

Attachment 1

Proposed Change of financing for Leach Fields in Hickory Woods

Background:

- On October 1st, the results of our capital reserve study was presented to unit owners. The capital reserve study was conducted to determine the amount of funding the HOA needed to place in reserve to meet future capital expenses.
- One of the findings of the study was the need to dramatically increase our monthly contributions to the Capital Reserve Fund.
- Since it is the responsibility of our HOA to finance leach field maintenance, one of the prime drivers of this proposed increase was the need to plan for the repair and/or replacement of community leach fields.
- We have 86 leach field in the community:
 - 77 leach fields are connected to individual septic tanks belonging to individual units
 - 8 leach fields are connected to 21 septic tanks owned by individual units
 - 1 leach field is connected to the septic tank at the clubhouse.
- Prior experience of most of our unit owners shows that leach fields, if maintained correctly, seldom fail.

The Board is proposing that we amend our Bylaws in such a way as to shift the cost of maintaining leach fields from the HOA to individual unit owners.

The benefits of this change are as follows:

- Those owners who fail to maintain their septic systems as prescribed will not become a burden on other unit owners.
- The monthly assessment for the Capital Reserve would be dramatically reduced. We currently pay a total assessment of \$247 which includes \$206 for Operations and \$41 for the Capital Reserve.
- The Capital Reserve savings would be:
 - \$17 per month in 2020 (the monthly contribution to the Reserve would otherwise increase from the current \$41 to \$58)
 - \$20 per month in 2021 (the monthly contribution to the Reserve would then increase from \$58 to \$78)
 - Without this change and considering 3% inflation, the Capital Reserve contribution will need to rise to \$102 per month per unit in 2030.
 - With this change, the Capital Reserve funding could be less than \$57 per month in 2030. (The actual figure will depend on the rate of inflation and the amount of excess funds transferred from the Operating Budget at the end of each year.)
- Finally, buyers shopping for condominiums tend to focus on the amount paid in monthly assessments; the lower the monthly assessment the higher the value of the condominium.

(Please also remember that our assessments do depend on the rate of inflation. We will have to continue to maintain our Operating and Capital Reserve budgets in accordance with inflation, regardless of the decision about the leach fields.)