

Subject: Sunrise Canyon Reserve Funding Strategy

May 2, 2022

Dear Sunrise Canyon Homeowners:

Sunrise Canyon HOA contracted with Reserve Data Analysis to perform a baseline reserve study for the community at the first of the year. RDA conducted a site inspection in February, and we received their report on March 4th. The report itemizes the HOA's 46 unique common property assets with their life expectancy and anticipated repair or replacement cost over the next thirty years. Our current capital reserve fund balance is approximately \$82,000. RDA's conclusion is not pleasant, our reserve fund is underfunded.

The Board is looking to fund our immediate reserve shortfall for the road replacement and to maintain a positive balance for the next ten years of anticipated expenses. To do this, the Board is proposing four sources of funding for the reserve:

1. To address our immediate funding needs, implement a special assessment of \$2,200 per household.
2. Implement a Capital Improvement fee of 1 percent. This fee would be assessed whenever a unit is sold. Payment of the fee would be negotiated by the buyer and seller.
3. Include a buyer Transfer fee of \$400 on all home sales.
4. Continue funding the reserve with annual contributions from the annual operating budget (funded by annual HOA dues).

We will be scheduling a special meeting June 11th to discuss and vote for the special assessment. If passed, the special assessment would be due by January 2, 2023. The Treasurer will be authorized to negotiate an alternative payment structure for any homeowner that the assessment would place excessive burden upon.

The Board will raise annual dues by \$200 per year beginning July 1st of this year with the anticipation of a 3% annual increase of dues thereafter. Future Boards can then adjust the annual dues contributions and the Capital Improvement fee percentage to manage the reserve balance as they approach the next street replacement. Additionally, the Board is recommending an internal refreshment of the reserve analysis in four years to make any necessary adjustments to estimated costs or asset life spans. This funding scenario provides for an infusion of cash to meet our immediate needs and flexible management of future annual contributions to give us a good probability of reserve funding success.

Charlotte Slanaker has offered to conduct a survey to determine the desires and preferences of our residents. You will be receiving this survey in the next several weeks. Please provide your comments to the Board on the survey or feel free to reach out to any of us directly. After reviewing homeowners comments the Board will discuss potential refinements to this approach schedule and hold an additional open Board meeting for further discussions immediately after the scheduled June 11, 2022, which can only discuss and vote on the special assessment as directed by the CC&R's.

Best Regards,

Your Board:

Allan Wright
Tim Connolly
Vince San Angelo