

Overlook II At Scottsdale Mountain Homeowners Association

c/o VISION Community Management
16625 S. Desert Foothills Pkwy
Phoenix, AZ 85048
(480) 759-4945 fax (480) 759-8683

Dear Overlook II Homeowner,

February 1, 2022

The Overlook II HOA Board has approved an owner vote for a one-time \$1,000 per unit Special Assessment. The Board recommends owners approve the proposed Special Assessment by voting “YES” on the enclosed ballot. A total of 40 votes is required for approval. A detailed explanation follows.

Section 7.3 of the CC&Rs states (in part),

“The Association may levy a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement of the Common Elements, including fixtures and personal property related thereto, or for any other lawful Association purpose, provided that any Special Assessment...shall have first been approved by Owners representing fifty percent (50%) plus one of the votes in the Association...”

The “Fully Funded Reserve” (FFR) is the cost to maintain, repair and/or replace the entire inventory of community owned assets (defined in the CC&R’s as common and limited-common elements) at the end of their “useful life”. A professional firm is employed to determine the FFR using their expertise to make assumptions of useful life, and future costs. The actual reserve fund is then compared to the FFR as a percentage of funding. As a guideline, a reserve fund of 0% to 29% of the FFR is considered “high-risk”; 30% to 69% “medium-risk”; and 70%+ is “low-risk”. Our Board’s goal is to be at least in the “medium-risk” range to protect our shared assets and individual investments.

For full context, a brief history for new owners and to remind long-time owners.

Prior to 2020, the “Regular Monthly Assessment” (RMA) was \$300/unit/mo. Of that amount, \$53 was allocated to the reserve and \$247 to the operating budget. In 2019, the Board commissioned a professionally prepared Reserve Study (a summary of which can be found on the community website) showing reserve funding in the “high-risk” category (11% of FFR). In 2020, the Board implemented two staggered \$25 increases in the RMA (\$350) raising the reserve contribution to \$103/unit/mo. The increase was designed to bring the reserve funding to the 30% “medium-safety” level by the end of 2021.

The Roofing Project (which had been delayed for several years) plus several other unplanned capital expenses defeated this approach as a 2020 update to the Reserve Study showed the reserve still in the high-risk category for several more years. As a response in early 2021, the Board asked owners to approve a \$3,500 Special Assessment to offset the roofing expense (\$190,000) and boost reserves to the 30% level while retaining the \$350 RMA. The Special Assessment request was voted down by owners. The Board then used its only tool and effective June 2021, increased the RMA to \$400. Again, the full increase went directly to reserves (\$153/unit/mo.) while the operating budget remained static. The higher reserve contribution had a favorable but slow impact on reserve funding.

That brings us to today, where the basic problem still exists. Reserve funding remains in the “high-risk” category. Some say the current monthly reserve contribution will eventually cause the



reserve fund to reach the “medium-risk” level. While that may be true over time, it assumes there will be no unplanned capital expenses and that operating costs remain static. Owners should keep in mind several important factors in favor of the Special Assessment.

1. The operating budget portion of the RMA has been static since 2019 at \$247/unit/mo. We know this level of funding cannot continue since we have experienced minor operating losses the last several years. Plus, we know operating costs will continue to increase. Operating losses must be offset by reserve transfers to the operating account.
2. If we are to maintain the current RMA at \$400, the increased operating costs will eventually require a change to the allocation between operating accounts (\$247) and reserve funding (\$153). This will reduce future monthly reserve contributions. The \$1,000 Special Assessment is necessary to help offset this future adjustment.
3. The Board is aware the \$400 RMA is near the high-end for similar communities and the Board has no desire to increase it further anytime soon. We know a higher monthly assessment can have a detrimental impact on unit resale values. But owners should also be mindful of the value potential buyers place on adequately funded HOA reserves in their purchase decision. The Special Assessment will result in both a stable RMA, and an adequately funded reserve.
4. Adequate reserve funding allows the Board to make maintenance expense decisions to retain the community’s “resort” appearance. The history of this Board is to do proactive preventive maintenance to preserve the appeal of our community to owners and renters alike.
5. The Board has a fiduciary responsibility to maintain sufficient reserves for when things break. That tends to happen at inopportune times especially in a 17-year-old community. Running on a thin reserve, i.e., allowing reserve funding to remain in the “high-risk” category for an extended period, would be a violation of the Board’s duty.

In conclusion, the Board understands the financial burdens on our owners and has significantly scaled back the requested amount to accomplish the goal without undue hardship. The management company has the capability to customize a payment plan to suit each individual owner as follows:

- Annual Payment: 3/1/22 = \$1,000 due upon billing
- Semi-Annual Payment: 3/1/22 and 9/1/22 = 2 payments of \$500 each
- Quarterly Payment: 3/1/22, 6/1/22, 9/1/22 and 12/1/22 = 4 payments of \$250 each
- Monthly Payment: 3/1/22 and 11 months following = 12 payments of \$83.34 each

Again, the Board urges a “YES” vote for the proposed “Special Assessment” on the enclosed ballot. It is important that every owner vote, regardless of how you vote!

Questions are welcome and owners can contact Izzy Myers, Treasurer at izmyers03@gmail.com or Jerry Dabels, President at dabels1338@att.net. We prefer email but if you wish to speak directly, please email one of us to arrange to specific time to talk by phone or in person.



THE OVERLOOK AT SCOTTSDALE MOUNTAIN II OWNERS ASSOCIATION, INC.

Notice of Meeting of the Members

Tuesday, February 22, 2022

Time: 6:00 P.M.

Location: Community Clubhouse

Pursuant to Article 7, Section 7.3 of the Amended and Restated Condominium Declaration For the Overlook At Scottsdale Mountain II, A Condominium ("Declaration"), the Board of Directors has called a Meeting of the Members to conduct a vote on a Special Assessment of \$1,000.00 per Unit with the payment due on March 1, 2022. An Owner can elect to issue payment in full by March 1, 2022 or issue payments to the Association over a year time frame (\$83.34 per month or \$250 a quarter). The Association will use the funds from the Special Assessment to fund its Reserves following the Association's expenditure for roof maintenance and repairs and prepare for upcoming expenses.

The sole purpose of the Meeting is to vote on whether to adopt a Special Assessment of \$1,000.00 pursuant to Article 7, Section 7.3 of the Declaration.

An Owner may vote by completing and returning the attached ballot by the deadline stated below or bring to the meeting. If mailing, emailing or faxing, the ballot must be returned to Vision Community Management, the Association's management company, by 5:00 P.M. on February 18th, 2022. You may only return the absentee ballot via first class mail or e-mail to Vision. This return information is noted on the absentee ballot.

Crystal Mears, Community Manager
For the Board of Directors
The Overlook At Scottsdale Mountain II Owners Association, Inc.

Important Dates:

February 18, 2022 at 5:00 P.M. – Deadline to return ballots to Vision Community Management

February 22, 2022 at 6:00 P.M. – Meeting of the Members

**THE OVERLOOK AT SCOTTSDALE MOUNTAIN II
OWNERS ASSOCIATION, INC.**

**Meeting of the Members
February 22, 2021 at 6:00 P.M.**

Absentee Ballot

Pursuant to Article 7, Section 7.3 of the Amended And Restated Condominium Declaration For The Overlook At Scottsdale Mountain II, A Condominium (“Declaration”), the Board of Directors submits the following proposed action for a vote by the Owners. The proposed action is to vote on a Special Assessment of \$1,000.00 per Unit. The Association will use the proceeds from this Special Assessment to fund its Reserves.

Please select one (1) box for the vote on the Special Assessment.

Yes, I vote in favor of the Special Assessment of \$1,000.00 pursuant to Article 7, Section 7.3 of the Declaration.

No, I vote against the Special Assessment of \$1,000.00 pursuant to Article 7, Section 7.3 of the Declaration.

**ALL BALLOTS MUST BE RECEIVED VIA FIRST CLASS MAIL OR E-MAIL
BY 5:00 P.M., FEBRUARY 18, 2022 OR BROUGHT TO MEETING.**

**Mail or E-Mail to: The Overlook At Scottsdale Mountain II
Owners Association, Inc.
c/o Vision Community Management
16625 S. Desert Foothills Parkway
Phoenix, AZ 85048**

E-mail: Overlook2@wearevision.com

Pursuant to A.R.S. §33-1250(C), this ballot is valid only for the vote set forth above. This ballot may only be cast by the owner of record (the name appearing on the deed) for the vote to count. This ballot may not be revoked, once it is cast. The returned ballot will be used for establishing quorum at the Special Meeting of the Members set for February 22, 2022.

Signed: _____ Print Name: _____

Unit #/Address: _____ Date: _____