



Glenmore Community Association
1524 Insurance Lane, Suite C
Charlottesville, VA 22911

Background:

In early January 2022 the Glenmore community was hit with an unprecedented winter storm. The effects of this storm left many of us without power for several days and did an extraordinary amount of damage to our community. Looking back at recent budgets, the GCA has never spent more than \$5,000 for storm clean-up in any year. We budgeted \$5,800 for all of 2022. As of April 1, 2022, we have spent \$38,215.00. In addition, we have \$5,125.00 of work completed but not yet invoiced. Finally, there is an estimated \$34,800 in work to be completed to finish the clean-up from this storm. The grand total amounts to \$78,140, or \$72,340.00 over budget. Please refer to the attached "April 1, 2022, Storm Cleanup Forecast" for a more detailed breakdown of the preceding totals. ***These costs are for work done, or to be done, to clean up the GCA common areas. They do not include any funds to clean up residents' property.***

The GCA Board now needs to decide how to pay for the unbudgeted costs of cleanup from this storm. The treasurer has evaluated all the options for consideration by the Board.

1. Do nothing at the present time. The Board would wait until closer to the end of the year to see if other line items in the budget have a favorable variance and cover all or most of the cost overrun in the storm cleanup line item.
2. Closely look at the 2022 budget now and cut from other line items to cover the cost overrun.
3. Borrow enough funds from a bank to cover the cost overrun and pay it back over a period of 3 – 5 years.
4. Pay the cost overrun out of capital reserves.
5. Approve a special assessment to the residents in an amount sufficient to cover the cost overrun.

Last year the GCA Board carefully evaluated the 2022 operating budget and capital reserve budget. It was determined by third-party engineering firms that our capital reserves were significantly underfunded. To bring the reserves back into balance the Board decided the fairest and best way to achieve this would be to increase the annual assessment to residents by 10% each year until 2027. The Board scrutinized each line item in the 2022 operating budget to ensure its accuracy and necessity.

With the foregoing backdrop the treasurer evaluated each of the above options to pay for the storm damage cleanup.

Options 1 and 2 are quite similar in that they require a reallocation of specific identified budget line items to cover the cost overrun. The difference is only when the reallocation takes place, now or closer to year end. Given how carefully the Board evaluated each operating expense and approved the 2022 budget these options are not fiscally sound. In simple terms we're robbing Peter to pay Paul.

Option 3, borrow sufficient funds from a bank has the unintended consequence of delaying the GCA getting its capital reserves back into balance. In addition, this option comes with an additional cost, the interest rate on the loan. In simple terms, we're kicking the can down the road.

Option 4 is similar to Option 3 only we borrow the funds from the capital reserves to pay the operating cost overrun presumably without an interest charge. Again, this option delays the GCA getting its capital reserves back into balance and potentially requiring extending the 10% increase to the annual assessment for an additional year or two.

Option 5, a special assessment on the residents to cover the cleanup costs is the most straightforward approach in that (i) it doesn't impact the 2022 budget by requiring line-item reallocations either now or later in the year and (ii) it allows us to get our capital reserves back in balance in the shortest possible time. To cover the cost overrun detailed above would require a special assessment of \$85.00 - \$90.00 per household (less than \$8.00/month).

Recommendation:

Given the feedback we have received from a number of residents and the need to carefully evaluate potential budget line-item adjustments to cover all or a portion of the costs of storm cleanup the treasurer recommends a combination of Options 1 and 5. At the Special Meeting of the Board on April 7, 2002, the Board votes to approve a Special Assessment "up to \$85.00" per Member, to be collected on December 1, 2022, subject to approval by the Members at a Special Meeting of the Glenmore Community Association to be convened in the near future. This allows the Board sufficient time to evaluate the 2022 operating budget and determine if there are any favorable variances in the 2022 budget that could offset the amount of the special assessment. For example, if we have a positive total operating variance of \$45,000 (excluding the cost overrun) we would reduce the actual special assessment by that amount at that time.

Resolution for the April 7, 2022, Special Meeting of the GCA Board Meeting

2022-0: Motion to Approve a special assessment in an amount up to \$85.00 per household to cover the costs of the storm cleanup as described above to be due and payable on December 1, 2022, subject to an affirmative vote of the Members of the Glenmore Community Association.

In Favor: _____

Opposed: _____

Abstentions: _____

Signed by:

GCA Secretary _____

Date: April 7, 2022