

SADDLEBROOKE 2 VILLAS 35/35A 2021 BUDGET

The Board at its November 18th meeting passed a budget for 2021 which includes an increase of \$15 to the monthly dues.

The increase is directly related to the replacement of portions of the irrigation system.

In 2016 The Landscaping Committee received bids for the fourteen sections of irrigation which had not been replaced since the initial construction. The estimate provided totaled \$275,000. At that time the Committee recommended a fix in place program to extend the life of the systems. This program has indeed extended the life of some of the sections. However, there was no funding established for future replacement.

In 2020 it became obvious that one section was quickly deteriorating and the Board authorized the use of \$30,000 dollars from retained earnings to replace that section, with the work completed early in the year.

Three sections have been identified as needing repair in 2021. The estimated cost is \$70,000. The Board has approved the use of retained earnings to fund this project.

There remain ten sections needing replacement. The proposed replacement of these sections would be to combine sections so there would be five projects spread out over five years. Based on the 2016 estimate, these remaining sections have an estimated replacement cost of \$190,000.

There has never been any irrigation replacement funding to accomplish the task. Irrigation is not included in the Reserve Funds, and there has been no setting aside of operating funds for this purpose. The last few replacements have been done through the use of retained earnings. This is not a prudent or dependable method to fund replacement costs.

This left two basic methods to fund the replacement costs: (1) A special assessment of approximately \$900; (2) A dues increase. The monthly increase of \$15 will result in an annual amount of \$38,340. This is very close to the estimated amount needed to replace the section in 2022 and each subsequent year.

The Board is investigating the impact of moving irrigation replacement to the Reserve Funding option. There are some accounting issues related to this move, the impact of which needs further understanding.

Until the Reserve issues can be answered, the \$15 increase will be in the operating funds category, with the intent to earmark the funds in a separate account within the operating funds. The intent of these earmarked funds is they would be used for irrigation replacement.