

CHATTAHOOCHEE RUN HOMEOWNERS ASSOCIATION
2011 ANNUAL MEETING
Q&A

QUESTION ONE

Attached to your January 16th letter pertinent to the Valentine's Day Annual Meeting is an agenda for the meeting. Among the agenda items is: "2011 approved Budget"; said "approved" Budget was also attached to your January 16th letter.

Among other things, this 2011 "Approved" Budget reflects Homeowner Dues of \$203K as Revenue – and Budgeted Expenses of \$203K.

As such: (A). Per Point # 1 above - based on the Balance Sheet as of 12/31/10, the HOA starts the 2011 year with \$159K in available cash; and (B). the HOA 2011 "approved" Budget reflects the above identified \$203K in Homeowner Dues / Revenues to be collected from the neighborhood. In sum, \$159K + \$203K totals \$362K.

Clarification: The HOA ended Fiscal Year 2010 with \$121,520.52 in operating cash and reserves. The HOA prepares a true budget that balances income with expenditures; therefore 2011 income of \$203,200 has been entirely allocated.

In summary, during 2011, the HOA will have \$362K to spend as compared to \$203K in Budgeted Expenses.

Is the 2011 Budget really approved already (before we even have the Valentine's Day HOA Annual Meeting)?

The board has the authority to create and approve the budget for the association. Budgets must be created, assessments established and mailed to all owners 30 days before the end of the fiscal year.

Rather than the neighborhood approving this Budget, we would recommend that the HOA collect the \$400 from each household that is due on 4/1/11 – and then collect nothing more from any homeowner in the neighborhood throughout the remainder of 2011. This would still leave the HOA with \$55K to \$60K in combined Operating Cash / Cash Reserves at the end of 2011.

Please see Question Four for answer.

QUESTION TWO

I would like to address that our fences and wind screens around the tennis courts are looking pretty bad. Most of the gates are broken and most of the wind screens are coming off. I would like this brought up at the meeting so this can hopefully be addressed.

The 2011 budget includes resurfacing of the tennis courts. Prior to resurfacing, the entire tennis facility will be inspected for any other repairs or replacements required such as windscreens and fencing.

QUESTION THREE

In 2003 and 2004, our family paid \$625 to the HOA each year; during each of the same two years, we paid \$624 in Taxes to Suwanee. There is no statistical difference in what we paid to the HOA as compared to what we paid to Suwanee in 2003 and 2004.

In 2005 and 2006, our family paid \$650 to the HOA each year; during each of the same two years, we paid \$683 in Taxes to Suwanee. In conclusion, we paid 5% less to the HOA as compared to what we paid to Suwanee in 2005 and 2006.

In 2007, our family paid \$950 to the HOA; during the same year, we paid \$684 in Taxes to Suwanee. In conclusion, we paid 39% more to the HOA than we paid to Suwanee in 2007.

Clarification: The annual HOA dues for 2007 were \$650. The additional \$300 was a special assessment for the purchase and installation of the mailboxes.

In 2008, our family paid \$700 to the HOA; during the same year, we paid \$773 in Taxes to Suwanee. In conclusion, we paid 9% less to the HOA than we paid to Suwanee in 2008.

In 2009, our family paid \$1100 to the HOA; during the same year, we paid \$745 in Taxes to Suwanee. In conclusion, we paid 48% more to the HOA than we paid to Suwanee in 2009.

Clarification: The HOA dues for 2009 were \$700. The additional \$400 mentioned above was pre-paid by the questioning resident in 2009 for the 2010 Fiscal year which was not posted until January, 2010.

In 2010, our family paid \$800 to the HOA; during the same year, we paid \$700 in Taxes to Suwanee. In conclusion, we paid 14% more to the HOA than we paid to Suwanee in 2010.

In summary: In five of the first six of the above identified most recent eight years, our family paid less or the same to the HOA as compared to what we paid in Suwanee Taxes. But in three of the last four years, our family paid anywhere from 14% more to 48% more to the HOA as compared to what we paid in Suwanee Taxes.

Why is it that recently – we have been paying so much more to the HOA annually than we pay in Suwanee Taxes - whereas in the not too distant past, our HOA dues were the same or less than Suwanee Taxes? Again, to grow excess cash on the HOA Balance Sheet? And again, why has this happened during a period of time in which home values in the neighborhood have eroded?

There is no correlation between HOA dues, City Taxes or the eroded values of our homes.

QUESTION FOUR

Cash on the Chattahoochee Run Homeowner's Association Balance Sheet has grown dramatically since 2008. On the other hand, In 2008, we all heard the words "Global Economic Crisis" for the first time, and since 2008 – the value of each home in the neighborhood has undoubtedly eroded.

IE. As of 12/31/10, the HOA Balance Sheet reflects \$38K in Operating Cash and \$121K in Cash Reserves for a total of \$159K in available cash.

Clarification: The Balance Sheet includes \$37,435.50 in pre-paid dues for Fiscal Year 2011 which is not reflective of the true 2010 end-of-year cash balance. Fiscal Year 2010 ended with \$343.57 in operating cash and \$121,176.95 in reserves for a total of \$121,520.52.

On a comparative basis: (A). There was a total of \$116K in similar Cash on the HOA Balance Sheet as of 12/31/09;

Clarification: The Balance Sheet includes \$36,202.30 in pre-paid dues for Fiscal Year 2010 which is not reflective of the true 2009 end-of-year cash balance. Fiscal Year 2009 ended with \$12,813.80 in operating cash and \$66,720.25 in reserves for a total of \$79,534.05.

and (B). There was a total of \$56K in similar Cash on the HOA Balance Sheet as of 12/31/08.

Clarification: The Balance Sheet includes \$11,532.80 in pre-paid dues for Fiscal Year 2009 which is not reflective of the true 2008 end-of-year cash balance. Fiscal Year 2008 ended with no money in operating cash and \$43,333.85 in reserves.

In summary, the combined Operating Cash / Cash Reserves on the HOA year-end Balance Sheet has grown by \$43K over the past year, and by \$103K since 2008. In other words, the HOA has close to tripled the amount of such Cash on its year-end Balance Sheet in just two years.

Clarification: The combined Operating Cash/Cash Reserves for Fiscal year-ends has grown \$41,986.47 in the past year and \$85,320.32 since 2008, which equates to a 50.7% increase over a three year period.

Why is the HOA growing such combined Operating Cash / Cash Reserves so dramatically over such a short period of time?

Background

In 2004, the HOA commissioned a Capital Reserve Study that provided “an estimate of the amount of money which must be put aside to replace or restore the common elements and building components that will require replacement before the community’s use expires.” This Reserve Study was used by previous HOA Boards to plan for the repair and/or replacement of various aspects of our amenities.

In 2008, the HOA Board commissioned an update to the Reserve Study which was submitted in July 2009. The updated report stated “Based on the Capital Reserve Analysis, the current annual contribution for reserves has been found to be inadequate to provide for the future expenses as projected by this analysis. It is our recommendation that the annual contribution for the end of 2009 be increased by \$16,912 to an annual total of \$30,000, which is equivalent to \$9.84 per household per month [\$118.08 per year]...” The HOA Board proceeded to increase dues by \$100, less than the amount recommended in the Reserve Study.

The Capital Reserve Study is an invaluable tool to HOA Boards as it serves to assist in long-term planning for the proper care of the amenities. The document is not absolute; however, as it is impossible to accurately predict the wear and tear of amenities, nor to predict repairs that are unforeseeable. The Capital Reserve Study is really a guideline to follow, but one that is fluid over time. Some items may need to be repaired prior to the year listed in the study; some items may have a longer than noted lifespan; and some items may cost more to repair than estimated due to unforeseen circumstances.

A very recent example pertains to the Clubhouse. The updated Reserve Study stated that there was \$3,500 in immediate repairs to be completed in 2009. What the preparers of the Study could not foresee were the major structural problems that were discovered during the completion of those repairs. In 2009, the HOA Board had to expense \$8,601.43 and \$25,791.70 in 2010 for a total of \$34,393.13 in the two-year time span just to begin properly repairing the clubhouse. So many problems were discovered and, we are sad to say, even to this date are still being repaired.

Actions Taken

The HOA Board increased dues in 2009 to assist in growing reserves to a healthy level, per the Capital Reserve Study. In addition, the Board took the following actions:

Collection Policy

As of January 31, 2009 residents of Chattahoochee Run and Point were in arrears on their dues to the amount of \$46,135.70. This amount included

those who had not paid their dues in January as required by the governing documents as well as residents who had been in arrears for a year or more.

The HOA Board adopted a more aggressive collection policy in order to ensure the HOA would receive income it was legally due. As a result, the amount of dues in arrears has been reduced to \$20,808.03 as of December 31, 2010, a reduction of 54.8%.

Budget Review

Historically, the HOA budget has been tightly run, and in 2009 the HOA Board reviewed the budget to determine areas where sacrifices could be made. The Landscaping Contract was re-negotiated to reduce expenditures by \$4,580.60. Landscaping projects (not inclusive of the Contract) were delayed for a net savings of \$6,495.50. Irrigation was used only at the main entrances to the Point and Run resulting in a savings of \$3,258.57 as compared to the budgeted amount of \$7,000. These are just a few examples of savings that helped conserve HOA dollars.

In 2010, the HOA Board, once again, prepared a budget with the attempt to reduce budgetary items as much as possible. A large portion of the recommended Reserve Study repairs for 2009 and all of the items listed for 2010 were tabled until we could ensure the HOA was fiscally healthy. The emphasis for 2010 was the stabilization and structural repairs to the Clubhouse. Without knowing what other surprises were in store as the repairs continued, the HOA Board felt it was not prudent to embark on other projects and run the risk of overspending much needed cash for the Clubhouse and any other emergencies that might crop up over the course of the year.

Delayed Projects

Since 2009 and the discovery that the HOA was under-funded in reserves, the HOA Board made the conscious decision to delay all non-urgent reserve projects for 2009 and 2010. In addition to the projects outlined in the reserve study there are a variety of other projects that were tabled until the Board was confident that reserves were back on track.

Conclusion

With the increase in dues, revised collection policy, in-depth review of the budget and delaying non-urgent projects, the HOA Board grew the capital reserves much faster than anticipated by the end of Fiscal Year 2010. The capital reserve amount on the books as of December 31, 2010 might seem high, but keep in mind that a significant number of projects have not been completed per the Reserve Study and another significant number of projects, not necessarily reflected in the 2009 Reserve Study, have been tabled.

It was this realization of the rapid growth of reserves that caused the HOA Board to prepare the Fiscal Year 2011 Budget to include all of the reserve items that have not been completed since 2009.

We did not include many of the other outstanding projects that are not reflected in the Reserve Study; however, as we did not want to overspend the reserves we've accumulated. While it is important to follow the allocations as outlined in the Reserve Study – these amounts can only be looked upon as minimum goals due to unforeseeable repairs that crop up from time to time. This HOA Board feels strongly that there should always be an extra cushion in available reserves in order to reduce the risk of increasing dues once again and/or issuing a special assessment in the near future.

In answer to a subsequent question, the 2010 Board does not recommend returning money to residents or reducing the amount of HOA dues for 2011. Until all of the outstanding projects have been completed, it is impossible to know if an adequate reserve cushion has been established. Our recommendation is to complete all outstanding projects and then, and only then, complete an analysis of reserve funding to ensure that the good residents of Chattahoochee Run and Point will not find ourselves facing dues increases and/or special assessments for the foreseeable future.

And why is the HOA growing cash so aggressively at a point in time when the value of each home in the neighborhood has undoubtedly eroded?

There is no correlation between the amounts of cash required to maintain community amenities relative to the eroded value of our homes.

QUESTION FIVE

The Homeowner's Association is a Georgia Non-profit Corporation. Are the HOA's Corporate Books and Records kept up to date? We ask this question because we were recently advised by a Senior Level Board member that the Financial files that are evidently maintained in the clubhouse "have not been well organized over the years" – and we just want to make certain that our Non-profit HOA's Corporate Books and Records are well organized.

The official Chattahoochee Run HOA records are complete and orderly. These official records of the Association are managed and stored at the offices of Community Management Associates, Inc., our property manager. The only files kept in the Clubhouse are for Board reference.

QUESTION SIX

Between 2003 & 2006, our family's average Tax Payment to the City of Suwanee was \$653.50; on a comparative basis, between 2007 & 2010, our family's average Tax Payment to the City of Suwanee was \$725.50. As such, our family's average Tax Payments to the City of Suwanee were 11% higher between 2007 & 2010 as compared to what they were between 2003 & 2006.

Between 2003 & 2006, our family's HOA annual payments averaged \$637.50; on a comparative basis, between 2007 & 2010, our family's HOA annual payments averaged \$887.50. As such, our family's annual average HOA payments were 39% higher between 2007 & 2010 as compared to what they were between 2003 & 2006.

In summary: 11% growth in Suwanee City Taxes, 39% growth in HOA dues.

Clarification: HOA dues have risen 22% from 2004 to 2010.

Why have our HOA payments grown so much more dramatically as compared to the growth in Suwanee City Taxes?

Please see Question Three for answer.

And in referencing point # 1, why have our HOA payments grown so aggressively just to build what looks like an extraordinary amount of excess cash on the HOA Balance Sheet?

Please see Question Four for answer.

And why has this happened during a period of time in which home values in the neighborhood have eroded?

Please see Question Four for answer.