

Wayne J. Schmidt
 17 Piedmont Lane Lot 370/Section 3
 Chairman - Building, Roads & Grounds Committee
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Mr. President, Members of the Board of Directors, fellow homeowners:

I would like to refresh the memories of those who have been living here since 1997 to the present: primarily on the roads and drainage efforts but I will briefly address other on-going Building, Roads and Grounds issues as well.

Why do I want to make this presentation? Building, Roads and Grounds has been charged by the current Board with the responsibility for the physical review all LMOA properties and equipment as identified in the Reserve Study prepared by an independent consulting firm. This study and the committee's review provides the Finance Committee and staff with information used in annual budgets submitted to the Board prior to December 15th each year. This includes LMOA's roads program.

The roads program includes 62+ miles of roads, built with VDOT specification materials. LMOA is responsible for the repair, maintenance and upkeep of its roads, however. The original LMOA developer never agreed to build the roads to VDOT road specification, particularly in the area of road subsurface requirements, road width and right of ways. LMOA has a 50 foot right of way on all roads except portions of Turkeysag, which has an 80 foot right of way from Acres Road to the shopping area outside Falcon Gate.

Prior to the mid 90's, yearly road maintenance and repair essentially consisted of paving Jefferson Drive, major feeder roads such as Forest Drive, West Lake Forest Drive, Turkeysag Trail and gate entrances to all existing gates. The remainder of the roads were periodically given a spray of oil and a rock overlay.

A history of annual pavement maintenance expenditures:

<u>Year</u>	<u>Expenditure</u>	<u>Year</u>	<u>Expenditure</u>	<u>Year</u>	<u>Expenditure</u>
1980	\$ 23,892	1986	\$ 11,845	1992	\$137,000
1981	19,948	1987	21,580	1993	22,973
1982	26,927	1988	90,312	1994	183,146
1983	149,594	1989	7,000	1995	119,759
1984	14,955	1990	256,000	1996	263,126
1985	181,747	1991	80,000		

To the best of my ability (and LMOA records) the following details were found:

1983 - Jefferson Drive from the main gate to Bunker Blvd. to the pro shop.

1985 - Paved Jefferson Drive from Bunker Blvd to Turkeysag Trail and Turkeysag Trail.

1990 - Paved Barrett Road and Bunker Blvd. from the pro shop to Barrett (now Mulligan) and the rest of Jefferson from Turkeysag to the main gate.

1996 - Massive feeder roads paving and chip and seal of many infrastructure roads.

Today, Barrett Road is our best example of a 2" road paving surface, going on a 21 year life requiring only two minor repairs at the steepest edge near Mulligan Drive.

In the mid 1990's, the Association contracted with the Cox Company of Charlottesville to assess our roads and drainage. The end result of their study was the Cox Report. (If you desire any bedtime

reading material, you may borrow my copy). This led in turn to an inhouse physical look at LMOA's culverts and roads by directors, committees, staff and volunteers.

In 1998, Bunker Blvd was given a one inch overlay and Northwood Road was given 2" overlay pavement with a subsurface underlayment as necessary after the replacement of three culverts under Northwood. Until 2000, all road repair contracts were competitively awarded to S. L. Williamson, whose contract required culverts that were subcontracted to other contractors such as Backhoe Bob, Inc.

In 1999, a competitive contract was awarded to Hurt & Proffitt, Inc., an engineering firm located in Lynchburg, Va. It included a requirement to provide an engineering report with detailed specifications on both culvert and road paving recommendations.

Later in 1999, a competitive contract was awarded to E. C. Pace, a Roanoke, Va. contractor to replace 100 culverts around Jefferson Drive. The actual number installed was 99 as LMOA deleted one near the Riverside gate area. These culverts increased the size of the original culverts to accommodate a ten year flood condition. The work effort covered a 1999/2000 time period.

In 2000, the spillway walls were reinforced with additional one foot thick concrete wall on both sides. It included the installation of culvert liners inside the existing 20 pipes in the spillway structure. You may not realize it as you drive across the spillway, under the asphalt, there is a solid concrete bed over, around and below the culvert pipes. This contract included grouting of the voids in the concrete, similar to the work being done on the dam underground sluiceways. About 34 cubic yards were injected under pressure as part of this contract in conjunction with the Pace contract, which was awarded competitively to Architectural Design - a small business firm for a value of \$39,590.

Also in 2000, S. L. Williamson, under a contract for \$168,999.95, paved 2" thick, Maplewood Drive, repairing damage done by trucks during the 1998-1999 lake dredging project. Deerpath Road, which had one foot deep potholes, the lower part of Ponderosa Lane (leaking water line problem), Tuscarora Drive in Section 10 ending at the Aqua VA water treatment facility and the Falcon Hills (Turkeysag) entrance gate area. The area for the gate system was deeded back to LMOA by the Virginia Dept of Transportation at this time.

At this time, it was determined that the most effective way of completing the remaining road paving and culvert replacement would be accomplished by complete sections. A proposal to borrow funds from the homeowner-controlled investment account for the funding of rebuilding Jefferson was rejected at the annual meeting and a "pay-as-you-go" plan was approved by the 2001 Board to complete the project.

The "pay-as-you-go" roads objective for 2002 - 2007 was my Director project in 2001 and was approved in concept by each subsequent year's BOD. Every year the current BOD would approve next year's paving and culvert requirements. A "pay-as-you-go" funding plan was briefed to the Planning, Buildings, Roads and Grounds and Finance committees and then presented to the Board to complete the next year's Roads Project work and funding. Unfortunately, this committee involvement and support have not been utilized by Boards during the past few years with most contract decisions being made using behind the scene via e-mails with little committee involvement.

I have included a detailed chart in each Director's handout that summarizes the costs of roads paving and drainage work by year between 2001 and 2007 as well as the sources of funding it. While too detailed and complicated for a power point presentation, I feel it should be available to future Boards and committees in the Resource Room files.

Looking at the chart, one can see the Roads Program costs incurred between 2001 and 2007, broken down between Drainage and Paving. Funding for each is detailed in the sections following. The Roads Program funding came from the new home construction portion of the income plan dedicated home owner road dues as part of the member approval at the 1998 annual meeting as well as later member approval of dues proposals.

As you can see, all new home construction came from prior years through 2004. The 2005 BOD decided to use current year's new home construction, as well, because of the need to fund the new marina (still not funded) and the operations building. Also, the 2005 BOD elected in June 2004 started using

Property Transfer Fees for the culverts and borrowed \$250,000 from the second swimming pool fund without written loan documentation other than a Board motion. In addition, they used monies from the investment set aside to cover inflation to fund the discretionary part of paving.

The heavy new home construction during 2001 - 2005 of about 250 homes per year plus the court settlement of a lawsuit on what the fee was, allowed the BOD to adjust this fee unilaterally. In 2002, members approved an annual dues increase of no more than 3% (based on the COLA adjustment used by the federal government). This annual adjustment is still being used today.

New home construction has fallen off significantly to about 10 or 15 homes per year and a major new home renovation fee of \$500 was added in the 2009 Budget. Again, this is dedicated to roads reserve for future maintenance and repaving.

Today, under the depreciation concept of asset replacement, the only assets carried on the balance sheet are the culverts paid for with property transfer fee funds. Roads have not been capitalized as an asset in LMOA accounting.

Just a quick note; my original estimate for the paving and culverts costs of the pay-as-you-go Roads Program (2002-2007) that I had put together in August 2001 was \$3,904,200. The final actual costs from 2002 to 2007 were \$4,749,854 - a difference of \$845,654. (Note: These costs do not include 2001 contracts which were already partially completed before the pay-as-you-go program was presented for approval.)

Post Roads Program maintenance costs are:

2008	\$110,657
2009	75,672
2010	77,305

These maintenance expenses include depreciation of the culverts, \$28,062 paid for with property transfer fees and recorded as an asset. It is really an exercise in smoke and mirrors. Accounting deducts monthly charges during the year and then adds the total back to the roads reserve. No money is actually set aside in the roads reserve. Depreciation should come out of the operations annual budget since every homeowner uses the roads. It should be a direct expense from operations to the roads reserve. No smoke and mirrors!!!

During 2008 and 2009, contracts were issued to small paving contractors allowing them discretion to fix whatever they thought needed repair - the wrong approach to road maintenance!

In 2010, staff made constructive repairs to the roads where the 2009 snow storm clearing did physical damage in certain locations. There was a heavy reliance on "chip and seal" which was relatively more expensive, costing \$1,350 per truck load. While "chip and seal" was an effective solution in some areas of the road surface, there was considerable waste as material remaining in each truck load was essentially sprayed over the patches made in 2008 and 2009. This was a waste of money in my eyes as Chairman of the Building, Roads and Grounds Committee. We have conveyed committee concerns to the GM and staff. We had no BOD motion approving the program in 2010 although costs far exceeded the \$10,000 authority of the GM as per LMOA Policy 4.02K.

I thought it important to provide a short history lesson of the roads program which I'm pretty sure is the biggest project undertaken by the Association. It spanned the administration of several different BODs - some of which handled it better than others. We are now in a transition period where maintenance is our major concern but during which we need to get our financial resources ready for the next phase of the program.

In the BOD guidance for preparation of the 2012 budget, both the Lake Reserve cost center and the Roads Reserve cost center should get their fair share of each tenant dues payment on rental property. Tenants use the roads and lake, too.

Mr. Weimer will tell you our plans for road repairs later this summer in 2011 and other on-going large programs.