

# NEXT HOA MEETING

## 01 DEC 2021, 1800 at the Mt Pleasant Christian School

22 Nov 2021

Dear Homeowner,

The following letter details the approved 2022 budget for the Ravenna HOA as well as additional information impacting the financial stability of the community. This letter serves as the required 30 day notification in accordance with section 5.03 of the Ravenna Covenants.

**If you are not the homeowner, please ensure this letter is forwarded to the homeowner.**

### EXECUTIVE SUMMARY

The board conducted a detailed examination of operational costs from 2013 to the 3rd quarter of 2021. The results called into question the long term financial security of the HOA and corrections were required. A unanimous decision was made to increase the annual Maintenance Assessment to \$540 for 2022 (\$45 monthly). That decision, in conjunction with shifting management associations, ensures that the HOA remains financially healthy. The largest expense remains lawn and ground maintenance for the common areas and requires 45% of the annual budget. However, the irrigation system supporting the landscaping in these common areas failed in 2020 and is beyond basic repair to regain functionality of the system. The decision was made to renovate the irrigation system which will cost approximately \$70k. Homeowners have voiced their dissatisfaction with the current status of the landscaping in the common areas and the board has asked for several estimates for renovating the landscaping. Early estimates are putting the cost of the renovation in the \$50-70k range. The board is asking all homeowners to determine how they want to proceed. A written consent form is attached and your response is requested no later than 01 Jan 2022.

### DETAILED INFORMATION

The board priorities remain: to be fiscally responsible to the needs of the residents, improve the overall community through long term planning, and protect the value of the homes in Ravenna.

### BUDGET

As of 19 November our current assets are:

Atlantic Union Bank CD - issued 10/31/2007 -	\$38,857.23
Atlantic Union Bank CD - issued 04/28/2009 -	\$20,898.54
Operating account -	\$ 8,768.65
Accounts Receivable-	\$ 6,130.26
Total	\$74,654.68

Outstanding/Expected invoices	
Dominion Power	\$. 275.00
Oct/Nov/Dec Lawn maintenance	\$7,925.49
Aubrey's Tree Service	\$7,500.00

Beginning in August 2021, the board began requesting financial documents from Associa Community Group (ACG). After a close look at the expenditures in 2020 and the 2021 budget ACG had put in place for our HOA, concerns began to develop. Additional financial statements and budgets were requested and received. These documents only went back to 2013. When asked for financial statements going back to the beginning of the HOA, we were informed that they were not available because of a management software change. Efforts are still ongoing to obtain those records. While we were under the guidance of ACG, their management fees accounted for 32% of our budget, or \$1,992 a month. Our shift to CSM, as our management group, reduced management fees by 80%.

There is no argument that the transition could have and should have gone smoother, but the cost/benefit of the change outweighed the inconvenience we all went through, and some are still managing, in the transition.

The largest expense remains lawn and ground maintenance for the common areas and requires 45% of the annual budget. That expense is currently under contract with the cost set at \$31,702 annually, or \$2,641.83 monthly for 2020 and 2021. The contract calls for a 4% increase in 2022 and 2023 which will bring the cost to \$32,970.08 annually or \$2,747.50 monthly. One of the first indications that there was a problem in our budget was that the 2020 budget allocated only \$28,800 for lawn maintenance, which is a shortfall of \$2,902. Compounding the problem, was a budget of \$2,000 for grounds improvement and repair, when in actuality the funds that were spent were \$3,757, another shortfall of \$1,757. As the examination of the budget began mid 2021, the board leveraged the 2020 budget and expenditures as an indicator of where things were as the rest of 2021 Q3 and Q4 were occurring. None of us will soon forget 2020. With the pandemic effecting all aspects of our lives, 2020 also removed any chance of our HOA holding any social events. When analyzing other items in the 2020 budget, \$6,667 was budgeted for those social events. As they were never held, there should have been a surplus available at the end of the year, yet the remaining balance was \$0.00 and a grand total of \$40.64 was placed into the reserve account at Atlantic Union. The balance sheet for 2020 Q4 indicates a loss of \$1,389.37, and is misleading as we didn't fully incur the expenses that we should have.

While operating under the guidance of ACG our HOA had no clearly defined long-term goals. There is no data to support any reserve studies were ever conducted which left our HOA without a financial plan for any future large scale repair or projects. Standard practice among HOAs with proper management is to allocate 10% of the associations income to a reserve fund. In our case that should have equated to roughly \$7,000 a year. In reality, during our best year of 2013, ACG put a paltry \$972.90 into our reserve account and actually withdrew funds in 2017 and 2018 to cover operational requirements.

The details of the budget for 2022 can be found in attachment 2

All quarterly income and bank statements supporting these conclusions can be found at: <https://drive.google.com/drive/folders/1Z3uhNXpHgMuW4CqwDc65lyZqexWeh9FO?usp=sharing>

The budget was established using the zero based budgeting methodology and includes estimated increases for inflation and more importantly the proper amount of funds set aside for future capital improvements. This approach provides us the ability to operate our HOA in a financially responsible way and ensures that when the need arises to fix an issue, we have the funds readily available to address the issue. More on that aspect in the following paragraphs.

Going forward the board is asking for volunteers to form a budget oversight committee. Ideally we would like to find at least one volunteer who has a financial background or is a CPA who

would lead a committee of no less than three volunteers and would report to the Board of Directors for direct oversight of the budget. Please let one of the board members know if you would be interested in serving in this capacity.

## **IRRIGATION**

The irrigation system that covers the common area is the original equipment and placement from when the neighborhood was developed in 2005/2006. From 2013 through 2020, the irrigation system has cost the HOA \$17,384.19.

During the fall of 2019 the system failed and no decision was made to repair the system. As a result of the change of board members in 2021, the decision to have the irrigation system looked at and repaired began. In July, after a preliminary look at the system it was determined that a more in depth evaluation was needed. Recommendations on who to contact were obtained from Site One and Horizon Distributors (formerly Turf and Garden). Three companies were suggested by both companies and all were contacted. Southside Irrigation indicated that they were not taking on any new clients at the time. The remaining two companies, Chesapeake Bay Lighting and Irrigation and Heads Up Sprinkler Systems agreed to look at the system.

The first company to look at the system was Heads Up and suggested that an in-depth exploratory look at the system be conducted. The board agreed to the cost and the work was completed in Aug. Both controlling units of the system were found to be inoperable. Additionally, the function of approximately 2/3 of the sprinkler heads were found to be in question and the continuity between the control units and the valves for specific zones were faulty. Fortunately, the pipes from the supply source to the zones are still intact and are not currently showing signs of leaks. Heads Up provided an estimate of what it would cost to renovate the system. The total estimate was \$72,493.26.

In early September, we met with Chesapeake Bay Lighting and Irrigation. After an examination and conversation, they came to the same conclusion that it would be a more cost effective process to renovate the system as any repairs would only delay the inevitable and wind up costing the HOA more money in the long run. They submitted an estimate that was \$67,200. That estimate lacked itemization for a side by side comparison of line items, the updated estimate was never received.

To confirm that we were making the right choice going forward, we went back to Site One and Horizon and first confirmed that there was not a significant mark up of supplies for the job. There was no mark up and found that we were actually receiving a better deal from Heads Up than we would had we been buying direct from Site One. Further discussions at the two companies indicated that there was only one choice when it came to renovating an existing system and it was Heads Up. As we had already dedicated \$3500 to exploratory work, and an additional discount of \$4,730 would be available if we opted to do the work in the winter, they were the company the board chose to carry out the work.

The scope of the work is going to require 160 hours of labor and will cover the entire front stretch along Mt. Pleasant, through the entrance medians, and the medians in Ravenna Arch and Trajan Reach.

Choosing not to complete this work would have significant negative impact on any remaining landscape in the common areas as they would be subject to a continued lack of water supply which is not in the best interest of the community.

The financial impact of this project is significant and was not considered lightly. As the last time any appreciable funds were set aside for capital improvement or repair was 2009 there are monetary constraints we needed to consider.

The project is estimated to cost -	\$72,493.26
Exploratory work already paid -	-\$ 3,500.00
Winter discount-	-\$ 4,730.00
Balance -	\$64,263.26

The board has decided to cash the CD issued in 2007 to offset the balance for the renovation work to the irrigation system. The remaining balance of \$25,406.03 will be equally split among each homeowner and will be in the amount of \$130.39. Work will begin in Jan and will take approximately 2 weeks.

The scope of this project is attachment 3

### **LANDSCAPE RENOVATION**

There is an abundance of dissatisfaction with the current status of the landscaping in the common areas. The overall appearance of the entrance to our neighborhood is significantly lacking any appeal and is looking profoundly neglected. Although the lack of proper irrigation during the last summer has contributed to the current state, the overall composition and arrangement needs to be corrected.

We have contacted three companies to come out and look at the situation and provide estimates and options on how to bring back the proper appearance of the neighborhood. The companies currently under consideration and working with us are: Winesett Nursery, Coastal Landscaping and BrightView. If there is a company that you think would be a great candidate for the work please let the board know.

Current expectations for a budget for this scope of work is \$50k-\$70K. How we would pay for this work depends on your commitment to our community.

### **GOING FORWARD**

For the last 16 years, the lack of foresight and poor financial planning that we operated under while misguided by ACG's management has left us in a situation that is far from ideal. We, as a community, can act now to address the issues or we can idly standby and continue to watch the slow decay of the neighborhood. The board has taken action and made changes. We took immediate action as soon as we were appointed. We have completed a thorough breakdown of our budget and identified the shortcomings and put a plan in place to fix it. We have a plan to fix the irrigation and are doing so in order to set a solid foundation to execute the last correction that needs to happen. The last step is over to you as a homeowner.

### **WRITTEN CONSENT TO RENOVATE THE LANDSCAPING**

The board will continue with efforts in obtaining estimates for the landscaping renovation. Once a company is chosen, work will begin immediately in an attempt to have it all completed by spring time. This option would allow us to coordinate irrigation and landscape in a joint effort to ensure the irrigation zones are set to provide the proper irrigation and the proper vegetation gets placed in the proper location for the best appearance and growth.

Financially this option would include paying for both the remaining balance of the irrigation renovation as well as the landscape renovation. If we plan for a budget of \$60k in design, supplies and labor for the scope of the landscape work, each homeowner would owe \$307.70. Combined with the irrigation balance of \$130.39, it is a combined total of \$438.09. That amount would vary depending on the final estimate for the landscaping. The board will continue to work its hardest to drive that estimate down as far as possible without sacrificing the overall quality of work. Additionally, the amount will be decreased once we apply the remaining balance from the 2020 special assessment of \$72.00.

The downside of this option is that it is not an insignificant amount of money that we are committing to. The board fully recognizes the magnitude of this request. The upside is that both projects are completed by the spring time and the neighborhood is back to the standards that we expect. With all renovations complete, and a properly designed budget, we can go into 2022 knowing we have corrected the deficiencies and have put a plan in place that will ensure the financial stability for the foreseeable future.

In order to execute this plan a special assessment for the combined amount would be due in early February and requires written consent of 2/3 of the 195 homeowners. The written consent form is attachment 1 and lists the mailing address to submit this form.

If 2/3 approval to move forward with the landscaping is not attained, we will develop a phased approach to correct the landscaping issue among the common areas and will contract with a company for the work when the funds become available. This approach should be expected to take 3-6 years and will be fully dependent upon the amount of capital replacement funds and potentially any excess operational funds at the end of each fiscal year.

Additionally, if 2/3 approval to move forward with the landscaping is not attained, the board will complete the renovation of the irrigation system as previously decided. In order to fund the remaining balance for that work, a special assessment in the amount of \$108.00 will be levied to each homeowner.

To clarify and put it simply - we will either correct both problems promptly and it will cost each homeowner \$438.09 or we will only correct the irrigation problem and it will cost each homeowner \$108.00 and the landscaping in the common areas will slowly be renovated over the next 3-6 years.

**All homeowners are requested to submit the attached written consent form no later than 01 Jan 2022. The mailing address is included on the form.**

Please include and/or update your contact information on the consent form. We are attempting to shift our primary means of communication to a paperless method in order to be more accountable, prompt, and reduce costs.

#### **OTHER FACTORS TAKEN INTO CONSIDERATION:**

The board is consulting a HOA lawyer to determine how a “no response/no form received” from a homeowner would be counted in the situation that a homeowner decided to not submit a written consent form. Please help minimize the delay and the costs of these efforts by submitting your consent form.

The board approached these challenges from numerous angles and tried to develop multiple courses of action to address the financial aspects of the situation. Among them were the following:

A bank loan - we approached both Atlantic Union and Towne Bank and because the HOA does not have any assets, other than the two CDs, neither are allowed to provide a loan to an HOA. We also attempted to approach the application as a non-profit, non-stock corporation and dissolve the corporation once the loan was paid off, but the collateral was still an issue. The best we could do was use the CDs as a cash collateral in which case those funds are tied up until the loan is paid in full.

Cash the other CD - although cashing the remaining CD to reduce the remaining balance on the irrigation project is an option, it would deplete any remaining ability to immediately access funds in the event an unforeseen cost occurs. It would leave us open to risk without any mitigation in place and is not in the best interest of our community.

# WRITTEN CONSENT FORM

PLEASE RETURN THIS FORM NO LATER THAN 01 JAN 2022 WITH ALL REQUESTED INFORMATION TO THE FOLLOWING ADDRESS:

RAVENNA HOA  
PMB #259  
237 Hanbury Rd E Suite 17  
Chesapeake, VA 23322

## **RAVENNA HOA 2022 SPECIAL ASSESSMENT WRT IRRIGATION AND LANDSCAPE IMPROVEMENT**

This form is provided for written consent to perform the work outlined by the Board of Directors to renovate both the irrigation system and the landscaping in the common areas. By consenting to this work, I agree to pay the special assessment fee of \$438.09 by 11 Feb 2022.

PLEASE SELECT ONE

I DO consent to perform the work necessary to renovate the irrigation and landscape in the common areas.

I DO NOT consent to perform the work necessary to renovate the irrigation and landscape in the common areas.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Homeowner's Name: \_\_\_\_\_

Homeowner's Address: \_\_\_\_\_

Homeowner's preferred method of contact: \_\_\_\_\_

Homeowner's preferred Phone number: \_\_\_\_\_

Homeowner's email address: \_\_\_\_\_

ATTACHMENT 1