

Dear Hickory Woods Unit Owners:

On October 1st, TEAM Engineering presented the results of their capital reserve study to the unit owners. The capital reserve study was necessary to determine if the amount of funding the HOA is placing into reserves is adequate. It involved taking inventory of all of the Home Owners Associations (HOA) assets and trying to determine how long each item will last before they need to be replaced or repaired. These assets include roads, leech fields, clubhouse, sports courts, lighting, retaining walls and many more items the community owns. This reserve study looked 30 years ahead to determine how much money the HOA would need to repair or replace all assets during that time frame.

The results of TEAM's study were that the HOA should be saving a minimum of \$80,340 a year in order to accumulate enough savings to fund the replacement of our assets. Currently, the community has been budgeting \$22,344 a year since inception. Please note that excess funds from the operating account have been deposited into the reserve account each year. This means that we have effectively saved approximately an additional \$54,000 over the past three years, without which the reserve would be even more inadequate. The Board and property manager worked with TEAM to improve our understanding of the life of many of our key assets which resulted in a considerably lower minimum required savings level than initially estimated.

While the Board appreciates that no one likes to have their HOA fees increase, our community needs to maintain a healthy financial reserve balance in order to maintain our assets. We understand that some of us might not be living in the community in 20 to 30 years when many of the major assets like roads and leech fields will need to be replaced. However, each of us are utilizing these assets and depreciating their value each year. Future buyers and banks, who provide mortgages, will review our reserve funding levels and it will certainly play a role in their decision making and selling price of your unit. Without funds to repair our assets, the community risks appearing degraded; hurting not only property values but the quality of life we have come to enjoy.

The Board strongly urges all unit owners to vote for the capital reserve increase which will raise the monthly HOA fee from \$225 to \$275. Our property manager has stated that our current fees structure is well below other communities with even fewer assets. If the community votes to support this increase then, at least for the next 5 years until we conduct another study, reserve funding should only increase 3% a year to keep up with inflation. Our Bylaws state that we need a minimum of 66% of all unit owners to vote to support the increase. This means that at least 65 units must vote to in favor of the increase.

The Board, along with our property manager's expertise, believe that TEAM's study is sound. We know that our community takes pride in maintaining the community's appearance as well as its financial health.

The Board will be holding a special meeting of unit owners on December 4, 2019 at 7 pm at the clubhouse for the sole purpose of holding a vote on the HOA fee increase. We encourage all owners to complete and send to the property manager the proxies that will be sent to you prior to the meeting. You may also choose to cast your vote at the meeting if desired. In closing, we encourage all unit owners to vote to support the increase.

Sincerely,

The Hickory Woods Board of Directors