

Forrest Groves Estates Homeowners Association
74 High Trails Dr. Durango, CO 81301

RESERVE STUDY INTRODUCTION

Part of the responsibility of the Board of Directors is to identify and plan for future major repairs and replacements. Not only from the perspective of maintaining the physical property, but also to create the peace of mind that the Association will have funds available when needed. Since nobody can predict the future exactly, the Reserve Study is based on a series of assumptions about future events. **The goal is to have approximately the right amount of money at approximately the right time and the Reserve Study attempts to facilitate that.**

Transparency in the Reserve Study is important. Nothing can cause more hardship for owners than when required and unanticipated maintenance costs happen and adequate funds are not available, which generally results in a special assessment. A proper maintenance plan and reserve management plan can help avoid this situation.

A reserve report provides a picture of maintenance over a long period of time, usually 20 years or more. Some components may have a life expectancy longer than 20 years. Identifying those components that will someday need replacing is essential. Identifying these components early allows a longer period of time to accumulate funds and reduce the chance of a special assessment. Examples of such long-lived components are bridges, a sewer lagoon and related equipment, water storage tanks and pressure pumping systems, and tractors. Just because you cannot see a component does not mean it should not be included, since the Association still has the maintenance obligation.

As the remaining life of components start to become clearer, more accurate projections can be made about the expenditures. Estimates regarding maintenance activities should be reviewed and updated at least every two years so that the Board can more accurately develop budgets for both operating expenses and a reserve account. This allows for better planning and hopefully helps avoid long-term surprises. Identifying FGEHA assets, their anticipated life expectancy, and approximate time for repair through the operating budget or replacement from the reserve account is critical. It also allows the Association to avoid deferred maintenance that might hasten the obsolescence of the asset, as well as to address future needs early if funds allow.

Attached is a matrix that identifies the four key strands that support all of us: Sewer System, Water Systems, the Bridge and Equipment. As of now, FGEHA has about \$200,000 in physical assets. Unfortunately, they will not last forever. Identifying their useful life expectancy, maintaining them in the interim, and preparing for their eventual replacement is a key responsibility for the Association. With inflation factored in, in 20 years, the cumulative replacement expense is expected to be about \$400,000. Unless we can find someone to donate that to us, it will be up to all of us.

The Reserve Study we commissioned suggested having a \$50,000 Special Assessment in the next year. We have examined longer term alternatives that would develop the fund closer to the time for the anticipated expense. That would break down to amount \$17,500 per year. With 56 lots, that breaks down to a little over \$300 per year, or \$25 per month or a little less than a dollar a day for the reserve fund.

Beyond that, unanticipated expenses do happen and must be addressed. Hopefully the Reserve Study process will put FGEHA in a good position to deal with them if they arise.

Our thanks to Robbie Pepper of Facilities Advisers Rocky Mountains for his work on this project.

For the FGEHA Board

Stan Dunlap, President

March 3, 2023