

SCO Board Conducts Reserve Study

In August, The SCO Board commissioned an independent reserve engineer, Fisher-Smoucha Consulting, to perform and prepare a Reserve Fund Study for the purpose of estimating the remaining useful lives of the SCO common facilities and property and the anticipated costs of future major repairs and replacements. The complete Reserve Fund Study is available on the SCO website. Estimates obtained from the reserve engineer who inspected the property will be used as the basis of replacement cost estimates of common area facilities requiring future capital expenditures. In an effort to avoid a special assessment as SCO common facilities age and require major repairs and replacements, SCOCIA is establishing a reserve fund effective January 1, 2011 for the repairs and replacement of common area facilities, including the two clubhouses, two pools, twelve tennis courts, three parks, soccer and baseball fields, basketball court, etc. This reserve fund will initially be funded by a transfer of \$200,000 from existing SCOCIA bank balances in excess of anticipated operating needs. This formalizes and separates funds for future capital expenditures on existing facilities, whereas in the past this type of spending was allocated informally and for short-term requests rather than with a view of planning for the neighborhood's longer term needs.

The 2011 Budget is completed and **the 2011 HOA fees assessed will remain the same as the 2010 dues of \$595.** The difference will be that a portion of the 2011 HOA fees will be specifically allocated to such reserve fund. In 2011, \$80 of the \$595 total fees will be added to the newly established reserve fund. This has been separately shown on your enclosed 2011 HOA statement. The portion of the homeowner's assessment paid into such reserve fund is considered to be a contribution to the capital of the Association by the homeowners. The reserve fund is restricted to the purpose for which it is established, and will be classified as designated members' equity in the financial statements. The reserve fund may be expended only for the purpose of effecting the replacement and improvement of common areas, and major repairs of a non-recurring nature.

Special Assessments should not be necessary in the future for repairs and replacements to our current facilities if future SCOCIA Boards continue with annual funding of this account and consider the repairs and replacements as recommended in the reserve study. However, if new capital improvements are undertaken by SCOCIA (such as a new park or new volleyball court, as an example), funding for such new capital improvements has not been included in the current scope of the reserve fund.

The establishment of this reserve fund does not change your obligation to pay the annual HOA dues in full. The homeowners association dues are a legal obligation of every homeowner and the full amount is required to be paid and no portion is optional. This will help ensure keeping our neighborhood an attractive and desirable place to live.

Thank you in advance of your understanding and cooperation. Please feel free to contact me or any SCOCIA Board member should you have any questions.

Carl Lenz,

SCOCIA Treasurer