



*West Village Estates
Homeowners Association*

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Explanation of Reserve Fund and Reserve Study

Dear Members,

The Board of Directors wishes to pass along to our community their warmest Holiday greetings for the upcoming season. With the changing of the seasons and the feel of autumn in the air, it begins a time for family, friends and coworkers to join together in happiness and holiday spirit. From our families to yours, we wish everyone a safe, warm and joyous Happy Holidays.

It's also that time of year to discuss the Association's annual finances and the planning for the future of our community. Because our neighborhood is a private development, we have different responsibilities than many communities within the City of Flagstaff, Coconino County and the State of Arizona. When each of us purchased our homes within West Village Estates, we agreed to pay for repairs, maintenance and other services out of our monthly dues that normally the City, County or State would pay for out of the taxes they collect.

But, unlike these government agencies, we as homeowners have the opportunity to save money in advance every month in a Reserve Fund or Savings Account, to offset large expenses instead of asking each member to pay a special assessment or special tax, to cover an emergency expense. In order to be better prepared for these types of expenses, the Board of Directors hired an outside company to complete a Reserve Study. A Reserve Study is a budget planning tool that identifies the current status of our reserve fund and an equitable Reserve Funding Plan to offset the anticipated future major common area expenditures. It is a long range plan that includes both a physical and financial analysis. In short, it tells the Association how much money they should collect over a period of time and maintain in a Reserve Fund in order to defer costs at the time a major expense is required. It is better to plan ahead, ask for a small amount of money now to be prepared for the future, than to require large sums from each member at the time of a major expense. We as a community, save this money every month from our dues for the future repair for the following:

- Asphalt - WVE has private streets and have to pay to fix any potholes, chip sealing, seal coating or full replacement of the streets.
- Sidewalks - WVE pays to maintain, repair or replacement of sidewalks and curbs.
- Water System - WVE has a private water system and is responsible for all repairs and maintenance of it. This means, the Association buys the water from the City of Flagstaff and redistributes it to each property through its own system with water meters.
- Sewage System - This is a private system just like the water and requires the same amount of responsibility.

As an Association, we are required by our community documents (CC&Rs) to maintain this Reserve Fund to save for these expenses. If this is funded and maintained properly, it will allow the association to pay for large expenditures as they are needed and reduce the Association's requirement to ask for Special Assessments. Also, there are certain Mortgage Companies and federal assistance programs for purchasing a home that require HOAs to maintain these funds in order for mortgages to be approved. So, if our Association is financially sound and the Reserve Fund is maintained at its proper levels, it makes our homes more marketable or easier to refinance.

After taking all of these issues into consideration and wishing to be prepared for any future needs, the Board of Directors has decided to increase the dues from \$40 to \$45 beginning January 1, 2013 in order to keep on track with the 2011 Reserve Study figures and advice. With the rising cost of living for all of our members, it is difficult to request raises such as these. But, it is our firm belief that by planning for our community's future now, it is financially more responsible than to ask for additional funds when they are desperately needed.

We wish you all a Happy Holiday Season and the prosperity of a New Year!

*West Village Estates Homeowners Association
Board of Directors*

December 30, 2012