

Deerfield Woods Homeowners Association  
Strongsville, Ohio 44136

RE: 2023 Budget/Reserve Funding Primer – 12/3/2022

Dear Owner:

Ohio law requires all associations to budget reserves “adequate to repair and replace major capital items in the normal course of operations, without the necessity of special assessments...unless the reserve requirement is waived annually by a majority of the owners.” As a result, all associations, including ours, are required to make a choice to either 1) adopt a budget that provides sufficient funding of reserves through increases in fees to avoid special assessments, or **2) obtain a majority vote of the ownership waiving the reserve requirement for the coming year.**

Our Association had a reserve study completed for the year 2016, a copy of which is available upon request. The reserve study projects a need of \$416,144 for meeting the state requirements of fully funding our reserves for the repair and/or replacement of major capital items such as the pool, roof repairs, siding, concrete, dredging of the retaining pond, etc. The study assumes we would have had to use \$261,181 in Reserve Fund expenses from 2016 -2022. We have used **\$0**.

While the ongoing need to maintain our facilities and real property is not unusual for an aging complex and development such as ours, **the Board believes in the near term that a 2023 reserve funding goal of a minimum of \$120,000 is more realistic based on conversations with the City of Strongsville regarding maintenance of the retention pond and current facilities improvements identified by our active vendors.**

Fortunately for our association members, the **Ohio law allows homeowners to annually waive the mandated reserve requirement if a super-majority (119/180 owners) of the voting power of the association agrees to a waiver of the reserve study full funding amount of \$416,144. Only if the minimum required 119 votes are obtained by the Board each year can this reserve requirement be waived thus permitting the board to then budget less than the fully funding of reserves.**

**Most importantly, without receiving the needed 119 minimum votes to waive the state mandated reserve requirement (“AGAINST fully funding”), we would have a significant funding shortfall next year of approximately \$295,674 which will create the need for a special assessment of \$1,643/homeowner to meet the state reserve funding requirements.**

By voting to waive fully funding of reserves, owners acknowledge that while fees would be lower than otherwise be required to fully fund the reserve, a lack of sufficient reserves could still result in potential future special assessments, and/or possibly higher fees in the future, and/or the need for the association to obtain a future bank loan.

Over the past several years, the Board has been able to increase our current reserves to \$120,470 while maintaining the facilities and property and keeping our long-term, “non-state mandated reserve goal” target, for future projects at \$120,000.

For 2023, the Board is planning to raise annual dues after six years of no increase. The increase is required to meet the rising costs of service contracts and expenses. The Board will continue to do everything it can to keep our dues and/or future assessments reasonable while still maintaining the beauty and integrity of our community. However, from time to time, the Board estimates there might be a need for a small incremental increase to the annual dues to ensure a positive operating cash flow is maintained and reserve funds are not depleted.

Thank you for your understanding and ***please take the time to vote either at our annual meeting or by using the enclosed proxy voting form.*** Should you have any questions, please do not hesitate to call any board member.

Best regards

*Sean*

Sean Grandage, President