

2023 Mountain Oaks Homeowners Association Reserve Study

(15 December 2023)



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MOUNTAIN OAKS HOMEOWNERS ASSOCIATION

RESERVE STUDY

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Part 1: Purpose of the Reserve Study

The purpose of this Reserve Study is to present an analysis of the monetary reserves necessary for the Mountain Oak Homeowners Association (MOHA) to maintain, repair, replace and improve the assets for which we, as homeowners, are jointly responsible. This study will also provide an assessment of MOHA's annual Operating Expenses to develop a more comprehensive picture of the resources needed to ensure adequate Reserve and Operating Expense funding. The Reserve Study will serve to inform MOHA's Board and MOHA members of planned projects and costs and future year funding requirements, and to assist in assessing annual dues.

Additionally, and of significant note, MOHA's Reserve budget has been severely constrained for years due to unplanned expenses and homeowner concerns regarding the price of annual HOA dues. Community improvements to jointly owned assets, primarily fencing and common driveways, have had to be consistently delayed and rescheduled due to lack of funding. Additionally, there are no Reserve Funds available for unplanned or unanticipated events which might require MOHA action and funding. A good example of this was the emergent requirement for the design, engineering, and relocation of a storm drain at the common driveway located at 5150/5140 Broadmoor Bluffs Drive (BBD) in 2018-2019 due to storm runoff damage. The project cost \$58,466, and it completely depleted available MOHA funds which in turn resulted in postponement of planned community improvements. The COVID pandemic also presented unanticipated cost challenges in that the cost of materials and labor for both community improvements and Operating Expenses increased significantly, requiring MOHA to juggle funding between Reserve and Operation funding.

Part 2: Legal Basis for the Reserve Study and Associated Governance

The Colorado Common Interest Ownership Act (CRS § 38-33.3-209.5), as amended by House Bill 22-1137, prescribes the governance and the management of Common Interest Communities (CIO) such as homeowners associations. MOHA's operation and its by laws and policies are legally rooted in this legislation. To promote responsible governance, the legislation directs homeowners associations to prepare Reserve Studies to identify requirements *"for the portions of the community maintained, repaired, replaced, and improved by the association; whether there is a funding plan for any work recommended by the reserve study; and, if so, the projected sources of funding for the work; and, whether the Reserve Study is based on a physical analysis and financial analysis."* CRS § 38-33.3-209.5 further identifies the two primary sources for Reserve Funds, which include annual Dues Assessments and Special Assessments.

Section 603 of MOHA's covenants provides for annual Dues Assessments to *"be increased each year based on the **actual cost of expenses** which shall take into account the increases in those expenses due to inflation."* Section 603 also requires that MOHA *"**maintain an adequate reserve fund** out of the annual assessments for the maintenance, repair and replacement of those elements of the Common Area that must be replaced on a periodic basis and for maintenance and repair of the exterior of all improvements."* MOHA has not been able to satisfy these minimum legislative or Covenant requirements due to homeowner concerns regarding price increases in assessed HOA dues (\$550 for calendar year 2024).

Part 3: Physical Description of the Mountain Oaks Subdivision

MOHA consists of 82 single family dwellings located along or adjacent to Broadmoor Bluffs Drive (BBD) and Neal Ranch Road (NRR); it is bounded on the north by a Public Nature Park (see Figure 1).



Figure 1 – Mountain Oaks Subdivision

MOHA is responsible for the maintenance, repair, replacement and / or improvement of:

- **Six common driveways.** These driveways are located on Jessana Heights Drive and adjacent to BBD and Langley Place. They provide joint access to multiple properties for owners / residents. Each driveway must be repaved on a periodic basis due to weather, wear, and tear (approximately every 25 – 30 years). See Figures 2 – 6 below.

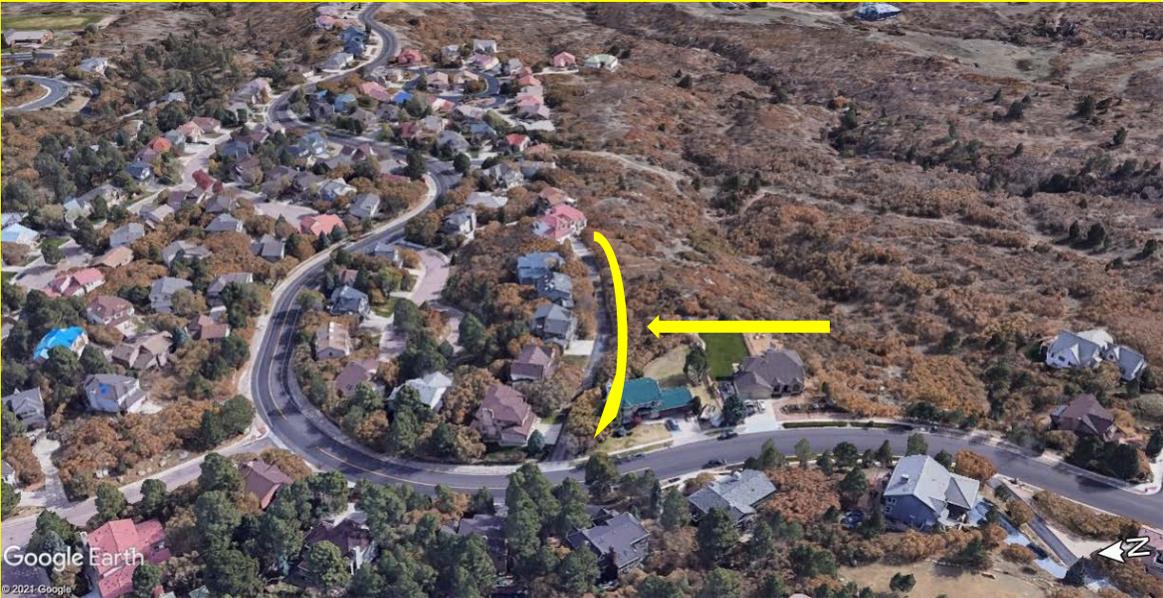


Figure 2 – Jessana Heights Long Common Driveway (six homes)



Figure 3 – Short Common Driveway at 5062/5044 BBD (four homes)



Figure 4 – Short Common Driveway at 5051/5033 BBD (four homes)

Currently, five of these driveways are near the end of their life cycle (over thirty years old) and will require repaving within the next two to four years. These include Jessana Heights (**Figure 2**), 5062/5044 BBD (**Figure 3**), 5051/5033 BBD (**Figure 4**), 5/10/15 Langley Place (**Figure 5**) and 50/60/70 Langley Place (**Figure 5**). The two driveways located off Langley Place (**Figure 5**) were previously believed to be the responsibility of individual homeowners; however, a 2022 legal review of MOHA’s plat revealed these two driveways are MOHA’s responsibility to maintain. Because it was previously believed the homeowners were responsible for maintenance, the MOHA Board never planned or budgeted to repave them. The driveway at 5150/5140 BBD (**Figure 6**) was repaved in 2019 in conjunction with the storm water repair project discussed in **Part 1** of this study. This resulted from an unprogrammed, emergent requirement for the design, engineering, and relocation of a storm drain due to run damage. Repaving the driveway and some landscaping was also required, including sprinkler repair / reinstallation at one of the properties. The total cost for this effort was \$58,466. This, in conjunction with increased costs

for labor and materials (especially for fencing and landscaping), caused a spike in homeowners dues between 2020 and 2023. Dues were increased to \$475 per homeowner given inflation and the unavailability of sufficient Reserve funding to accomplish planned improvement projects.



Figure 5 - 5/10/15 Langley Place and 50/60/70 Langley Place (from left to right)(six homes)

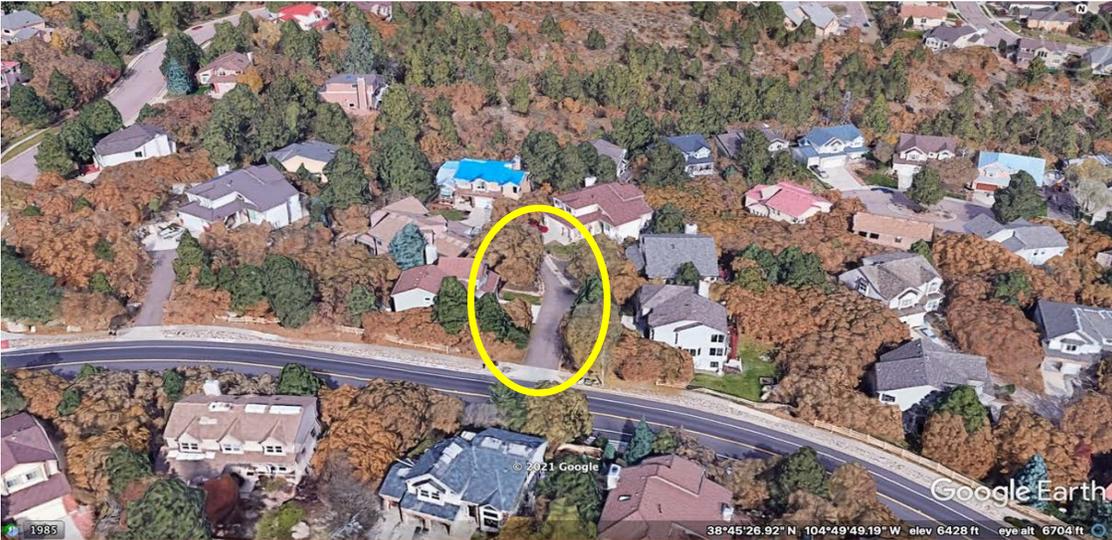


Figure 6 – Long Common Driveway at 5150/5140 BBD (six homes)

Traffic Islands. MOHA is also responsible for three traffic islands (Figure 7). Langley Place and BBD have been xeriscaped and replaced with rock. MOHA also worked with the city to jointly fund and perform curb and gutter repair and to add sidewalk on Langley Place in 2020 at a cost of \$3,074. The Mahogany Lane island was not included in the rockscaping project and is maintained yearly with weed mitigation. Operating costs for landscaping and weed mitigation for the traffic islands will continue to be necessary yearly over time.



Figure 7 – Commonly Owned Traffic Islands

Fencing and Curbing. MOHA also maintains the curbing and fencing along BBD and NRR. The curbing consisted of grass and sprinklers until 2013, when it was xeriscaped and replaced with rock to save cost (landscaping and water). Replacement of the original fencing, constructed when MOHA was built in 1987 to the mid-1990s, had to be delayed multiple times due to the storm drain relocation project and a lack of Reserve Funding. **Phase 1** of MOHA’s Fence Replacement project (north side of BBD from NRR to Odessa Place) was completed in 2020 at a cost of \$18,200. **Phase 2** (south side of BBD from Mahogany Lane to Odessa Place and the fronting along NRR) was completed in 2022 at a total cost of \$43,035 (\$38,910 in 2022 and \$4,125 in 2023). **Phase 3** of MOHA’s fencing replacement was scheduled for completion in 2023 (Jessana Heights to Mahogany Lane); however, Reserve funding constraints and the high cost of labor and materials resulted in the project being divided into two Parts. **Part 1** (Jessana Heights to the MOHA sign on BBD opposite NRR) was completed in 2023 at a cost of \$14,327, and **Part 2** (MOHA sign to Mahogany Lane) is now scheduled for 2024 for an estimated cost of \$27,000. Fence painting and upkeep will begin in 2027 (required every 7-10 years). **See Figures 8 - 10.**



Figure 8 – North Side of Commonly Owned MOHA Fencing / Curbing Along BBD (Fencing Phase 1)



Figure 9 - South Side of MOHA Owned Fencing / Curbing Along BBD (Fencing Phases 2 & 3)



Figure 10 – Commonly Owned MOHA Fencing / Curbing on Neal Ranch Road (Fencing Phase 2)

Part 4: Tables of HOA Reserve Assets, Including Status, Replacement Timeline, Estimated Future Costs (Reserve Expenses), and Recurring Expenses (Operating Expenses).

MOHA financial obligations include costs associated with improvements and maintenance to the jointly owned physical assets described above. As such, they are subject to Reserve Funding (see **Table 1**). Most recent examples of this include replacement of old mailboxes with locking mailboxes in 2018-2019 at a cost of \$20,050, and the execution of **Phase 1, Phase 2, and Phase 3 Part 1** of MOHA’s fencing project between 2020 and 2023 at a total cost of cost of \$75,562. These are in addition to the driveway repaving and repair associated with stormwater damage at 5150/5140 BBD in 2020 in 2018-2019 (see **Figure 6** above). These projects are already overdue as the result of the budgetary setback MOHA suffered from storm drain relocation as well as increased labor and material costs.

Common Asset	Current Status	Future Investment Timeline	Estimated Future Cost
Mahogany Lane Island Curbing	Good condition – periodic cleanup required	TBD	N / A
Langley Place Curb and Traffic Island	Repaired in 2020 at a cost of \$3,074	One time	N / A
Mailbox Replacement	All new in 2018-2019 at a cost of \$20,040	One time	N / A
Fence Upkeep / Painting	New fencing installed between 2020 and 2024 - painting and upkeep expected every seven years (\$6,000 per year estimated)	2027-2030	\$24,000
BBD Long Driveway 5150/5140 BBD	Repaved in 2019 - Part of storm water drain relocation and repair at a cost of \$58,466 (\$30,000 for driveway repaving)	2045	\$17,000
Fence Replacement	Phase 1 – Last replaced in 2020 at a cost of \$18,200; north side of BBD from NRR to Odessa Place	2042	\$34,810
	Phase 2 – Last replaced in 2022 at a cost of \$43,035 (\$38,910 paid in 2022 and \$4,125 in 2023); south side of BBD from Mahogany Lane to Odessa Place and fronting along NRR	2043	\$67,800
	Phase 3:	2044	\$25,000
	- Part 1 completed in 2023 for a cost of \$14,327 on south side of BBD from Jessana Heights to MOHA sign opposite NRR. - Part 2 scheduled for 2024 at a cost of \$27,000; south side of BBD from MOHA sign opposite NRR to Mahogany Lane Note: Replacement anticipated after 20 years due to weather and wear and tear	2044-45	\$30,400
Phase 1 Driveway Repaving - Jessana Heights Long Driveway	Repaving needed – Planned for 2025 at a cost of \$21,000	2050	\$40,700
Phase 2 Driveway Repaving – 5062/5044 BBD Short Driveway	Repaving needed – Planned for 2026 at a cost of \$17,000	2051	\$32,900
Phase 3 Driveway Repaving – 5051/5033 BBD Short Driveway	Repaving needed – Planned for 2027 at a cost of \$18,000	2052	\$32,900
Phase 4 Driveway Repaving - 5/10/15 and 50/60/70 Langley	Repaving needed – Planned for 2028 at a cost of \$30,000	2053	\$56,500

Table 1 – Future Reserve Expenses
(Estimated future cost based on 2.68% historical inflation rate)

There are also annual Operating Expenses for which MOHA must budget; these costs include snow removal, annual landscaping, spring cleanup, weed abatement, legal fees, insurance, supplies, mailing, office supplies, website maintenance, PO Box, mailbox repair, driveway / concrete repair, and other emergent expenses. **Table 2** below lists Operating Costs for 2021 through 2023 and anticipated costs from 2024 through 2028. Anticipated Operating Expenses for 2024 will be about \$20,517.

	2021	2022	*2023	**2024 Est	**2025 Est	**2026 Est	**2027 Est	**2028
Snow Removal	9305	9430	7025	7306	7598	7901	8217	8548
Landscaping	4115	5095	*** 12020	7301	7593	7897	8217	8546
Legal	619	829	1540	1602	1666	1733	1802	1874
Insurance	2303	2328	2586	2688	2796	2908	3024	3145
Miscellaneous OE	1754	2977	1445	1620	1685	1752	1822	1895
Total	18096	20659	24616	20517	21338	22191	23082	24008
* Actual - Current as of 11/15/2023								
** Estimated - Assumes 4% near term inflation rate per year								
*** Extra fall cleanup expenses incurred								

Table 2 – Anticipated Annual Operating Expenses 2024-2028

Part 5: Conclusion and Discussion.

This is the inaugural Reserve Study for MOHA and will serve as a baseline for future iterations shaping MOHA’s anticipated spending requirements, including the next five years. Because some capital projects have already been completed (see **Table 1**), required improvements between 2024-2028 will include **Phase 3 Part 2** of MOHA’s fencing project, **Phases 1 - Phase 4** of common driveway repaving, and the beginning of fence maintenance and repaving in 2027 (due every 7-10 years). These actions require MOHA to maintain adequate investment to not only achieve these tasks with certainty, but to begin building reserves in accordance with Colorado law (e.g., money for a rainy day).

Accordingly, this Reserve Study concludes that MOHA’s dues assessment will be \$550 in calendar year 2024 and then reevaluated annually to ensure adequate funding. The Board of Directors assesses that \$550 per homeowner is fair and equitable, particularly when compared to the average of \$200-\$400 per month in homeowners dues across Colorado. Table 3 provides MOHA’s estimated cash flow for the years 2024-2028 assuming a minimum dues assessment of \$550.

	* 2023	** 2024	** 2025	** 2026	** 2027	** 2028
Beginning Balance	12578	7846	4609	6551	11640	8838
Income	38336	44280	44280	44280	44280	44280
Reserve Items	-18452	-27000	-21000	-17,000	-24000	-36000
OE	*** -24616	-20517	-21338	-22191	-23082	-24008
Ending Balance	7846	4609	6551	11640	8838	-6890
* Actual - Current as of 11/15/2023						
** Estimated expenses - Assumes 4% near term inflation rate per year						
*** Extra fall cleanup expenses incurred in 2023 - not included in 2024 baseline OE calculation						
Note : 2027 and 2028 Reserve Items include both fence upkeep and driveway repaving projects						

Table 3 – MOHA Estimated Cash Flow 2024 – 2028

The Board’s projections indicate there should be sufficient cash flow to execute MOHA’s planned fencing and driveway projects, as well as routine operations, over the next few years. That assumes there are no unplanned events or developments. The Board’s projections in 2028; however, suggest dues assessments will not keep pace with anticipated costs. As previously indicated, MOHA will reevaluate homeowner’s dues annually to determine whether a change is appropriate. Information on these efforts will be provided every January during Annual Board Meetings and in the Annual Meeting Notes which are posted on the MOHA website (https://www.mountainoakshoa.org/class_index.cfm).