HIDDEN VALLEY VILLAGE OWNERS ASSOCIATION
Board of Directors Meeting
Minutes

Date of Meeting: Tuesday Oct. 30
Time: 8:00 AM
Location: The Home of Tony Cole. **205 S Juanita Ave, Redondo Beach, CA 90277**
Call in information: (515) 604-9024, Access Code 284183#

1. General
   a. Call to order by President Tony Cole 8:11
   b. Roll call. Board Members present via phone in: Tony Cole Kinoka Ogsbury, Steve Latshaw, David Natali, Ruth Wheeler. Management present via phone in: Steve Black, Guest present via phone in: Matt Desario Board mambers absent: Mike Murphy, Randy Balik.
   c. Approval of Minutes for September 6, 2018 Board of Directors Meeting
      Motion: Kinoka Ogsbury; approve minutes from September meeting
      Second: Tony Cole
      Passed: 5-0
2. Announcements/Orders of the day: None
   a) Recusals: None
   b) Changes to order of agenda: None
3. Treasurers Report: Kinoka provided board members with the following information and recommendations for the 2019 Budget.

   a. financial report: August Financial Statement

FINANCIAL SNAPSHOT FOR MONTH ENDED			74.8%	Into Annual Budget period
September 30, 2018				
-			62.3%	Operating Expense budget spent
	Operating Fund	$137,150	$319,550	2018 Total Operating Expense Budget
	Contingency Fund	$35,000	$199,229	YTD Operating Expenses
	Replacement Fund	$278,956	$39,776.89	YTD UNDER Budget
	Total Funds	$451,106	12.4%	YTD Under/Annual Operating Budget
2	Units Past Due for HOA Dues	$1,068	75.8%	Replacement Expense budget spent
13	Units Pd in Advance for HOA Dues	($6,454)	$142,000	2018 Replacement Expense Budget
Past Due Items of Note:			$107,629	YTD Replacement Expenses
-			($1,421)	YTD Under Replacement Budget Spending
			-1.0%	YTD Over Repl Exp/Annual Replacement Re

   b. Owners in arrears: 2
   c. Warning Notices and Fines: None
   d. 2019 Budget approval. The 2019 Budget proposal prepared by Kinoka Ogsbury Treasurer is as follows:

October 2018
The HVV HOA Budget consists of three sections or ‘Funds’. Homeowner dues are allocated to the ‘Funds’ to cover the respective expenses.

I Operating Fund – Regular and Recurring Operations
II Contingency Fund – Unforeseeable Unbudgeted Costs
III Replacement Fund – Major Capital Repairs or Replacements

The winter of 2018 has been mild so far and we are coming in under budget 27% for snow removal costs year to date.

Several major replacement items budgeted in 2018 have been deferred to 2019. Renovations to manager's unit and assistant manger's unit, originally budgeted in 2017, have been deferred again as units are occupied. Painting for buildings G,H and A has been deferred as costs for painting other buildings came in higher than expected. Painting for buildings G, H and A will be completed in 2019. The HOA has also experienced some staffing deficiency in 2018. The absence of fully staffed management caused minor delays bidding, contracting and oversight of major replacement projects but overall much better than in 2017.

As costs of living continually increase so do expenses to operate and maintain the complex as well as expenses to repair and replace major components.

The largest component of non-discretionary operating expenses is HOA property management. MRB management fees will increase 5% in 2019. The HOA has renewed its contract with MRB for 6 months and will review it again in July 2019.

The second largest non-discretionary component of operating expenses is HOA property and vehicle insurance. 2019 HOA State Farm property insurance premiums are not expected to increase. However, due to the age of the complex the BUILDINGS line item budget for 2019 has been increased from $8.5K in 2018 to $16K in 2019. This increase also takes into account that the HOA is now covering the cost of annual heater maintenance in all units ($3K) as well as annual chimney cleaning for all units ($3k).

Overall labor and material costs have risen significantly over the last 2 years. As a result, major repairs and maintenance are costing the HOA more. This is a trend we are likely to see continue into the future. In addition, the $15k we received from State Farm Insurance to cover snow damage to the roof, did not cover the regular maintenance called for in the reserves study to be completed in 2017. This work should be completed in 2018 at an estimated cost of $15K.

Regular dues will increase $20/month in 2019 due to cost of living increases and increases in property management fees. This represents a 4.2% increase in dues over last year. Based on current projections another increase should not be necessary until 2021 or possibly 2022.

At this time, no special assessment is anticipated for 2019. Snow removal is the single most variable operating expense.

1. OPERATING FUND

The 2019 Operating Fund Budget is 4.5% higher than the 2018 operating budget.

a. Insurance Expenses are not expected to increase in 2019.
b. Management fees increased $5.5K due to 5% contract renewal rate increase in 2019.
c. Electric, Water/Sewer, and Trash Removal expenses will increase $750 based on 2018 projected actual expenses and 2019 2% anticipated rate increase in Trash removal costs.
d. Propane expenses are flat due to 2018 projected actual expense with margin for increase.

2. CONTINGENCY FUND

The 2019 Contingency fund balance is anticipated to remain at the current $35K balance to cover unforeseen emergency expenses.

3. REPLACEMENT FUND

This area poses the greatest budget challenge, but has been guided by the September 2018 Reserve Study. A trend of increasing dues will be likely in future years in order to accommodate replacement costs and to build a replacement fund balance which meets best practices and standards. Annual increase of replacement funding is a step toward necessary funding for the current year and long term.

2019 Replacement Budget spending:

a. The last Professional Replacement Reserve Study was completed in June 2015 and provides a much needed gauge with replacement component useful life and cost estimates.
    i. A Reserve Study is required every three years according to current law. The next full study is due in 2021 at a budgeted expense of $3.2K.
    ii. The 2018 Reserve Study cost $3.1K. Updates are available on an interim basis upon request. Update cost is dependent upon scope.
b. Window replacement reimbursement costs are no longer budgeted. Owner approval of the updated CC&R's discontinued the HOA reimbursement in 2015.
c. Copper plumbing (lower 6 buildings-$297K) is NOT SLATED UNTIL 2025 in Reserve study. PLUMBING inspections performed in fall 2015 supported postponement.
d. Major replacement costs budgeted for 2019 total $188K.
    i. Painting of buildings A, G and H $35K (A was postponed from the 2018 budget and G and H were postponed from the 2017 budget).
    ii. Annual Paint Touch up $9K as in the 2018 Replacement Study.
    iii. Pool and Spa Pump Replacement $2K as per the 2018 Replacement Study.
    iv. Pool Wood Fence Enclosure Replacement $8.6K as in the 2018 Reserve Study.
    v. Pool Furniture $10K as in the 2018 Replacement Study and as requested by owners.
    vi. Siding progressive replacement $60K as per the 2018 Replacement Study.
    vii. Manager's Unit carpet $5.5K as per the 2018 Replacement Study (deferred from 2017)
    viii. Manager's Unit paint $3K as per the 2018 Replacement Study (deferred from 2017).
    ix. Manager's unit renovation $20k as per the 2018 Replacement Study (deferred from 2017).
    x. Assistant Manager's carpet $3K as per the 2018 Replacement Study (deferred from 2017).
    xi. Assistant Manager's interior paint $1.5K as per the 2018 Replacement Study (deferred from 2017).
    xii. Snow blower $3.3K as per the 2018 Replacement Study.
    xiii. ¾ ton pickup (used) $25K as per the 2018 Replacement Study (assumes selling the existing 2005 ¾ ton Chevy pickup).
e. The 2015 Replacement Study included $8.2K for major remodel of the Asst. Manager unit in 2017. Per the 2018 replacement study, this is now budgeted to be completed in 2021.
f. Replacement of residential unit doors for Buildings A-F will begin in 2021. The board plans to replace existing doors with wood doors similar to existing doors.
g. Replacement Fund component spending and priorities will adjust as details are revealed, but it is important to remain 'Budget Aware' and to pursue conservative spending coupled with adequate funding.

Kinoka Ogsbury
HVV BOD Treasurer

e. Reserve Study Findings: The following is a synopsis of the reserve study. The entire report can be found on the website.

<u>1. RESERVE FUNDING PLAN: Optimized 30-Year Cash Flow Analysis</u>

The **Optimized 30-Year Cash Flow Analysis** funding plan indicates that your association should consider raising reserve funding to **$161,958** per year -- followed by cost-of-living increases thereafter -- to adequately build reserves for future expenses.

The recommended <u>first-year</u> funding represents **an increase** of $1.89/month per unit in the *reserve funding portion* of your overall budget.

FY 2019 annual reserve contribution (with annual increases thereafter – refer to cash flow analysis):	$161,958/year
FY 2019 monthly reserve contribution:	$13,497/month
Change in monthly reserve contribution per owner:	$1.89/month

SPECIAL ASSESSMENTS: May be necessary if there are variances in projected expenses or replacement scheduling. Or if capital expenses not listed or unknown to this analysis become apparent and if there are insufficient reserve funds to pay for them.

NOTE: The recommended reserve funding represents the amount that is needed when the association adopts a reserve funding plan to pay for capital expense projects evenly over time. In doing so, the depreciation of capital assets is distributed evenly over the years for all owners. Typical reserve funding rates average over $1,600 per unit per year in the Mammoth Lakes area, so at about ***$1,928*** *per unit per year, the recommended funding for your association is within the norm.*
For some underfunded associations, the rate of funding increases in forthcoming years must substantially exceed the rate of inflation in order to restore reserves to a healthy level. For the complete optimized cash flow projection and graphic depiction of future expenses versus reserves, refer to the optimized cash flow section in this report starting on Page 9.

This reserve funding plan should provide adequate reserves for projected reserve expenses for the next 30 years, barring unforeseen circumstances, and subject to the *Summary of Assumptions* documented herein. It is assumed that interest earned will be accrued *directly* to the reserve account, hence the recommended reserve funding level is *exclusive* of earned interest.

2. STRAIGHT-LINE DEPRECIATION ANALYSIS

The **Straight-Line Depreciation Analysis** indicates that **Hidden Valley Village Owners Association** has cash reserves representing **17.2%** of depreciation of all reserve component assets. This *percent-funded estimate* indicates your association is underfunded for depreciation-to-date. However, if the optimized cash flow funding recommendation is followed, reserve income should be able to fund reserve expenses for the duration of the 30-year projection, assuming expenses occur as projected. In many cases, associations can be less than "100% funded" for depreciation-to-date, yet can adequately fund future reserve expenses using the optimized cash flow analysis funding plan.

The **17.2%** "percent funded estimate" is the ratio of your **$301,872** *reserve balance* versus the **$1,750,586** *life-to-date depreciation* of your reserve components. The percent funded estimate is most often used as a measure of *strength of reserves relative to depreciation of assets*. If your association would like to be 100% funded in the next fiscal year, it would need to make a FY 2019 reserve contribution of **$218,388**, or **$18,199** per month, ***PLUS*** it would fund any accrued "depreciation-to-date" – in this case, $1,448,714. This is not necessary for many associations.

After reviewing the information that Kinoka provided the board discussed:
The options of a smaller dues increase spread over 2 years.
The option of reducing the pool furniture budget

The increased costs for maintenance items that are coming up on the reserve study list.
The proportional dues increase combined with the flat rate fees will result in a $20 increase to all size units except the One bedroom and loft which will increase by $21.
Tony brought up items from the reserve study which included: a possible error in the life expectancy of the two saunas heaters which were replaced in 2016, and the cost of exterior lighting.

MOTION: Ruth Wheeler; accept the budget as proposed with a decrease in pool furniture cost from $10,000 to $5000 and anticipated dues increase of approximately $20/unit
Second; Tony
Passed 5-0

4. Homeowner Forum
   a. Open floor for homeowner comment – 5 minutes per speaker.- Ruth Questioned Matt Desario about the funding and mechanics of implementing a plan for refurbishing the tennis courts. Kinoka said Funding options for a project like this would be in the form of special assessment, or increase in budget for the replacement fund. Matt would like to look at the cost for the courts as well as open up discussion for the use of the court space. No action was taken at this time.
5. Announcements:
   a) Next Board Meeting Date: Saturday, November 17, 2016 10:00 AM. Location: Hidden Valley common area room. Time for the Executive session TBA
   b) Annual Homeowners meeting: November 17, 2018. 2:00 PM, Location Elli Randal Room in the Mammoth Library
6. Adjournment: 9:13