier, the Board is constantly looking at ways to reduce costs. One example is the option for all homeowners to opt for electronic distribution of the *Crier*. This would reduce printing and mailing costs. You can also sign up to receive KCHOA e-mail updates for upcoming events, and for Neighborhood Watch. To do so, please fill out the back of the dues invoice that was mailed in February. The KCHOA website contains current event updates and contact information for Board members and club/committee chairpersons. Most notably, the newsletter is posted there as well, well before it is delivered by the Post Office.

If you have not received a dues invoice, please send an e-mail to info@kchoa.org. Also, if you would like more information on the contents of the engineering study or the Board's plans, please come to a Board meeting where copies are available. The Board meets on the second Monday of each month.

Feb. 2009