

Mount Royal Airpark Property Owners' Association, Inc.
Meeting of Reserves Committee
Saturday, October 8, 2022, 12:00 PM
109 Airport Drive, Crescent City, FL

Committee Members Present:

Susan Drago
Natalie Stamp
Tom Cacek

Background:

At the September 21, 2022 Board meeting, the Capital Improvement Plan developed by the Capital Expenditure Committee was presented. A discussion ensued between the Board and members present regarding the status of reserves being set aside for the maintenance, repair and replacement of MRAPPOA's capital assets. It was agreed that formalizing the reserve process under the relevant Florida Statutes would be advisable. To that end, the Reserves Committee was established to research and report to the Board recommendations for meeting that objective.

Discussions:

The committee members reviewed and discussed the relevant Florida Statutes. A process by which Reserves could be established under Florida Statute 720.303(6)(d) was developed. Since the assessment for Reserves are budgeted in the year following approval by the membership, the committee also discussed the implications for the 2023 budget.

Recommendations:

The committee's recommendations and the information used to develop them are attached.

Respectfully submitted
Natalie Stamp
(For Reserves Committee)

Recommendations from the Committee to Establish Reserves for MRAPPOA

The Committee was charged with devising a plan to fund the repair and/or replacement of the Capital Assets identified in the Capital Expenditure Plan submitted to the Board at the Board meeting on September 21, 2022.

The attached Reserve Component Detail List shows the assets identified by the CEC committee. There are several expenditures with “worst case” costs of \$10,000 or less have varying remaining useful lives such that it should be possible to repair or replace those assets from the operating budget without the need for special assessments. As such, no reserve should be required. Those items are shown on the attached Non-Reserve Assets spreadsheet.

We recommend that each of the remaining assets be allocated to a “pool” for which reserves will be established under Florida Statute 720.303(6)(d). The pool will contain the assets listed on the attached Reserve Assets spreadsheet.

Funding calculations for Reserve Assets:

The calculations for the “pool” assume that the 2023 budget will include a special assessment of \$50,000 which will allow for the roadways and taxiways to be sealed. This is expected to extend the useful life, on average, from 6 to 12 years. It also assumes \$240,000 of existing reserves are moved to the Reserve Account the reserve funds are established under Florida Statute 720.303(6)(d) for the 2024 budget year.

The annual reserve amount for each item is calculated by dividing the “worst case” cost by the number of years remaining in its useful life.

Roadways and taxiways:	$888,000 - 240,000 = 648,000 / 12 = 54,000$
Runway Lighting system:	$30,000 / 5 = 6,000$
Asphalt – Overlay runway:	$396,000 / 15 = 26,400$
Fountain/Water Features:	$36,000 / 10 = 3,600$
Monument/Sign:	$18,000 / 10 = 1,800$
Concrete Sidewalks:	$18,000 / 30 = 600$
Roofs:	$30,000 / 35 = 857.14$
Windows and Doors:	$41,520 / 25 = 1,660.80$
Total:	\$94,917.94

The total of the annual reserves for each item, \$94,917.94, is divided by 106, the number of billable lots, to arrive at, **\$895.45**, the amount due per lot for reserves.

We are also recommending that the dues, which have not been raised in several years, be increased by the 5% allowed in the current C&Rs for 2023 and, probably, for each subsequent year, to allow for inflation of basic operating expenses.

Any excess over expenses each year should be added to the reserve account. Under Florida Statute 720.303(6)(d), the funding required for reserve accounts is calculated annually. In some, if not all years, this should allow for the reduction in the reserve amount due each year.

Implications for the 2023 budget:

Dues should be increased by 5% from \$962 to \$1,010.

An additional \$543 should be billed as a \$50,000 special assessment levied for sealing the road and taxiways.

Total billing per lot will be \$1,553.

Implications for the 2024 budget:

Dues should be increased by 5% from \$1,010 to \$1,061.

Line item for Reserve Assets will be Short Term Reserves will be \$895.

Total billing per lot will be \$1,956.

MOUNT ROYAL AIRPARK PROPERTY OWNERS' ASSOCIATION, INC
CAPITAL EXPENDITURE PLAN
RESERVE COMPONENT DETAIL LIST
As of September 21, 2022

Reserve Component Detail	Quantity	Useful Life	Remaining Useful Life	Current Cost Estimate		Notes
				Best Case	Worst Case	
Site and Grounds				\$ 1,143,600	\$ 1,372,320	Remaining Useful Life is Less than 10 years.
Asphalt- Overlay Runway	3000' x 40' = 120,000 sqft	30	15	\$ 330,000	\$ 396,000	
Asphalt- Seal/Repair- Roadway and taxiways	5,280' x 3 miles	30	6	\$ 740,000	\$ 888,000	Runway Northside- completed in 2007 Southside- completed in 1998
Concrete Sidewalks- Repair per sq ft	1000	50	30	\$ 15,000	\$ 18,000	Entry, Mail Drop, and Pavilion
Metal Perimeter Fencing- Repair	2	20	20	\$ 5,000	\$ 6,000	Wrought iron (2) gates and electronics
Fountain/Water Features- Replace	3	20	10	\$ 30,000	\$ 36,000	Entry, Mount Royal Ave, Timucuan
Paver (Roadway)- Repair/Replace	600	20	10	\$ 3,600	\$ 4,320	\$6/sqft
Entry Fencing (Metal)- Replace		30	20	\$ 5,000	\$ 6,000	Installed 2014- entry
Monument/Sign- Replace	1	30	10	\$ 15,000	\$ 18,000	Entry Sign installed 2000
Building Exteriors				\$ 59,600	\$ 71,520	
Roofs- Replace	Numerous Components	40	35	\$ 25,000	\$ 30,000	Pavilion (metal), Guard House (shingle)
Windows & Doors- Replace	Pavilion, Guard House	30	25	\$ 34,600	\$ 41,520	3 windows @ \$1,000= \$3,000 3 doors @ \$1,200= \$3,600 14 doors @ \$2,000= \$28,000
Mechanical/Electrical/Plumbing				\$ 75,778	\$ 90,934	
Entry Systems- Replace	1 system		5	\$ 8,000	\$ 10,000	Barcode, or Transponder, or Automatic License Number Plate Recognition
Gate Actuator Levers- Replace	2 levers		8	\$ 10,000	\$ 12,000	2- Front Gate
Runway Light System- Replace	1 system		5	\$ 57,778	\$ 69,334	(1) Lighting control system, basic installation, supplies 66 lights @ \$633 each Repair and replace lights should be out of maintenance fund
Pavilion				\$ 25,000	\$ 30,000	
Remodel Allowance	Numerous Components	15	20	\$ 25,000	\$ 30,000	HVAC (New 9/2022), Refrigerator, Microwave, Stove-top, Island w/countertop
Total Expenditures				\$ 1,303,978.00	\$ 1,564,773.60	

MOUNT ROYAL AIRPARK PROPERTY OWNERS' ASSOCIATION, INC.

Non-Reserve Assets

Reserve Component Detail	Quantity	Useful Life	Remaining Useful Life	Best Case Estimate	Worst Case Estimate	Notes
Metal Perimeter Fencing Repair	2	20	20	\$5,000.00	\$6,000.00	Wrought iron (2) gates and electronics
Paver (Roadway) - Repair/Replace	600	20	10	\$3,600.00	\$4,320.00	\$6/sq ft
Entry Fencing (Metal) - Replace		30	20	\$5,000.00	\$6,000.00	Installed 2014 - entry
Entry System - Replace	1 system		5	\$8,000.00	\$10,000.00	Similar to current system
Gate Actuators - Replace	2 levers		8	\$5,000.00	\$6,000.00	2 - Front Gate
Pavillion HVAC			10	\$8,000.00	\$10,000.00	HVAC (New 9/2022)

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Pavillion HVAC			10	\$8,000.00	\$10,000.00	HVAC (New 9/2022)

720.303 (2)(c)(2)

An assessment may not be levied at a board meeting unless the notice of the meeting includes a statement that assessments will be considered and the nature of the assessments. Written notice of any meeting at which special assessments will be considered or at which amendments to rules regarding parcel use will be considered must be mailed, delivered, or electronically transmitted to the members and parcel owners and posted conspicuously on the property or broadcast on closed-circuit cable television not less than 14 days before the meeting.

720.303(6)

(6) BUDGETS.—

(a) The association shall prepare an annual budget that sets out the annual operating expenses. The budget must reflect the estimated revenues and expenses for that year and the estimated surplus or deficit as of the end of the current year. The budget must set out separately all fees or charges paid for by the association for recreational amenities, whether owned by the association, the developer, or another person. The association shall provide each member with a copy of the annual budget or a written notice that a copy of the budget is available upon request at no charge to the member. The copy must be provided to the member within the time limits set forth in subsection (5).

(b) In addition to annual operating expenses, the budget may include reserve accounts for capital expenditures and deferred maintenance for which the association is responsible. If reserve accounts are not established pursuant to paragraph (d), funding of such reserves is limited to the extent that the governing documents limit increases in assessments, including reserves. If the budget of the association includes reserve accounts established pursuant to paragraph (d), such reserves shall be determined, maintained, and waived in the manner provided in this subsection. Once an association provides for reserve accounts pursuant to paragraph (d), the association shall thereafter determine, maintain, and waive reserves in compliance with this subsection. This section does not preclude the termination of a reserve account established pursuant to this paragraph upon approval of a majority of the total voting interests of the association. Upon such approval, the terminating reserve account shall be removed from the budget.

(c)1. If the budget of the association does not provide for reserve accounts under paragraph (d), or the declaration of covenants, articles, or bylaws do not obligate the developer to create reserves, and the association is responsible for the repair and maintenance of capital improvements that may result in a special assessment if reserves are not provided or not fully funded, each financial report for the preceding fiscal year required by subsection (7) must contain the following statement in conspicuous type:

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR FULLY FUNDED RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS REGARDING THOSE ITEMS. OWNERS MAY ELECT TO PROVIDE FOR FULLY FUNDED RESERVE ACCOUNTS UNDER SECTION [720.303\(6\)](#), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

2. If the budget of the association does provide for funding accounts for deferred expenditures, including, but not limited to, funds for capital expenditures and deferred maintenance, but such accounts are not created or established under paragraph (d), each financial report for the preceding fiscal year required under subsection (7) must also contain the following statement in conspicuous type:

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS UNDER SECTION [720.303\(6\)](#), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

(d) An association is deemed to have provided for reserve accounts upon the affirmative approval of a majority of the total voting interests of the association. Such approval may be obtained by vote of the members at a duly called meeting of the membership or by the written consent of a majority of the total voting interests of the association. The approval action of the membership must state that reserve accounts shall be provided for in the budget and must designate the components for which the reserve accounts are to be established. Upon approval by the membership, the board of directors shall include the required reserve accounts in the budget in the next fiscal year following the approval and each year thereafter. Once established as provided in this subsection, the reserve accounts must be funded or maintained or have their funding waived in the manner provided in paragraph (f).

(e) The amount to be reserved in any account established shall be computed by means of a formula that is based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of each reserve item. The association may adjust replacement reserve assessments annually to take into account any changes in estimates of cost or useful life of a reserve item.

(f) After one or more reserve accounts are established, the membership of the association, upon a majority vote at a meeting at which a quorum is present, may provide for no reserves or less reserves than required by this section. If a meeting of the unit owners has been called to determine whether to waive or reduce the funding of reserves and such result is not achieved or a quorum is not present, the reserves as included in the budget go into effect. After the turnover, the developer may vote its voting interest to waive or reduce the funding of reserves. Any vote taken pursuant to this subsection to waive or reduce reserves is applicable only to one budget year.

(g) Funding formulas for reserves authorized by this section must be based on a separate analysis of each of the required assets or a pooled analysis of two or more of the required assets.

1. If the association maintains separate reserve accounts for each of the required assets, the amount of the contribution to each reserve account is the sum of the following two calculations:

- a. The total amount necessary, if any, to bring a negative component balance to zero.
- b. The total estimated deferred maintenance expense or estimated replacement cost of the reserve component less the estimated balance of the reserve component as of the beginning of

the period the budget will be in effect. The remainder, if greater than zero, shall be divided by the estimated remaining useful life of the component.

The formula may be adjusted each year for changes in estimates and deferred maintenance performed during the year and may include factors such as inflation and earnings on invested funds.

2. If the association maintains a pooled account of two or more of the required reserve assets, the amount of the contribution to the pooled reserve account as disclosed on the proposed budget may not be less than that required to ensure that the balance on hand at the beginning of the period the budget will go into effect plus the projected annual cash inflows over the remaining estimated useful life of all of the assets that make up the reserve pool are equal to or greater than the projected annual cash outflows over the remaining estimated useful lives of all the assets that make up the reserve pool, based on the current reserve analysis. The projected annual cash inflows may include estimated earnings from investment of principal and accounts receivable minus the allowance for doubtful accounts. The reserve funding formula may not include any type of balloon payments.

(h) Reserve funds and any interest accruing thereon shall remain in the reserve account or accounts and shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote at a meeting at which a quorum is present. Prior to turnover of control of an association by a developer to parcel owners, the developer-controlled association shall not vote to use reserves for purposes other than those for which they were intended without the approval of a majority of all nondeveloper voting interests voting in person or by limited proxy at a duly called meeting of the association.

(i)1. While a developer is in control of a homeowners' association, the developer may, but is not required to, include reserves in the budget. If the developer includes reserves in the budget, the developer may determine the amount of reserves included. The developer is not obligated to pay for:

- a. Contributions to reserve accounts for capital expenditures and deferred maintenance, as well as any other reserves that the homeowners' association or the developer may be required to fund pursuant to any state, municipal, county, or other governmental statute or ordinance;
- b. Operating expenses; or
- c. Any other assessments related to the developer's parcels for any period of time for which the developer has provided in the declaration that in lieu of paying any assessments imposed on any parcel owned by the developer, the developer need only pay the deficit, if any, in any fiscal year of the association, between the total amount of the assessments receivable from other members plus any other association income and the lesser of the budgeted or actual expenses incurred by the association during such fiscal year.

2. This paragraph applies to all homeowners' associations existing on or created after July 1, 2021.

720.303(8)

(8) ASSOCIATION FUNDS; COMMINGLING.—

(a) All association funds held by a developer shall be maintained separately in the association's name. Reserve and operating funds of the association shall not be commingled prior to turnover

except the association may jointly invest reserve funds; however, such jointly invested funds must be accounted for separately.

(b) No developer in control of a homeowners' association shall commingle any association funds with his or her funds or with the funds of any other homeowners' association or community association.

(c) Association funds may not be used by a developer to defend a civil or criminal action, administrative proceeding, or arbitration proceeding that has been filed against the developer or directors appointed to the association board by the developer, even when the subject of the action or proceeding concerns the operation of the developer-controlled association.

720.3055

720.3055 Contracts for products and services; in writing; bids; exceptions.—

(1) All contracts as further described in this section or any contract that is not to be fully performed within 1 year after the making thereof for the purchase, lease, or renting of materials or equipment to be used by the association in accomplishing its purposes under this chapter or the governing documents, and all contracts for the provision of services, shall be in writing. If a contract for the purchase, lease, or renting of materials or equipment, or for the provision of services, requires payment by the association that exceeds 10 percent of the total annual budget of the association, including reserves, the association must obtain competitive bids for the materials, equipment, or services. Nothing contained in this section shall be construed to require the association to accept the lowest bid.

(2)(a)1. Notwithstanding the foregoing, contracts with employees of the association, and contracts for attorney, accountant, architect, community association manager, engineering, and landscape architect services are not subject to the provisions of this section.

2. A contract executed before October 1, 2004, and any renewal thereof, is not subject to the competitive bid requirements of this section. If a contract was awarded under the competitive bid procedures of this section, any renewal of that contract is not subject to such competitive bid requirements if the contract contains a provision that allows the board to cancel the contract on 30 days' notice. Materials, equipment, or services provided to an association under a local government franchise agreement by a franchise holder are not subject to the competitive bid requirements of this section. A contract with a manager, if made by a competitive bid, may be made for up to 3 years. An association whose declaration or bylaws provide for competitive bidding for services may operate under the provisions of that declaration or bylaws in lieu of this section if those provisions are not less stringent than the requirements of this section.

(b) Nothing contained in this section is intended to limit the ability of an association to obtain needed products and services in an emergency.

(c) This section does not apply if the business entity with which the association desires to enter into a contract is the only source of supply within the county serving the association.

(d) Nothing contained in this section shall excuse a party contracting to provide maintenance or management services from compliance with s. [720.309](#).

Procedures for Establishing Reserves for an HOA

720.303(2)(c)(2)

A board meeting where assessments are levied requires notice of not less than 14 days including a statement that assessments will be considered and the nature of the assessments.

720.303(6) BUDGETS

(b) The budget may include reserve accounts for capital expenditures and deferred maintenance for which the association is responsible.

If reserve accounts are not established pursuant to paragraph (d), funding of such reserves is limited to the extent that governing documents limit increases in assessments, including reserves. (i.e., subject to the limit of a 5% increase as mandated in MRAPPOA Article 7.02 without approval by approval by majority of membership at a duly called and noticed special meeting or the annual meeting)

(c) 1. If reserves are not established under paragraph (d), the financial report for the preceding fiscal year required by subsection (7) must contain the statement specified in 720.303(6) in conspicuous type. That statement reads:

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR FULLY FUNDED RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS REGARDING THOSE ITEMS. OWNERS MAY ELECT TO PROVIDE FOR FULLY FUNDED RESERVE ACCOUNTS UNDER SECTION [720.303\(6\)](#), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT

(c) 2. If the budget of the association does provide for funding accounts for deferred expenditures, including, but not limited to, funds for capital expenditures and deferred maintenance, but such accounts are not created or established under paragraph (d), each financial report for the preceding fiscal year required under subsection (7) must also contain the following statement in conspicuous type:

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS UNDER SECTION [720.303\(6\)](#), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

(d) Reserve accounts require approval of a majority of the total voting interests of the association obtained by a vote of members at a duly called and noticed meeting or by the written consent of a majority of the total voting interests of the association.

Approval must state:

- that reserve accounts shall be provided for in the budget
- must designate the components for which reserves are to be established

Once approved:

- reserves must be included in the budget for the next fiscal year following approval and for each year thereafter
- must be funded or maintained unless waived under 720.303.(6)(f):
 - may provide for no reserves or less reserves by a majority vote at a meeting where a quorum is present
 - waiver is applicable to only one budget year

(e) - Formula for computing reserves is based on remaining useful life and estimated replacement cost or deferred maintenance of each reserve item

- Adjustments to reserve assessments may occur annually to take into account changes in estimates of cost or useful life

(g) The Funding formula must be based on a separate analysis of each asset or a pooled analysis of two or more assets.

1. If separate reserve accounts for each asset are maintained, the contribution to each reserve account is the sum of
 - a. Total amount necessary to bring a negative component balance to zero
 - b. Total estimated deferred maintenance expense or estimated replacement cost less the estimated balance of the reserve component as of the beginning of the period the budget will be in effect. The remainder, if greater than zero, shall be divided by the estimated remaining useful life of the component.

The formula may be adjusted each year for changes in estimated and deferred maintenance performed during the year and may include factors such as inflation and earnings on invested funds.

2. If the association maintains pooled assets, the amount in the proposed budget may not be less than that required to ensure that the balance on hand at the beginning of the period the budget will go into effect plus the projected annual cash inflows over the remaining estimate of useful life of all assets in the pool are equal or greater than the projected annual cash inflows over the remaining estimated useful life of all the assets that make up the pool, based on current reserve analysis. The projected annual cash inflows may include estimated earnings from investment of principal and accounts receivable minus the allowance for doubtful accounts. The formula may not include any balloon payments.

(h) Reserves and interest accruing must remain in the reserve account or accounts and shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote at a meeting at which a quorum is present.