

MEMORANDUM (2019-4-5)

FROM: THE BOARD OF DIRECTORS  
FRESHWATER ESTATES PROPERTY OWNERS ASSOCIATION

DATE: March 30, 2019

SUBJECT: BOARD ADMINISTRATIVE RESOLUTION 02-2019  
Fee Adjustment for Mass Drain Field Maintenance and Reserve Funds

The Freshwater Estates Property Owners' Association (Association) Board of Directors (Board) has actively examined its decision-making processes concerning fees associated with lots connected and/or assigned to the mass drain field (MDF). The Board's objective is to ensure fees are levied and collected from MDF lot owners to address, 1) daily operating costs and, 2) maintain an adequate reserve fund for when the MDF reaches the end of its useful life or sustains a catastrophic event.

The FEPOA Declaration of Covenants, Conditions and Restrictions (Declaration) Section 13, Off Site Sewage Disposal, identifies the 40 lots which shall connect to the MDF and allows for the Board to recoup funds from the 40 lot owners for the MDF which is located in the common area. The Board is required to establish and collect fees from MDF lot owners to provide adequate financial resources to maintain the MDF systems and sewer lines. It is the responsibility of the lot owner to connect the road side property line of the lot which connects to the MDF.

The Code of Virginia, Chapter 26, Property Owners' Association Act (POAA) requires compliance, in part, with Title 55, Section 509.3, Association charges. Specifically, except as expressly authorized in this chapter, in the Declaration, or otherwise provided by law, no association may make an assessment or impose a charge against a lot or a lot owner unless the charge is a fee for services provided or related to use of the common area. Section 55-514, Reserves for capital components, requires, in part, the Board to make any adjustments deemed necessary to maintain reserves, as appropriate.

The Board is responsible for conducting an annual review of an Associations' reserve study to determine if reserves are sufficient; and, make any adjustments the Board deems necessary to maintain reserves. This current review was made in respect with the 2012 MDF Reserve Study for FY18 and FY19 (TABLE 1).

On June 30, 2018 (FY18), the MDF Maintenance and Repair Account had a balance of \$30,519.40 funded by 31 MDF lot owners each paying \$240 annually. By March 11, 2019 (FY19), the Maintenance and Repair Account had soared to a balance of \$39,599.17. The 2012 MDF Reserve Study requires an annual total for Maintenance and Repair expenses of \$8,248.90 (FY18) and \$8,537.61 (FY19) respectively.

On June 30, 2018, two restricted MDF Reserve Accounts (hereafter referred as Reserve Account) had a cumulative total of \$79,765.94. This account was funded annually by all 40 MDF lot owners each paying \$150 towards the replacement or catastrophic loss of the

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MDF system. After transferring FY18 non-MDF deposits from the Reserve Account, the resulting cumulative balance as of March 11, 2019 was \$73,974.99. The 2012 MDF Reserve Study requires an annual total for the Reserve Account of \$15,804.00 (FY18) and \$15,804.00 (FY19) respectively.

The FY12 Reserve Study reflects all MDF lot owners should have funded the Maintenance and Repair Account and Reserve Account with an annual contribution of \$601.32 in FY18 and \$608.32 for FY19.

TABLE 1 – Excerpt of 2012 FEPOA Reserve Study for Mass Drain Field

Useful Life = 100 years	FY18	FY19
Remaining Useful Life	83	82
Cumulative Yearly Funding Profile for all components	\$ 24,052.89	\$ 24,341.61
Cumulative Yearly Total Expenses all components	\$ 8,248.90	\$ 8,537.61
Cumulative Yearly Account Balance then Dollars	\$ 15,804.00	\$ 15,804.00
Cumulative Account Balance then dollars	\$ 187,906.39	\$ 211,226.64
Annual Cost per MDF lot Owner (40 lots)	\$ 601.32	\$ 608.54

TABLE 2 – Actual dollars for FY18 and FY19 as of March 11, 2019

	FY18	FY19
Remaining Useful Life	83	82
Cumulative Yearly Funding Profile for all components	\$ 14,906.88	\$ 18,020.23
Cumulative Yearly Total Expenses all components	\$ 1,466.88	\$ 4,580.23
Cumulative Yearly Account Balance then Dollars	\$ 13,440.00	\$ 13,440.00
Cumulative Account Balance then dollars	\$ 110,285.34	\$ 113,574.16
Annual Cost per MDF lot Owner (31 lots) maintenance	\$ 240.00	\$ 240.00
Cumulative Total	\$ 30,519.40	\$ 39,599.17
Annual Cost per MDF lot Owner (40 lots) reserve	\$ 150.00	\$ 150.00
Cumulative Total	\$ 79,765.94	\$ 73,974.99

The Board is not advocating for the collection of additional funds at this time to support the FY20 Maintenance and Repair Account.

The Board has determined the current \$150 annual Reserve Account fee to be insufficient in relation to FY12 Reserve Study calculations supporting the MDF cumulative account balance. According to the 2012 Reserve Study, the FY18 and FY19 cumulative account balances for all components is \$187,906.39 and \$211,226.64 respectively. However, actual cumulative balances for all components for FY18 and FY19 reflects totals of \$110,285.34 and \$113,574.16 respectively (Table 2).

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To summarize, the 2012 Reserve Study requires a cumulative account balance of \$211,226.64 (FY19). However, the actual balance is \$113,574.16 which is underfunded by \$97,652.48. As a result, the Board is recommending that all 40 MDF assigned lot owners be levied a special assessment of \$2,441.31 to address the shortfall. The Board recommends a total of three payments of \$813.77 due June 1, 2019, August 1, 2019 and October 1, 2019 respectively.

The Board anticipates this special assessment will resolve the current underfunded FY19 cumulative account balance required by the 2012 Reserve Study. The assessment will ensure the availability of funds within the MDF Reserve Account to maintain the MDF for restoration of capital components or when the MDF reaches the end of its useful life or sustains a catastrophic event.

As a matter of record, the Board is prepared to employ a team of multidisciplined engineers to update the FEPOA 2012 Reserve Study. The updated Reserve Study will be effective July 1, 2019 (FY20). Depending upon the results of the FY20 Reserve Study, the Board will either suspend the August 2019 and October 2019 payments or continue with efforts to acquire the August 2019 and October 2019 payments.

A special meeting of the 40 MDF assigned lot owners will convene on April 27, 2019, from 10:00am to 12:00pm at the Louisa County Library in Mineral, VA, for the purpose of voting on the special assessment. A majority of votes cast at said meeting will determine if the aforementioned payments be approved, rescinded or reduced.

If warranted, the Board Treasurer will mail out invoices to all 40 MDF assigned lot owners for each payment in advance of due dates. Checks are to be made payable to FEPOA, Box 73 in Mineral, VA 23117.

Date: March 30, 2019

Paula J. Staub, President  
//signed//

Attest:

Jacky Murphy, Treasurer  
William Blanchard, Infrastructure  
Duane Sergent, Web Manager

I hereby certify a vote was taken and the Resolution above was adopted by a vote of two-thirds of the Board of Directors at the meeting of the Board of Directors on the 30th day of March 30, 2019.

Steve Grill, Secretary  
*Steve Grill*  
Minutes dated 3/30/19