



# Kingston Chase Crier

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## *President's Message on the State of the KCHOA Finances*

*By Silvio Krvaric*

This month I want to give you an update on the financial state of the Kingston Chase Home Owners Association, to coincide with the publishing of the 2008 budget on page 5. In short, our finances are robust and we are well-prepared for future expenditures.

Several years ago, the homeowners voted to end the use of special assessments and instead increase the regular annual dues. These dues are now around \$300/year and are typically increased by the rate of inflation. This change was also driven by a new Virginia law that requires HOAs to plan for major expenditures in advance—by setting up a capital reserve account to reduce the need for special assessments and to provide for a fairer distribution of the costs of maintaining common areas over a longer time period.

KCHOA adopted this change by commissioning an engineering study that forecasts future costs for the next five years for all common areas the HOA is responsible for. These areas include the pool, pool house, club house, tennis court, and the common parking lots, lawns and trees. The forecasted costs include both maintenance and replacement of structural items (e.g., doors, windows, roofs, surfacing) and mechanical items (e.g., lights, pumps, locks), over a certain value. It does not account for annual every-day costs such as utilities (electricity, water) or landscaping, nor does it take into account any new structures or upgrades that the Board votes to install. KCHOA is also not responsible for homeowner trash removal or clearing of snow from public streets (private contractors and VDOT are, respectively).

The engineering study took into account expected life span and anticipated replacement costs of structures and equipment. The study then set annual targets for the capital reserve, and how much should be added each year to have enough funds set aside to meet future capital needs. The study is updated every five years. The Board works hard to follow the engineering study and, where possible, tries to defer expenditures until they are really needed. For example, the pool was re-surfaced two years later than anticipated because the coating was still adequate and the same was true with repainting the clubhouse. Similarly, the Board has occasionally had to spend funds early, such as when the clubhouse was repeatedly vandalized and exterior siding, repainting and door lock replacement charges were incurred earlier than expected. (Ongoing contracts for maintenance are reviewed annually,

and several bids are solicited for repairs.) This year, we are budgeting for an extensive renovation of the pool house, an item not planned for in the engineering study.

More importantly, the Board allocates the surplus of dues revenue to the capital reserve account. This capital reserve account is then invested in three-year certificates of deposit, which provide a modest but safe return, while being accessible for use when/if needed. The capital reserve account is currently well funded and on target.

KCHOA's primary source of income is the dues it collects every year from all 537 homeowners. Next year, the predicted income is \$160,000 in dues and \$10,000 in other revenue.

Our main expenses include pool operations, HOA administration, landscaping, and the *Crier* newsletter. Next year, the predicted expenses are \$52,000 for pool operations, \$31,000 for administration, \$16,000 for landscaping, and \$12,000 for the *Crier*, with \$9,000 on the remaining items. This would leave us with a net operating surplus of about \$51,000.

From this surplus, the Board authorizes capital expenditures to maintain or improve the common grounds, including the pool and clubhouses. This year, KCHOA approved \$35,000 in capital expenditures. This includes \$20,000 to renovate the pool house, \$10,000 to replace concrete around the pool area, and \$4,000 to light the paths that will connect to the new Young Farm development behind the pool. (Because of an agreement with the developer, KCHOA will receive for free a re-paving of the pool parking lot when home construction finishes, and so that anticipated capital expenditure will not be incurred.)

The remaining \$16,000 will be added to the capital reserve account. The engineering study recommends that \$91,000 be in this account at the end of 2007. (The 2008 and 2009 goals are \$110,000 and \$116,000.) The account currently holds \$106,000 (although \$15,000 of that constituted an unanticipated one-time bonus from the developer) and barring any unforeseen expenditures should be \$122,000 at the end of 2008.

If you would like more information on the contents of the engineering study, please come to a Board meeting where copies are available.