

Legal Expenses, Fire Mitigation, Snow Removal and Noxious Weed  
Control

June 10,2022

David Larsen and Steve Boone

Under ESRPOA Policy #9, Reserve funds may be created and funded. These reserve funds provide a source of financing for future unexpected expenses that exceed the annual budget. A Reserve study is required to create these Reserve Funds, and this document represents the necessary reserve study for legal expenses, fire mitigation, snow removal and noxious weed control reserve accounts. These reserve studies shall be updated approximately every 5 years. These reserve funds were created in July, 2018 and are being updated in May, 2022 to reflect current and anticipated needs.

These reserve funds shall be funded by transferring excess general funds from the 2021-2022 budget, or funded in the fall assessment of 2022, as determined by a vote of the general members at the 2022 annual meeting, or at any other appropriate time.

## **Legal Expense Reserve Study**

We live in a time of litigiousness and the Association should be prepared to defend itself and take action when necessary. Areas of concern include defending the road easement and right-of-way, enforcing CC&R's and Association Policies and defending against claims related to building policies and restrictions. Also, the Association officers need to have the assistance of legal counsel in maintaining corporate compliance and drafting policies. Outside legal counsel has advised that the current hourly rate for competent legal counsel is \$200-\$250 an hour and that litigation could easily involve over a hundred hours of work. If litigation were involved, action may be required on a short turnaround time which would not enable the Board to go to the members for an additional assessment. Therefore, a reserve fund shall be created for legal expenses. This reserve fund will serve as a financial buffer if actual legal expenses ever exceed the annual budget. This legal expense reserve fund should have a long term running balance of \$20,000.

## **Fire Mitigation Reserve Study**

Given the prolonged drought and the common occurrence of high winds, wild fire is a constant threat to the safe of the canyon and securities of properties located therein. Occasionally the Association can engage in fire mitigation with reimbursement from government sources with matching funds. A reserve fund shall be created for such fire mitigation expenses and other expenses per the partnering program. This reserve fund will serve as a buffer if actual fire mitigation expenses ever exceed the annual budget. (Currently, the controlling resolution for ESRPOA partnering with homeowners to reduce fuel loads around common roads is found here:

<http://elkstreamranch.org/directorsMinutes/2014/Annual-meeting/CWPP-Continuing-Fundingresolution-6.pdf>.)

This fire mitigation reserve fund should have a long running balance of \$7,500.00. Reimbursement from government matching funds should be deposited back into this reserve. As more fuel reduction is accomplished, this fund balance should be reevaluated.

## **Snow Removal Reserve Study**

A reserve fund shall be created for snow removal expenses. This reserve fund will serve as a financial buffer for years that actual snow removal expenses ever exceed the annual budget. This may happen from time to time when we have heavy snow years. For years where snow removal expenses exceed the Annual Budget and the Snow Removal Reserve, special assessments will be available for additional financing.

This snow removal reserve fund should have a long running balance of \$20,000, plus/minus \$5,000. As experience is gained with regards to current year-round residents at the top of G3, this snow removal reserve fund balance should be reevaluated.

## **Noxious Weed Control Reserve Study**

A reserve fund shall be created for noxious weed control expenses. This reserve fund will serve as a resource if actual weed control expenses ever exceed the annual budget. This may happen from time to time due to the need to create or update a weed plan, or due to the unpredictable nature of noxious weeds. The ESRPOA Procedure for noxious weed control is located here:

<http://elkstreamranch.org/ccrDocs.html>.

This noxious weed control reserve fund should have a long running balance of \$5,000, plus/minus \$2,000.