

**THE MILLER DODSON RESERVE STUDY**  
**White Paper #3**

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In March of 2006, the POA Finance Committee recommended to the Board consideration of a Capital Contribution Fee. The Board at that time did not have enough information to pursue such a fee. They established a committee of property owners to study the long term POA finances. The committee commissioned a reserve study and the consulting firm of Miller Dodson Associates, Inc. was selected to perform a comprehensive study of the POA's assets and reserve needs. All community associations need long range planning and a significant element of such planning is a periodic reserve study.

What is a reserve study? A Reserve Study identifies an association's assets, when these assets need replacement or repairs, the replacement or repair costs, and a 30 year expenditure and funding plan. The assets of Big Canoe include roads, trails, vehicles, equipment, buildings, tennis courts, swimming pools, the golf course, all the common areas, etc. We currently have over \$30M in community assets and will have \$36M by the time the amenity upgrades are completed this year.

What are the results of the Reserve Study? A complete inventory of assets by department was prepared and is being used for future capital expenditure plans. The study provides a long-range plan for repair or replacement of current POA assets. Most importantly, the study tells us how much funding we need to properly maintain these assets. The study shows that years 2008 thru 2012 will require significant capital expenditures. The study also shows how much we need to fund a Reserve Fund to assure that the POA has the money to pay for these future expenses. Without adequate reserves, the tendency is to postpone major repairs and renovations. This deferral accelerates the deterioration process, and the community and home values erode.

But how much should be in the Reserve Fund? The Reserve Study tells us we should start with \$500,000 and build up to \$3,000,000 by the year 2020. Remember, the Miller Dodson study is focused only on the repair and replacement of existing fixed assets, and does not include the future facility needs identified by the Long Range Planning Committee (LRPC).

So how do we fund this Reserve Fund? The Long Term Finance Committee has recommended the POA place a Capital Initiation Fee on all property purchases in Big Canoe. This fee would be used to fund the Capital Reserve Fund, new or replacement facilities, repayment or retirement of debt, interest payments on debt or annual capital expenditures such as roads. It should be large enough to cover the future needs identified by the LRPC. These needs will be addressed in the last two white papers.

