DBR Finance Committee
May 2020

The Finance Committee met on May 11, 2020 via Zoom. The Committee reviewed the Draft Reserve Study Update and found several corrections and adjustments which were forwarded to Susan Oord. We have received the final Reserve Study Update and will have it posted on the DBR website soon.

As we explained at the last work session, we identified a number of projects that could be delayed without compromising the integrity of our assets. However, we also had to add plans for more costs to maintain and/or replace our aging infrastructure. This includes adding a specific line item for sewer line repair/replacement and funding for water distribution repairs and eventual replacement. Radclyffe Replacement is delayed until 2031.

We are currently funding the Reserves at $8420 a month, which is the recommended 100% “Full Funding” contributions. Our projected balance for January 1, 2021 is $355,908. That is only 44% of the “Fully Funded Reserve Balance” of $808,448. In other words, our Reserves will only be 44% funded. This means that the average Reserve Deficit per lot is $3,935.

If we continue to pay into the Reserves at the recommended 100% “Full Funding” rate, we will be at a medium risk of another Special Assessment through 2026. The Reserve Study shows us reaching a low risk in 2027 and staying at a low risk through 2050.

The next item is insurance. Last month we made a recommendation to the BOD to raise our deductible for building and personal property coverage to $10,000. We were asked to review what was covered to see if there was any value in removing lower value buildings from the policy. We found that there is little benefit in removing these few things from the coverage. Furthermore, the $10,000 deductible is per claim. If we had a large loss, like a wildfire, that wiped out multiple buildings, everything would be covered even if a single destroyed building was under $10,000. Therefore, the Committee recommends that we leave everything currently listed on the policy and raise the deductible to $10,000.

Below is the full recommendation and reasoning, which were also provided in the last report.

The updated Commercial policy increases the coverage to adequate and necessary levels but is more expensive – just under $300 more per month. The new Annual Premium for the building and personal property coverage is $11,986 with a $2,500 deductible. The cost can be reduced by raising the deductible. Over the past five years, we have been slowly building an emergency fund/Operational Savings. We now have about $12,000 in Operational Savings, which could be used to cover the deductible if we had a large loss/claim. The options are:

$ 2,500 Deductible	*Annual Premium $11,986*	*($998.83 monthly)*
$ 5,000 Deductible	*Annual Premium $11,177*	*($931.42 monthly)*
$10,000 Deductible	*Annual Premium $10,158*	*($846.50 monthly)*

A $5,000 deductible would give us a savings of $809 annually, or $67.41 per month.
A $10,000 deductible would give us a savings of $1,828 annually, or $152.33 per month.

The difference between $2,500 and $10,000 is $7,500.00. We would save that much in insurance costs in 4 years.

Given that we have $12,000 in our emergency fund/Operational Savings, the Finance Committee is recommending that we increase our deductible for building/property coverage to $10,000.

The Finance Committee also discussed our Umbrella Liability Policy. We currently have a $1,000,000 policy, which is extremely low. The premiums for that policy are $657 annually. The premiums for a $2,000,000 umbrella policy would be $1212 annually – an increase of $555. We recommend increasing our coverage to $2,000,000. The additional cost would be offset by the savings we would realize from raising our deductibles.

Recommendation to the BOD:

Raise the umbrella policy coverage to $2,000,000.

We had an extensive discussion about insurance on the 20 sheds owned by individual leaseholders. The leaseholders pay this portion of the insurance and it only covers the buildings not contents. As a condition of purchasing a shed, the buyer has to sign a contract with DBR that spells out conditions. One of things that we learned in the insurance review, is that if we were doing a totally new policy today, the underwriters would not insure these structures. In other words, they are covered but once a claim is filed, they will no longer be covered. Additionally, because of changes to Jefferson County regulations, we would not be able to replace any sheds in the current configuration (inches apart instead of 10 feet). Once the BOD decides about insurance and deductibles, we will draft a letter for the BOD to the current shed owners explaining everything in detail. We also believe that an updated contract may be beneficial.

Respectfully submitted.

Kate Higgins, Chair
DBR Finance Committee