

Backgrounder – Reserve Fund/Annual Dues

Establishing a Reserve Fund

Q - Why does AVRA need a reserve fund?

A - AVRA and AVGCC have never had a reserve fund sufficient to handle major improvements or renovations. The funding for our current infrastructure improvements (replacement of the irrigation system, pool refurbishment, and enhancement and resurfacing of the pickleball and tennis courts) comes from the sale of the Trailway lots. These projects will consume most, if not all, of the proceeds from that sale, and we cannot sell land again to cover the cost of such improvements in the future. The Board believes that the current business plan will build a consistently profitable operation, but we should not rely upon that to cover the cost of future infrastructure improvements. A reserve fund is necessary to build a contingency for unanticipated large expenditures and to save for infrastructure upgrades and replacement in the future.

Q - How much does AVRA need in a Reserve Fund? Does it have a limit?

A - The board will be getting advice on how much money we need to have in the reserve fund, and at what points we will need to spend from the reserve fund. There will be a limit, it's going to be an estimate based on the disbursements needed over the next 5-10 years.

Q - Will it not take forever to grow the reserve fund based on annual fees?

A - We will get advice from a reserve fund study. We estimated this in round terms of \$500,000 balance that could be built up over 10 years. We are starting with the fact that we are making significant investments in the pool and golf course and believe there will not be any urgent significant expenses during that time. We felt we should come back to the members with expert input on that particular point. We will have an engineering study conducted, that will tell us, based on the age of our assets, and the condition of our property, when we're going to need to spend money.

Q - What sources of income are being considered to build the reserve fund?

A – **The primary source is annual fees from AVRA members.** Operations will contribute some as will fundraising initiatives.

Q – Have you considered a special residential tax to build a reserve fund?

A - We didn't think a levy would be palatable. We want it to be voluntary because AVRA members see it as a benefit as property owners- something they want to do. It is on us, the board, to sell members on this, to understand members are getting good value, a beautiful 50-acre piece of property in our neighbourhood. A levy was not considered to be a very useful way to go. We know based on feedback that some people would rather not pay any money given the choice, but we do have a substantial number of members who really want to see a reserve fund, don't want to sell anymore land, want the property to be maintained, improving/protecting the value of their own properties, and are prepared to contribute to that.

Q – Can we use the line of credit for emergency situations?

A - We want to be prudent in the use of the line of credit. It's there as a last resort in the event we need to pay a bill but we do not intend to draw down on it. We don't want to pay interest if we don't have to, but in the event we do have excess cash, we will assess our ability to allocate more than \$50K to the reserve fund in 2021. I think we should be cautious and make sure our budget estimates are good. We'll be in a better position a year from now once the projects have been completed. If we have excess cash, we can certainly direct some of that to the reserve fund. We don't want to have to tap into the line of credit unless we absolutely have to.

Q - Is there a reason why a reserve fund cannot be established but funded by operations rather than members?

A – The board determined that after 40 years of operations that the status quo is not sustainable. The profits from 2020 were out of the ordinary due to Covid. The normal levels of income from operations cannot sustain a proper reserve fund. That's why we have to have our members contributing to a reserve fund. If we rely on operations, our property and buildings will get rundown, neglected. If we have 2-3 poor operating years in a row, and we need to maintain an asset or keep the property in good working condition, we will suffer. The quality of our homes in the neighbourhood should equal the quality of the property and buildings at AVRA. So, it is really with that intention that we want to have the reserve fund funded and shared by all AVRA members.

Q - Why not build the reserve fund through a surcharge on user fees?

A - The finance committee looked at this option (a surcharge on green fees, food at ALE) and it was not deemed to be viable. If a surcharge were added to green fees, it would impact the club's ability to attract golfers. The real beneficiaries of having the club run well, well maintained and in good order are the Amberwood Village residents and homeowners. We will calculate the fees based on third party advice. We will reset them every year, but we need to build this stability going forward for the next 40 years.

Reserve Fund Study

Q – Who will conduct the reserve fund study and who appoints them?

A – The board conducted a competitive process to engage a qualified engineering firm to give a professional's view on the state of the AVRA assets and they selected the IRC Group on April 6, 2021.

Once the Reserve Fund is established

Q - Once monies are put into the reserve fund, are there legal restrictions on how, when and for what purposes funds can be drawn?

A – The Reserve Fund is in place to fund asset replacement, major repairs, and major renovation. Each year at the AGM, the Board will present its Reserve Fund plan. This plan will include the recommended contributions to the fund and the proposed disbursements from the fund. The contributions will be accompanied by a schedule showing the calculation of the annual fees. The disbursements will be itemized on a schedule. Members will be able to ask questions. Members will be asked to approve the

schedule of annual fees and the schedule of disbursements in separate votes. The approval is by a simple majority of members.

Q - As a member, we get to vote on the money spent from the reserve fund. Do we have a say on where the other money is spent?

A - The board will prepare a 3-5 year plan. This will be an output from our third-party expert study, and this will tell us what assets will need to be either maintained or fixed. Members will see a schedule listing the proposed disbursements. Members will vote on that list. A simple majority vote of 50% plus 1 is required. If any of the disbursements were considered a material purchase, something that was out of the ordinary, such as the purchase or sale of buildings or property, then a super majority vote is required or 66 2/3 %.

Q - What happens if there is an operational deficit will the reserve fund pay?

A - The reserve fund is not for operations. It is for capital investment only. Operations clearly needs to be running in a positive manner. You can have a bad year, whether it be weather or whatever but you need to rely on funds from a previous year, but not the reserve fund.

Changes to the AVRA membership

Q - If a current member wishes to no longer be a member what steps are needed to be taken by the member other than the sale of their home?

A - If they don't wish to pay the AVRA annual fees, their membership will lapse but they can buy back in at a later date and pay a one-year fee and get back in good standing.

Q – What happens to those who previously purchased a membership to AVRA but decide, for whatever reason that they do not wish to pay annual fees?

A –If people choose not to pay the annual dues despite the enticements that are included, they will cease to be a member of AVRA. There is likely to be a number of members that are going to choose to resign from AVRA, if they do not see the benefit of membership. The board feels strongly that there will be people in the community that are looking at what AVRA offers and what AVRA does to contribute to the quality of our neighbourhood and they will want to join.

Q – Is there an initiation fee and annual fees?

A – Yes there would be an initiation fee of \$50 which would go directly to operating. The annual fees, if voted in by the members, would go towards the reserve fund.

Annual fees

Q – Approximately how much will the annual fees be?

A - The board is estimating \$120 a year but that is only an estimate. The Board will do a reserve fund study and speak with the members about what they consider to be a fair price. In the end, the members will vote on the annual fees.

Q – Will annual fees provide any sort of entitlements to the activities at the Club?

A – Yes. As owners or custodians of the property, members will receive value in whatever we can offer in the form of golf passes, pool passes, discounts at ALE, or access to facilities.

Q - If we start to build a significant reserve fund, can we not make a change to reduce the annual membership fee later?

A - That will be up to members. That would be possible. The board will be transparent about fund balance/requirements, based on the third- party reserve fund study.

Q - How will the annual fees be collected/enforced?

A - The annual fees cannot be enforced. We hope that the residents of Amberwood Village will willingly pay to sustain this great community resource. Collection will be done annually

Q - Could we conduct a survey to determine what specific capital assets members might be willing to pay for? **A** - We have conducted several surveys to date, and we are using the information gathered from these to prepare our plans. We will be conducting additional surveys this year and every year, to continue to be responsive to the members and its changing needs and wishes.

Q - Could we ask for a higher annual fee (\$150+), and offer additional incentives, such as greater ALE discounts, year- round walking trail maintenance etc.?

A – The results of the engineering reserve fund study is the first step to determine our needs. The entitlements attached to the proposed annual fee will be further explored this year, through surveys, focus groups, and other communications.