

Sunrise Canyon HOA

Finance Update

November 19, 2023

2023 Summary

Overall, 2023 was a very busy year for our HOA, having our roads repaved after approximately 35 years. This was the single largest expenditure our HOA will incur and amounted to \$190,523. This was funded partly through a special assessment \$125,400 and \$65,123 from our maintenance reserve. We also had higher than budget repairs to the spa during the year (replacing the heat exchanger). Most other operating expenses were generally in line with the budget. We also realized above budget income from the sale of 6 homes during 2023 which will help to begin to rebuild the badly depleted maintenance reserve. The 2023 budget had assumed 4 home sales.

2024 Budget

The 2024 proposed budget contains a planned increase in HOA fees of approximately 3.5%. Without this increase, our budget would be in a deficit position for 2024. Significant items in the 2024 budget are as follows:

Legal expenses

The budget contains a significant expenditure, \$5,000 in legal expense to review and update our C, C & Rs to make them compliant with any changes required by Arizona law.

Tree Maintenance

In addition, you will see that we will be spending \$7,000 for tree maintenance. In 2024, we will be starting a three year program to address badly needed tree maintenance, thinning, mistletoe removal and so forth. This will be administered on a worst first basis.

Historically, we have spent on average \$6,000 per year for tree maintenance but it has been very irregular year over year. You will note that I have also separated out the tree maintenance budget from the landscape budget as we will have the tree maintenance budget and the landscape budget with different vendors. Our Landscape committee chairperson will manage both vendors and both budgets.

Landscape Maintenance

The 2024 budget includes an overall increase of 11.6% over our 2023 full year forecast. This is driven by an increase in the weekly hours from 10 hours to 12 hours and increasing the number of weeks per year from 48 to 52. There are reductions in the cost of roll off boxes and “other” landscape costs as the cleanup of the undeveloped common areas is substantially complete. The current landscape vendor’s contract expires in May so we will be soliciting bids during Q1. It is hoped that we will achieve a lower overall monthly landscape cost through a well thought out RFP and a competitive bid process.

Sealcoating

Finally, we are planning to sealcoat our roads some time later in Q3 of 2024. It is estimated to cost \$15,000 and will be funded from our maintenance reserve.

Looking Forward

In 2024, we will begin a process of formalizing a five year capital plan so as to anticipate our capital repair / replacement needs on major items. After funding part of the cost of the roads in 2023, our maintenance reserve is low, forecast to be approximately \$43,109. You will see on the agenda that we are asking for volunteers to serve on our Five Year Capital Plan Committee to assist the Board in identifying the capital related maintenance needs and to assign a likely time frame and cost estimate for those repairs / replacements. In addition, this committee will help the Board identify funding strategies needed to meet the future operating costs as well as capital replacement costs once they are identified. Tim Connolly will head the committee and provide continuity to the maintenance reserve planning process. For those of you who new, Tim hired an outside firm to give our HOA our first view of the maintenance reserve planning process and developed a model for us which can be used by the committee to “localize” it to reflect what the committee feels are appropriate items to be planned. The scope of the project is to include only repairs or replacement to existing HOA infrastructure.

By way of example, the pool in particular is in need of new plastering, tile replacement along the water line and repairs to the pool deck. This is just one of the major items that will need to be addressed in the coming years. Initial estimates are in the range of \$30,000 to \$40,000. The bathrooms at the pool, while functioning properly are old and dated and should be remodeled. The pool deck in spots is cracked and should be repaired. We will need to eventually replace the tennis court.

It is very likely that we will need to ask the homeowners to approve a special assessment in the future to address the pool repairs as well as other large scale maintenance / replacement needs. We will have better visibility as to our needs, the timing of such and the various recommended methods of funding those needs once the Five Year Capital Plan Committee has completed its work, later in 2024.