



Homeowners Association

## TREASURER'S REPORT November 1, 2008

### **Budget year ending position for 2007-2008 fiscal year**

We expect to finish the year with a favorable position of \$43,940 for actual spending to budgeted expenses. The under spending was totally contributed by savings in projected Landscaping expenses. All other expenses were within the budget categories with a combination of more and less expense occurrence to annual budget.

### **Budget year 2008-2009 forward looking**

We are not increasing the dues this year over last year which had 3.2% increase over the previous three years. Our major budget efforts for the coming few years will be the community conversion from all grass landscape to a combination of drought resistance landscape and grass areas. Our proposed plan from a macro viewpoint is being presented at the annual meeting. The overall goal is to convert a minimum of 45% of our grass to drought resistant plants maintained with drip systems, make final changes to irrigation as outlined by the CVWD survey conducted three years ago, remove runoff from our roadways, and make some needed lighting improvements. It is expected that savings in our landscape contract expenses will fund much of the changes planned over the next three years and then the combination of water savings and landscape cost reduction is expected to be in the neighborhood of \$50,000 annual.

There is a swimming pool issue brought about by recent legislation aimed at improving hazards of people becoming caught in drain and circulation pump screens. We have not defined our pool cost impacts and actions required for this legislation as nothing is very clear concerning needed changes. We are currently surveying our options and trying to incorporate current improvements such as painting, solar systems and overhead shade structure maintenance with these actions. This issue has the potential of challenging our budget expenses this next year.

### **Reserve account review**

First of all let me again address the two different accounting methods required by the state for reserve accounting. The state of California requires HOAs to report reserve health in two methods: Straight line depreciation method and cash flow method. The straight line method basic assumption is that there exists in the reserve accounts at start of year the entire amount required for the upcoming years expenses dependant upon asset life. The cash flow method basic assumption is that taking the year starting balance and adding the amount to be collected in reserve fees from the annual dues must account for the forecasted expenses required dependant upon asset life. We use the cash flow method and are 100% funded for the coming year's forecasted reserve fund expenses. Our reserve fund balance going into our 2008/2009 year is \$190,480. We do not use the straight line method and do not expect to enact a special assessment for this reserve calculation method.

This next year, we will complete the smoothing of the cost of roofing repair and replacement to an annual flat rate of \$80,000 a year. This helps to smooth the ups and downs through the next years of reserve expense requirement forecasts and helps offset the need for assessments for those spikes.

Our next major reserve expense upcoming in a couple years is for the painting of all units.