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June 16, 2022

Dear Covenant Hills Homeowner:

As shared in the recent Covenant Hills budget mailer dated April 25, 2022, the Covenant Hills monthly assessment increased from \$276.00 to \$331.00, effective June 1, 2022. The primary driving factor for this increase was the necessity to increase the monthly reserve contribution. The reserve contribution is the portion of monthly assessments that funds the reserve account for the future repair and replacement of Covenant Hills assets as listed in the Reserve Study, such as asphalt. Of the \$55.00 per month assessment increase that went into effect on June 1, 2022, \$47.33 of it is going directly into the reserve account as part of the monthly reserve contribution.

#### Background Information

In 2021 LARMAC contracted with GMU Pavement Engineering to conduct an extensive evaluation of the more than 2.3 million square feet of pavement surface area in Covenant Hills. **With more than 2.3 million square feet of pavement surface area in Covenant Hills, asphalt is overwhelmingly the most expensive asset listed in the Covenant Hills Reserve Study.** This resulted in a detailed Pavement Management Plan (PMP) study, which provides essential information aimed at optimizing street conditions and estimating the cost to do so. Implementing the recommendations from the PMP Study will extend pavement life and reduce the overall cycle cost over time of the Covenant Hills private streets.

Historically, LARMAC has followed the industry standard of pavement management – seal coating and general surface repairs about every 4 years while reserving funds for a future mill and overlay project. The reserve study, which is populated by a third-party expert, built these anticipated expenses into the reserve study and applied estimated pricing as well as the estimated useful life of the assets based on industry standards.

#### Summary of the PMP Report Findings

Nearly half of the streets in Covenant Hills have deteriorated to a condition below the “good” or “satisfactory” level (refer to table 3. A below). Prior maintenance practices are no longer effective in improving conditions on these streets. These streets will require more extensive rehabilitation work than what has historically been budgeted for in the reserve study. Again, this was the result of a comprehensive evaluation that involved the collection of core samples to better understand what is happening far below the surface in areas that are showing signs of distress.

The streets in Covenant Hills are about 16 - 18 years old. As noted in the PMP Study, streets are typically designed to offer a 20-year design life before major repair work is required. This evaluation has identified the need to significantly increase the asphalt reserve repair/replacement budget across the life of the 30-year Reserve Study to effectively repair and maintain the private



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streets, primarily due to the level of repairs required and the need to adjust the budget based on current repair costs.

**Table 3. A Breakdown of the Overall Pavement Network by Condition Category.**

| Condition Category | Pavement Area   |            | Sections (Streets) |            | PCI<br>(area-weighted average) |
|--------------------|-----------------|------------|--------------------|------------|--------------------------------|
|                    | Surf. Area (SF) | Percentage | No. of Sections    | Percentage |                                |
| Good               | 229,744         | 9.9        | 20                 | 11         | 90                             |
| Satisfactory       | 990,961         | 42.8       | 77                 | 43         | 77                             |
| Fair               | 909,128         | 39.3       | 67                 | 38         | 64                             |
| Poor               | 186,028         | 8.0        | 14                 | 8          | 52                             |
| Very Poor          | 0               | 0          | 0                  | 0          | -                              |
| Serious            | 0               | 0          | 0                  | 0          | -                              |
| Failed             | 0               | 0          | 0                  | 0          | -                              |

### Increasing the Contribution to Reserves

To plan for future street repairs as identified in the PMP Study, the overall asphalt reserve repair/replacement budget in the Reserve Study (throughout the 30-year Reserve Study) has been increased from \$7,097,215 to \$19,225,362. The difference is about \$12M of additional funding required to properly repair/replace the streets as identified in the study. The good news is that this additional funding is spread out across the 30-year Reserve Study, meaning that the budget shortfall doesn't have to be addressed at one time, though it's important to note that most (59% of the \$19.2M) of the planned street repair/replacement work will occur within the next 10 years, which is when most of the major repair work is scheduled to occur.

The recent reserve contribution increase definitely helped to move us in the right direction; however, additional increased funding is still required. This was the first step in the process of increasing reserve funds.

### Next Steps

We want to hear from all Covenant Hills homeowners before proceeding with the next steps for continuing to address the reserve funding shortfall. A QR Code to a brief survey directed at Covenant Hills homeowners is listed below. We would greatly appreciate your input on this matter. The plan is to gather feedback via the survey through July 9 and then send out an update, based on the feedback received, in late July to all Covenant Hills homeowners advising of the next steps.

**Scan the QR Code with your smartphone to access the survey:**



On behalf of the LARMAC Board of Directors,

A handwritten signature in black ink, appearing to read 'Ken Gibson'.

Ken Gibson  
General Manager