

Countryhouse V Roofing Project

Roof Replacement Plan Summary

June 20, 2023

In our monthly meeting held at the Gathering Place on June 20th, we discussed the final plans and expectations for our approved roof replacement plan. As indicated in the recent mailing to the community, we have a final plan that maintains roof integrity, with roofs being replaced prior to their projected useful life. Furthermore, this roofing project will not require a special assessment, nor maximum multi-year fee increases. Instead, the roof replacement program will be funded through a combination of existing capital reserves and continued annual contributions to the reserve fund. As with other information on this topic, this report can be found on our HOA webpage, under Countryhouse News: <https://www.countryhousehoa.org/the-countryhouse-village-news/>

This report is a summation of the program. It includes example documents used in managing the project, plus answers to questions that arose during our meeting discussion.

In our report of our March 24th meeting (dated April 15, 2023), we mentioned three objectives still needing to be finalized, with a target of a proposed plan by July. Those were:

- **Evaluation of the Consultation Report (roof inspections)** and establishing a proposed initial schedule for consideration with and by the Finance Committee.
- **Development of the Financial Model**, addressing assumptions to include inflation rates, other capital projects, and other essential considerations.
- **Development of a Request for Proposal (RFP).**

I am happy to report that all these objectives have been achieved, and we are well on our way to activating the plan. The community's participation, feedback, and recommendations were essential in these final steps, and we were able to complete our task a month in advance.

Evaluation of the Consultation Report (roof inspections): *The current condition of our roofs is good to very good, and that provides flexibility.*

- The Reserve Study of 2021 suggested that we use an average of 22 years in determining our replacement schedule. That guesstimate was based on an industry-wide average determination. Our oldest roofs were installed in 2000, currently making them 23 years old. In addition, our oldest roofs have 25-year shingles. Thus, prompting the move to establish a replacement plan.
- Based on the above criteria, we identified seventy of our oldest roofs for initial consideration. Our first step was to determine their actual condition, so we had them inspected. According to the inspection report, all have a *minimum of 5 years* of remaining useful life, maybe more. Thus, providing ample time to formulate and implement our replacement plan.
- We are taking the conservative approach for replacement of our oldest roofs, when we may have five (or more) years to accomplish this initial stage. We have determined a 3-year plan to replace these seventy roofs – beginning this year with twenty-seven roof replacements. In addition, two roofs were replaced earlier this year. So, with the launch of this project, there will be twenty-nine roof replacements in the current year. Also of note, an additional ten of our oldest roofs were replaced in 2021 and 2022.

- Following the seventy roofs replaced in 2000-2001, the next set was replaced in 2004 and 2006. These roofs have 30-year shingles, which means that, if one were to depend solely on the shingle type, our replacement schedule could extend to 2036. Our goal is a 10-year goal, to be completed in 2032.
- Our program will include inspecting roof conditions in advance of the next stages to determine actual conditions and timeline.
- If the estimated cost of replacement turns out higher than predicted, and the overall schedule needs to be lengthened to accommodate the increase, this should still be able to occur while maintaining roof integrity.
- We can also react to change. If a roof not scheduled for replacement in the next three years should require addressing, for example, the roofs in that duplex or triplex may be repaired/replaced ahead of schedule. The parameters of our budget modeling (see below), and the current condition of our roofs, provide flexibility in determining the number of roofs we can accommodate each year.

Development of the Financial Model: *This model is flexible and can be used in assessing our other capital projects.*

Based on criteria provided in our March 24th discussion, we finalized our financial model. This model incorporates our current budget format, including both operating expenditures and proposed capital projects. Assumptions were built into the proforma to guide calculations. Specifically:

- The goal is to maintain roof integrity while avoiding a special assessment for roof replacements.
- For the purpose of this proforma, the Calculated Inflation Rate variable is applied in all future years.
- Ending Reserve Balance must remain above \$200,000.
- Roof Replacement Average Costs are based on Year 1 average per roof, adjusted annually by the Inflation Rate Variable.
- Inspection Report on the first seventy roofs indicates an existing life of at least 5 years or more, thus providing flexibility of replacement.
- Minimize skylight replacement to permit the ability to dedicate more resources towards roofs, while avoiding the need for a special assessment for this project. All skylights, however, will receive new flashing when roofs are replaced.
- This proforma will be annually modified as a component of the Annual Budget Process.

The model is designed to reflect our budget format and provide for the modeling of the project. Within its design is the capability to perform ‘what-if’ calculations on internal and external financial influences. It will be used moving forward for modeling all capital project projections.

The model requires that we maintain a minimum balance over \$200,000, preferably higher. This is to manage cashflow during the year and is based on an estimated three-to-four-month coverage of annual operating expenses, in case of crisis. The model is also designed to calculate alternative approaches, if faced with unexpected changes in our assumptions. For example, if the roof bids come back higher, we can adjust the schedule, having identified our parameters in advance.

It should be noted that this proforma example is NOT a ten-year budget. Rather, it is a projection tool with which to make financial decisions.

Development of a Request for Proposal (RFP): *Specifying the quality of materials and workmanship.*

- An RFP has been crafted for the twenty-seven roofs and sent to multiple vendors for proposals and pricing. Bids are due by the end of June.
- Five vendors have been provided the RFP. These vendors were screened to ensure they can manage the project.
- For consistency, if Vendor A asks a question for clarification, all vendors are provided the same information.
- All vendor bids must include a warranty for materials and a warranty for workmanship.
- The project includes all new flashing, even for skylights that are being reused. Warranties cover the flashing.

Other discussion points

These additional issues and questions were discussed at the meeting.

- Standard business practices with the roof replacement program. For each stage:
 - Inspect roofs to determine specific needs, concerns, and plans.
 - Provide repairs as necessary and when appropriate to extend life.
 - Over a carefully determined number of years, determine the priority within the schedule.
 - Always focus on a repair/replacement schedule that maintains roof integrity.
- The program is designed to not severely hinder other priorities of the community, but roofs remain top priority. Our other identified capital projects have funding placeholders within the proforma. They will need to be more clearly identified, costed, and scheduled as needed and afforded (same approach as the roof replacement program). Until then these monies remain earmarked within the Reserve.
- As we look into these other capital projects, it should be noted that, as was mentioned at the June 20th meeting, we cannot rule out the possibility of a special assessment or fee increases for these ventures. This has yet to be determined within the proforma model.
- If a homeowner does not want to have his/her skylight/s replaced when the roof is replaced, there can be discussion about that at that time.

The operative word for the plan is *flexibility*. Our current roof conditions provide flexibility of time. Our financial modeling identifies areas of funding flexibility. Our evolving capital expenditure, monitoring, and management protocols along with business practices provide us the flexibility to adjust if/when required.

On behalf of the entire Board of Directors,



Larry M. Hicks, President

ATTACHMENTS FOLLOW

Table of Attachments

Attachment #1 provides the definition of the various financial documents used by the Board in determining our financial plans and monitoring.

- Jointly, these documents allow us to manage both operating and capital expenses, provide for future capital planning, monitor cashflow and reserves, and provide reporting to the community.

Attachment #2 is the current proposed replacement schedule.

- This schedule is a working document, and only reflects the current year. Additional years will be populated, as the replacement program unfolds, and we gain more information in this first round. For now, only the first year is included. It is designed to work in conjunction with our budget proforma model.
- This schedule includes the last time each townhouse roof was replaced, and the current life of each roof.

Attachment #3 is the budget proforma model through which we will continue to explore and project external financial impacts (inflation, budget priorities, cost estimations, and so forth), internal controls (minimum balance requirements, budget priorities, annual fee increases, and so forth), capital project options, and alternatives. Again, it should be noted that this proforma example is NOT a *ten-year budget*. Rather, it is a projection tool with which to make financial decisions.

Attachment #1 Financial Definitions

A **proforma** (or pro forma) financial statement leverages hypothetical data or assumptions about future values to project performance over a period that has not yet occurred. Proforma statements *look like regular statements, except they are based on what ifs, not real financial results.*

An **annual operating budget** provides financial information regarding anticipated revenue and anticipated expenses. Anticipated revenue and expenses reflect the expected revenue and expenses for the next year of operations and constitute the working budget for the facility.

A **capital expense budget** provides financial information regarding anticipated expenses an organization spends to buy, maintain, or improve its fixed assets, such as buildings, vehicles, equipment, or land. It is considered a capital expenditure when the asset is newly purchased or when money is used towards extending the useful life of an existing asset, such as replacing the roof.

Monthly financial reports are a way of obtaining a concise overview of the previous month's financial status to have up-to-date reporting of the cash management, profit, and loss statements while evaluating future plans and decisions moving forward.

A **cash flow statement** is a financial statement that summarizes the amount of cash flowing into and out of a company. This includes all cash inflows a company receives from its ongoing operations and external investment sources. It also includes all cash outflows that pay for business activities and investments during a given period.

	Close	Unit	Last Replaced	Shingle Life	Current Age	Recent/ Planned			Projected											
						2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
57	Linden	357	2000	25	23															
58		358	2000	25	23															
59		359	2000	25	23			*												
60		360	2000	25	23			*												
61		361	2000	25	23			*												
62		362	2000	25	23															
63		363	2000	25	23															
64		364	2000	25	23			*												
65		365	2000	25	23			*												
66		366	2000	25	23															
67		367	2000	25	23															
68		368	2000	25	23															
69		369	2000	25	23															
70		370	2000	25	23															
71		371	2000	25	23															
72		372	2000	25	23															
73	Wintercrest West	373	2000	25	23															
74		374	2000	25	23															
75		375	2000	25	23															
76		376	2000	25	23															
77		377	2000	25	23															
78		378	2000	25	23															
79		379	2000	25	23			*												
80		380	2000	25	23			*												
81		381	2000	25	23															
82		382	2000	25	23															
83	Lyndfield	383	2004	30	19															
84		384	2004	30	19															
85		385	2004	30	19															
86		386	2004	30	19															
87		387	2004	30	19															
88		388	2004	30	19															
89		389	2004	30	19															
90		390	2004	30	19															
91		391	2004	30	19															
92		392	2004	30	19															
93		393	2004	30	19															
94		394	2004	30	19															
95		395	2004	30	19															
96		396	2004	30	19															
97		397	2004	30	19															
98		398	2004	30	19															
99		399	2004	30	19															
100		400	2004	30	19															
101		401	2004	30	19															
102	Brampton	402	2004	30	19															
103		403	2004	30	19															
104		404	2004	30	19															
105		405	2004	30	19															
106		406	2004	30	19															
107		407	2004	30	19															
108		408	2004	30	19															
109		409	2004	30	19															
110		410	2004	30	19															
111		411	2004	30	19															
112		412	2004	30	19															
113		413	2004	30	19															
114		414	2004	30	19															

Roof Replacements Noted on this Page:

0 0 7 0 0 0 0 0 0 0 0 0 0

	Close	Unit	Last Replaced	Shingle Life	Current Age	Recent/ Planned			Projected										
						2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
115	Wintercrest East	415	2004	30	19														
116		416	2004	30	19														
117		417	2004	30	19														
118		418	2004	30	19														
119		419	2004	30	19														
120		420	2004	30	19														
121		421	2004	30	19														
122		422	2004	30	19														
123		423	2004	30	19														
124		424	2004	30	19														
125		425	2004	30	19														
126		426	2004	30	19														
127		427	2004	30	19														
128		428	2004	30	19														
129		429	2004	30	19														
130		430	2004	30	19														
131		431	2004	30	19														
132		432	2004	30	19														
133		433	2004	30	19														
134		434	2004	30	19														
135		435	2004	30	19														
136		436	2004	30	19														
137	Crossvine	437	2004/05	30	19/18														
138		438	2004/05	30	19/18														
139		439	2004/05	30	19/18														
140		440	2004/05	30	19/18														
141		441	2004/05	30	19/18														
142		442	2004/05	30	19/18														
143		443	2004/05	30	19/18														
144		444	2004/05	30	19/18														
145		445	2004/05	30	19/18														
146		446	2004/05	30	19/18														
147		447	2004/05	30	19/18														
148		448	2004/05	30	19/18														
149		449	2004/05	30	19/18														
150		450	2004/05	30	19/18														
151	* 1/2 roof replaced 2015	451	2004/05-15	30	19/18-8														
152		452	2004/05	30	19/18														
153	* 1/2 roof replaced 2019	453	2004/05-19	30	19/18-5														
154	Beechmast	455	2005/06	30	18/17														
155		456	2005/06	30	18/17														
156		457	2005/06	30	18/17														
157		458	2005/06	30	18/17														
158		459	2005/06	30	18/17														
159		460	2005/06	30	18/17														
160		461	2005/06	30	18/17														
161		462	2005/06	30	18/17														
162		463	2005/06	30	18/17														
163		464	2005/06	30	18/17														
164		465	2005/06	30	18/17														
165		466	2005/06	30	18/17														
166		467	2005/06	30	18/17														
167		468	2005/06	30	18/17														
168		469	2005/06	30	18/17														
169		470	2005/06	30	18/17														
170		471	2005/06	30	18/17														
171		472	2005/06	30	18/17														

Roof Replacements Noted on this Page:

0 0 0 0 0 0 0 0 0 0 0 0 0 0

	Close	Unit	Last Replaced	Shingle Life	Current Age	Recent/ Planned			Projected										
						2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
172	Beechmast	473	2005/06	30	18/17														
173		474	2005/06	30	18/17														
174		475	2005/06	30	18/17														
175		476	2005/06	30	18/17														
176		477	2005/06	30	18/17														
177		478	2005/06	30	18/17														
178		479	2005/06	30	18/17														
179		480	2005/06	30	18/17														
180		481	2005/06	30	18/17														
181		482	2005/06	30	18/17														
182		483	2005/06	30	18/17														
183		484	2005/06	30	18/17														
184		485	2005/06	30	18/17														
185		486	2005/06	30	18/17														
186		487	2005/06	30	18/17														
187		489	2005/06	30	18/17														
188		490	2005/06	30	18/17														
189		491	2005/06	30	18/17														
190		492	2005/06	30	18/17														
191		493	2005/06	30	18/17														
192		494	2005/06	30	18/17														
193		495	2005/06	30	18/17														
194		496	2005/06	30	18/17														
195		497	2005/06	30	18/17														
196		498	2005/06	30	18/17														
197		499	2005/06	30	18/17														
198		500	2005/06	30	18/17														
199		501	2005/06	30	18/17														
200		502	2005/06	30	18/17														
201		503	2005/06	30	18/17														

Roof Replacements Noted on this Page:
Total Roof Replacements Per Year

0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	6	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	6	29						0						0					0
39																			

Attachment #3 Countryhouse V Budget Proforma, FY 2023 - FY 2033

Roof Replacement Project Work Sheet

Inflation Rate Variable >

5.00%

Monthly Rate >

\$374

\$404

\$424

\$445

\$468

\$491

\$516

\$516

\$516

\$516

\$516

\$516

Marginal Percentage Change >

8%

5%

5%

5%

5%

5%

0%

0%

0%

0%

0%

Beginning Reserve Balance

\$696,386

\$520,541

\$369,966

\$240,748

\$273,462

\$252,555

\$239,066

\$262,208

\$255,975

\$264,793

\$242,581

	Current	Projected									
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Annual Operating Budget											
Income											
Prepaid HOA Assessment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Late Fee	0	0	0	0	0	0	0	0	0	0	0
NSF Fee											
HOA Assessment	902,088	974,255	1,022,968	1,074,116	1,127,822	1,184,213	1,243,424	1,243,424	1,243,424	1,243,424	1,243,424
Interest Money Market/CDs	0	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0	0
Reserve Interest	0	0	0	0	0	0	0	0	0	0	0
Total Operating Income	\$902,088	\$974,255	\$1,022,968	\$1,074,116	\$1,127,822	\$1,184,213	\$1,243,424	\$1,243,424	\$1,243,424	\$1,243,424	\$1,243,424
Operating Expense											
Administration											
Admin Misc. & Bank Fees	\$100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163
Audit/ Tax Returns	500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814
Insurance	136,000	\$142,800	\$149,940	\$157,437	\$165,309	\$173,574	\$182,253	\$191,366	\$200,934	\$210,981	\$221,530
Legal	4,600	\$4,830	\$5,072	\$5,325	\$5,591	\$5,871	\$6,164	\$6,473	\$6,796	\$7,136	\$7,493
Management Contract Fee	40,000	\$42,000	\$44,100	\$46,305	\$48,620	\$51,051	\$53,604	\$56,284	\$59,098	\$62,053	\$65,156
Meetings	300	\$315	\$331	\$347	\$365	\$383	\$402	\$422	\$443	\$465	\$489
Postage and Printing	500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814
Social	800	\$840	\$882	\$926	\$972	\$1,021	\$1,072	\$1,126	\$1,182	\$1,241	\$1,303
Total Administration	\$182,800	\$191,940	\$201,537	\$211,614	\$222,195	\$233,304	\$244,969	\$257,218	\$270,079	\$283,583	\$297,762
Grounds											
Grounds- Other	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155	\$12,763	\$13,401	\$14,071	\$14,775	\$15,513	\$16,289
Landscape Contract	161,000	\$169,050	\$177,503	\$186,378	\$195,697	\$205,481	\$215,755	\$226,543	\$237,870	\$249,764	\$262,252
Mulch All Areas	20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000	\$0	\$20,000
Tree Service	45,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Total Grounds	\$236,000	\$239,550	\$268,528	\$257,954	\$287,852	\$278,244	\$309,156	\$300,614	\$332,645	\$325,277	\$358,541
Maintenance											
Building Maintenance	\$50,000	\$52,500	\$55,125	\$57,881	\$60,775	\$63,814	\$67,005	\$70,355	\$73,873	\$77,566	\$81,445
Common Area Maintenance	10,000	10,500	11,025	11,576	12,155	12,763	13,401	14,071	14,775	15,513	16,289
Drainage Repairs	30,000	30,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Garage Maintenance	15,000	17,500	15,000	15,000	17,500	15,000	15,000	15,000	15,000	15,000	15,000
Gutter Maintenance	15,000	15,750	16,538	17,364	18,233	19,144	20,101	21,107	22,162	23,270	24,433
Contingency	2,000	2,100	2,205	2,315	2,431	2,553	2,680	2,814	2,955	3,103	3,258
Pressure Washing	13,500	14,175	14,884	15,628	16,409	17,230	18,091	18,996	19,946	20,943	21,990
Roofing/Skylight Maintenance	25,000	26,250	27,563	28,941	30,388	31,907	33,502	35,178	36,936	38,783	40,722
Termite Contract	8,120	8,526	8,952	9,400	9,870	10,363	10,882	11,426	11,997	12,597	13,227
Total Maintenance	\$168,620	\$177,301	\$171,291	\$178,106	\$187,761	\$192,774	\$200,663	\$208,946	\$217,643	\$226,775	\$236,364

Countryhouse V Budget Proforma, FY 2023 - FY 2033

Roof Replacement Work Sheet

Annual Operating Budget	Current	Projected									
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Utilities											
Electric	\$3,831	\$4,023	\$4,224	\$4,435	\$4,657	\$4,889	\$5,134	\$5,391	\$5,660	\$5,943	\$6,240
Sewer Repairs	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616	19,547
Trash Removal	56,682	59,516	62,492	65,617	68,897	72,342	75,959	79,757	83,745	87,932	92,329
Total Utilities	\$72,513	\$76,139	\$79,946	\$83,943	\$88,140	\$92,547	\$97,174	\$102,033	\$107,135	\$112,491	\$118,116
Total Operating Expense	\$659,933	\$684,930	\$721,301	\$731,616	\$785,947	\$796,869	\$851,963	\$868,811	\$927,502	\$948,127	\$1,010,783
Net Operating Budget Balance	\$242,155	\$289,325	\$301,667	\$342,500	\$341,875	\$387,344	\$391,461	\$374,613	\$315,922	\$295,297	\$232,641

Net Reserve Balance \$938,541 \$809,866 \$671,633 \$583,248 \$615,337 \$639,899 \$630,527 \$636,821 \$571,897 \$560,090 \$475,222

Capital Projects (Reserve Funded)

Roof Replacement	\$388,000	\$354,900	\$257,985	\$240,786	\$316,032	\$331,833	\$261,319	\$365,846	\$288,104	\$302,509	\$0
Paving	30,000	15,000	172,900	15,000	46,750	15,000	15,000	15,000	19,000	15,000	15,000
Stucco Repairs/Siding Replacement				54,000		54,000					
Drainage / Erosion Projects		70,000					92,000				
Total Capital Projects	\$418,000	\$439,900	\$430,885	\$309,786	\$362,782	\$400,833	\$368,319	\$380,846	\$307,104	\$317,509	\$15,000

Ending Reserve Balance \$520,541 \$369,966 \$240,748 \$273,462 \$252,555 \$239,066 \$262,208 \$255,975 \$264,793 \$242,581 \$460,222

- * Orange denotes Reserve Study proposed budget *
- * Green denotes manual entries (not formula based) *
- * Ending Reserve Balance must remain above \$200,000 *
- * Light Blue denotes numerical entry for 'what-if modeling' *

Roof Calculation Table (current dollars + inflation)

Annual Inflation Rate (derived from above) 5%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Roof Replacement Average Cost, Year 1	\$13,000	\$13,650	\$14,333	\$15,049	\$15,802	\$16,592	\$17,421	\$18,292	\$19,207	\$20,167	\$21,176
Proposed Roof Projects by Year	26	26	18	16	20	20	15	20	15	15	0
Required Funds	\$338,000	\$354,900	\$257,985	\$240,786	\$316,032	\$331,833	\$261,319	\$365,846	\$288,104	\$302,509	\$0
		70			56			50		15	
						191					

Assumptions for this model

- * The goal is to maintain roof integrity while avoiding a special assessment for roof replacement.
- * For the purpose of this proforma, the Calculated Inflation Rate variable is applied in all future years.
- * Ending Reserve Balance must remain above \$200,000.
- * Roof Replacement Average Costs are based on Year 1 average per roof, adjusted annually by the Inflation Rate Variable.
- * Inspection Report on the first 70 roofs indicates an existing life of at least 5 years or more, thus providing flexibility of replacement.
- * Minimize skylight replacement to permit the ability to dedicate more resources towards roofs, while avoiding the need for a special assessment for this project.
- * This proforma will be annually modified as a component of the Annual Budget Process.