

# A Homeowner's Financial Questions

## *With Answers Provided by Members of the Finance Committee*

Attending the past two meetings, listening to the financial impact of storm damage to our grounds and the ongoing painting/siding/fencing cycle one is drawn to the conclusion millions of dollars will be expended from Nepenthe's reserve accounts over the next 4-5 years, plus other replacements to existing plant and equipment.

*Yes, and the impact is a higher cost now, but will result in a longer component life expectancy which will save money over the long run. (This understanding will be checked with the Reserve analyst.) Some of the higher costs on some items are offset by lower costs on other components or expenses on other components are not required based on the remaining useful life of the component. Some of these higher costs will also be mitigated by the higher interest we are realizing on our investments.*

At the February 2023 Board meeting the project manager responsible for the current siding replacement projected cost overruns ahead of budget projections going forward. This was validated again tonight (March 1st) from committee members. One Finance Committee member commented "we are in good shape" referencing Nepenthe's reserves. What does this mean, and has this been validated?

*Please review the current adopted [Reserve Study](#). We use an industry expert to conduct the Reserve Study and our*

*reserves are adequately funded for projects currently identified and the accumulation to date meets our adopted threshold balance for the next 40 years.*

Has the Board worked closely with the current project manager to project costs during the current replacement cycle? *Yes, refer to the Project Manager's report on page 12 in the March 1<sup>st</sup> [Board packet](#).*

What sensitivity analysis tools have been deployed to accurately project future costs vs a reliance on a linear reserve forecast?

*It is not a linear reserve forecast, but is meant to ensure the appropriate accumulation of sufficient reserves to meet the replacement costs at the time the work is initiated, i.e. the time the component is replaced. A good example, If your roof has a 20 year useful life, you can put aside a few dollars every month to accumulate for the replacement, or at the end of the 20 years you could pull from other savings or obtain a loan. In Nepenthe's case, the decision to inspect regularly and annually decide the appropriate estimated amount to put aside for replacement. As an aside, in attempt to materially project future costs, Browning does incorporate an inflation factor.*

