

HIDDEN VALLEY VILLAGE OWNERS ASSOCIATION
Annual Owners Meeting
MINUTES

2:00 PM Saturday, November 2, 2024

Via ZOOM and Mammoth Lakes Library, Ellie Randol Meeting Room

ZOOM Invite Link <https://us06web.zoom.us/j/84897746628?pwd=qZldHgYv3ys4qSbJhT0LC6>
Meeting ID: 848 9774 6628 Passcode: 411608

1. Welcome to Owners

- A) Call to order by President Jim Murphy – **The meeting was called to order at 2:15pm from the HVV Community Room (and Zoom) as the Library was unexpectedly closed.**
- B) Introduction of Board of Directors and Management Team.
Board Members Present: Jim Murphy #122, Deb Martin #40, Brian Johnson #19, Susan Kirkgard #107, Ruth Wheeler #131/136, Tricia Gomez #41/43
Board Members Absent: None
Management: Present
- C) HVV Owners Self-Introductions
Kenneth Stickles #29
Mike & Laura Tikunoff #38/21
Karen Shorr & Jeff Risse #8
Niki Yoblanski #22
Steve and Norma Latshaw #26
Brian and Rose Paschall #117
Greg Wheeler #131/136
Adrea Murphy #122
- D) Announcements - None

2. Election of New Board Director

Jim Murphy will be elected to the board via acclamation.

3. Review of the Year

- A) Major accomplishments at Hidden Valley Village
 - 1) Maintenance Items: All new metal roofs, interior storm repairs, sewer lines, upper spa bathrooms re-do, resident front door replacements, touch up painting by management
 - 2) Committee work: **Standing:** architectural, rules enforcement **ad-hoc:** insurance
 - 3) Management contract: renewed through June 2025

4. The Coming Year and Beyond

- A) 2024 Reserve Projects: Complete roof and chimney chase replacement with metal, Upper spa showers, 9 residential front doors, Sewer line cleanouts
- B) Future Reserve Projects: Driveway slurry, Concrete Pool Deck and Pool Fence, Painting has been deferred.
- C) Management report & comment.

5. Treasurers Report and Financial Review

- A) Annual Financial Report from the Treasurer – included in this morning’s regular meeting consent agenda. Ruth also read parts of it at the meeting sharing the dues increases and an overview of the operating budget. She further shared that all financial documents are posted to the HVV website. She disclosed that if we are not allowed to pay insurance fees monthly from June 2025-December 2025 a special assessment will be necessary. Monthly dues in 2025 will be: STUDIO = \$608/month, STUDIO LOFT = \$700/month ONE BEDROOM = \$702/month TWO BEDROOM = \$769/month ONE BEDROOM AND LOFT = \$809/month.
- B) Delinquencies – Ruth shared that there are only 3 owners delinquent, one of which is over \$5,000 and may go to collections. The others are not significant.
- C) 2025 Budget Review & Monthly Assessment for 2025 (Part of Treasurer’s Report)
- D) Reading of Tax Resolution. – Ruth read the tax resolution and it was approved by all present. Jim and Debra will sign the document and send it to Butner’s office.

Resolution of the Hidden Valley Village Owners Association, Inc.

WHEREAS, the Hidden Valley Village Owners Association, Inc. is a California organization duly organized and existing under the laws of the State of California; and WHEREAS, the members desire that the Association shall act in full accordance with the rulings and regulations of the Internal Revenue Service;

NOW, THEREFORE, the members hereby adopt the following resolution by and on behalf of the Association:

RESOLVED, that any excess of membership income over membership expenses for the year ended December 31, 2024, shall be applied against the subsequent tax year member assessments as provided by IRS Revenue Ruling 70-604.

This resolution is adopted and made part of the minutes of the meeting of November 2, 2024

BY: _____
President: Jim Murphy

ATTESTED: _____
Secretary: Debra Martin

7. Homeowners Forum / Open Floor

- Rose Paschall shared information regarding the square footage calculations for units that had lofts. We had a brief discussion about creative ideas about insurance that will be further discussed by the insurance committee.
- Steve Latshaw asked about the possibility of insurance rates being reduced. At this time any reduction of rates is anticipated to be minimal with the possibility that rates will increase rather than decrease. Tricia shared information regarding insurance trends in Florida. A 7-member

insurance committee is researching options.

8. Closing Announcements

None

9. Adjourn Meeting – Meeting adjourned at 3:06 pm.

2024 Annual Financial Report from the Treasurer, Ruth E. Wheeler

There is no way to sugar coat the 2024 Annual Financial Report. Monthly dues collections in 2025 will increase significantly. The increase is because of the astronomical increase in insurance costs. This expense is allocated to the operating fund and is proportional based on the square footage of units so, while all units will see an big increase in dues, the 450 square foot Studio will be less impacted than the 1,000 square foot One Bedroom loft.

The Hidden Valley Village HOA Budget consists of three sections or 'Funds'.

I Operating Fund – Regular and Recurring Operations

II Contingency Fund – Unforeseeable Unbudgeted Costs

III Replacement Fund – Major Capital Repairs or Replacements

Homeowner dues are allocated to the 'Funds' to cover the respective expenses. By law the maximum aggregate amount of dues collection increase from year to year may not exceed 20% of the previous year without a vote of approval from the ownership. Due to the increase in the cost of insurance in the Operating fund from \$35,000/year to \$295,000/year the maximum increase of 20% will be implemented. In 2024 the total amount of funds collected from owners was \$590,087, In 2025 the total amount will be \$708,104. This increase will affect the median size unit at Hidden Valley by increasing the current dues by about \$120/month. Smaller units will pay less, and larger units will pay more.

Each month the Board of Directors must review the monthly statements and ratify the Treasurers Review. The Ratified documents for 2023 can be found on the Hidden Valley Mammoth website under HVVOA INFO>Newsletters & Notices. Included in each monthly review is; an accounting of all expenditures and deposits to each of the three funds, a listing of all reserve fund checks and any operating fund checks that exceeds \$2,000 dollars, tracking of all insurance claim funds collected from the State Farm claim, expenditures from the claim used to repair damage caused by the 2023 storms, and projections for the routine expenditures from the operating fund.

The following information explains the factors which were considered in developing the 2025 Budget.

I. Operating Fund

The Operating Fund is used for non-capital regular recurring expenses, broken down into three sections: Administrative, Maintenance & Supplies, and Utilities. It is based on a zero-balance principle. Yearly projections for regular expenses are calculated as accurately as possible based on past expenses, multi-year averages, predictions of inflation, cost increases issued by vendors, and anticipated maintenance items.

It is not an exact science. Being overly conservative and padding line items unnecessarily results in large surplus funds at the end of each year which indicates overcharging owners unnecessarily. Being "penny wise and pound foolish" creates yearly deficits and the potential for "emergency" assessments. The 2024 budget closely hit the targeted zero balance goals in the three major categories; administrative expenses, maintenance & supplies and utilities. The budget fell far short of covering expenses for the unforeseen insurance expenses which are categorized in the budget under Administrative Expenses. Increased insurance costs are the main driver of the dues collection increase for the operating fund. I have disclosed the situation with the cost of insurance and how the Board has responded to the need for increased insurance funds at the end of this Operating Fund section. Other areas of note in the three categories of the operating fund are:

Administrative Funding: a slight decrease in accounting fees and normal to moderate increases in management fees, and legal fees based on cost of living. Management has found Wi-Fi and phone service at reasonable cost so that line has held steady.

Maintenance & Supplies: Truck Expenses increased \$500, Landscape increased \$5,000 this is due to the need for dead tree removals. A trace of good news, Pool, Jacuzzi and Sauna costs are down due to management's diligence on ordering supplies online and routine maintenance. We have a \$2,000 reduction on this item.

Utilities: There is some good news here. This is usually the section of the budget that increases steadily. In 2024 we increased items in this section significantly based on utility costs for the harsh winter of 2023. Our year-end projections for 2024 utilities show a significant savings compared to the previous year. Comparing February total Electric expenses from 2023 to 2024 showed a 6% decrease in cost. We have reduced the utilities budget by \$8,500

II. Contingency Fund

Contingency funds are used to cover unanticipated costs in the operating fund such as excessive snow removal costs, unpredicted increases in utility expenses, and other non-capital expense items. Contingency funds can also be transferred to the Reserve Fund if capital expense items run significantly over budget. There are civil code restrictions on Replacement funds. They may not be used for operating

expense items such as snow removal or insurance costs. For this reason, it is recommended that interest earned on investments allowed by the Davis Stirling Act and surplus operating funds at year end be transferred to the Contingency Fund rather than the Replacement Fund. Keeping a healthy contingency fund allows the Board to budget conservatively for the operating fund with an eye toward not overcharging owners for routine operating expenses.

The Contingency fund was depleted in 2023 due to the unpredicted extraordinary expense of snow removal last winter. The Contingency fund had \$60,000 at the beginning of 2023. The entire amount was used to offset the 2023 snow removal costs to lower the amount of the Emergency Special Assessment for snow removal. By allocating interest earned on our T-Bill investments we anticipate a balance of \$65,000 in the contingency fund to start 2025. We anticipate additional earnings from interest through the year. The monthly balance in the contingency fund is listed in the Treasurer's review. Funding for the Contingency fund in 2025 will not come directly as a line-item expense from the 2025 Budget.

It is recommended that we work toward building a \$100,000 Contingency fund balance over the next several years. The building of the contingency fund can come from 2 sources other than owner dues. These sources are year-end surplus in the operating fund and investment income from Treasury Bonds or CD's.

The reserve Study completed in 2024 recommends that 2% of funds generated by investment income be allocated to the reserve fund. This equates to a \$7,600 contribution of investment funds to the reserve account in 2025. The Transfer of \$7,600 from Contingency Funds to Reserve Funds in January of 2025 is recommended.

III. Replacement Fund.

This portion of the Budget also has bad news for us. A 15% increase of collection of funds for the reserve fund has been recommended in the 2024 Reserve Study. To give a perspective on this increase we have been increasing Reserve funding amounts by 3% for the last six years. Increasing dues to accommodate the amounts budgeted in the operating fund and the recommended reserve fund amount would increase dues by over the maximum 20%. This would violate CA Civil Code 5605. The best we can do to fund reserves in 2025 is a 7.5% increase which will contribute \$188,500 to the reserve fund in 2025. The recommended reserve funding amount was \$305,238.

The Board of Directors is charged with prudent, fiscally responsible spending of reserve funds for major capital expenditures. All expenditures from the reserve fund must be approved by the Board at an open meeting. Healthy reserve funds and prudent spending improve property values.

Replacement projects completed in 2024 are: Re-roofing of entire complex, replacement of ten unit front doors, sewer line preventative clean outs, Upper Pool building shower replacement, one snow blower replacement, Plenty of painting touch up by management.

Replacement projects that are on our list for 2025 are: Concrete Pool Deck and Fencing, driveway slurry, up to ten, unit front doors. Manager's unit appliances, (Painting has been defered)

-Disclosures: The following disclosures regarding the 2025 Budget are provided to explain the approximate 20% dues increase for 2025.

Reserve Study and less than recommended contribution to Reserves in 2025

The disclosure statement in a nutshell is this: In 2025 the Reserve Fund dues allocation will provide 7.5% of the recommended 15% increase in funding. Thereafter, Reserve Fund dues increases at 15% until year 2030 are recommended. After 2030 increases are at the rate of inflation are to be expected.

First an explanation of the creation of the Hidden Valley Reserve Study is necessary. A reserve fund study by a professional is required of all HOA's in California every three years. 2024 was a reserve study year for Hidden Valley. A committee comprised of Board Members Susan Kirkgard, Ruth Wheeler, Homeowner, Karen Shorr and Manager Karen House collected information on needed capital expenditures and current costs. This information was shared with Chris Andrews of Stone Mountain Corp. Chris gave his professional input on current construction costs based on statewide and local data. Stone Mountain performs Reserve Study reviews for over 90 HOA's in Mammoth and the surrounding area. The committee was informed that we should anticipate significant increases for yearly collections for the reserve fund based on increased local and statewide construction costs and inflation rate increases since our 2021 reserve study was completed. This increase proved to be true.

We are not in a seriously compromised position when it comes to our Reserve funding plan. Our anticipated year-end balance in the Reserve fund for 2024 is \$541,000. We are in a position that requires us to use a "ramped" approach to our funding over the next 5 years. The best explanation of this that I can give is to pass on the information from Chris Andrews received via email:

"I've run the 30-Year Optimized Cash Flow Analysis, and it shows the need for a steep increase in reserve funding. However, since you said the HOA has been slammed with huge insurance increases this year, we have a way of skipping an increase in reserve funding in FY 2025 and then picking up the slack gradually in future years. I would think that would be good news for the forthcoming FY 2025

budget. I ran the analysis, and it works, primarily because your expense pattern is favorable in the near-term years with ample reserve balances at each year-end. However, in order to do this, there are multiple years of above-inflation annual reserve funding increases after 2025. Much of the need for the funding increase is due to huge inflation since we did the last Hidden Valley Reserve Study 3 years ago.”***(Information provided by Chris Andrews, from Stone Mountain Corp.)

The 15% increase needed over the next 5 years equates roughly to a \$30/month increase in dues going into the reserve fund each year until 2030.

Operating Fund Significant Increase because of Insurance Cost Disclosure:

Insurance – What we have gained, what we are spending, what we are doing to maximize benefits and minimize cost.

In 2023, all complexes in Mammoth experienced damage due to the extreme winter storms. Thanks to our management team and a million-bazillion emergency special board meetings we were right on top of filing our insurance claim with State Farm. If you look around town, you will see several complexes that are under construction and still “digging out” with deferred maintenance projects. The Board, and especially the management team, are to be highly praised. We are buttoned up with new roofs and chimneys that won’t leak. We are ready for the winter season of 2025.

Here is what has been accomplished:

-We have Collected \$722,700 from State Farm

-Management and Architectural Committee Chair Tricia Gomez-Luzio have facilitated interior repairs on 36 units for a total cost of \$93,323

-In the Summer of 2023 we spent \$133,629 on exterior work including some Balcony repairs, cap railing repairs and some roofing and chimney work to get buttoned up for the 2024 winter. Remember the metal edges on some of our roofs last winter??

-By hiring an insurance consulting firm we gained funds to replace roofs. The decision was made (after another million-bazillion Board meetings) to replace with metal roofs rather than the existing composite materials.

-Cost Break down for the metal re-roofing project: Funds paid from the insurance claim proceeds = \$542,566, Funds paid from the Reserve Fund = \$387,494 , Total Cost of Re-Roofing Project = \$930,060

This is what we have gained and what we have spent from the reserve fund.....PS-I know a million-bazillion is not a real number.....just being dramatic.

We are still working to receive about \$375,000 from State Farm. The company is working hard to sidestep their obligation to pay this amount, and we are working hard to collect. The outcome is unknown currently.

Next we have to look at the backlash. As we all know, State Farm non-renewed our insurance policy which used to cost \$35,000. We were one of 72,000 non-renewals by State Farm Insurance across the state. We had 60 days to find insurance, it was a nightmare and the final cost for the Insurance was about \$294,00. An emergency Special Assessment was necessary. We will be digging out of this hole for a few years. Many will correctly question, and second guess, the advisability of filing the claim with State Farm and pushing for the payments that our insurance policy guarantees. I can only give you my personal opinion on this line of thinking. First off we can only move forward from where we are now, whining about our current situation is counterproductive. Secondly, some people choose to not believe in climate change. National insurance companies believe in climate change. Mammoth is a high-risk area for insurance companies. Over the last three years several condo complexes in Mammoth have experienced non-renewals and increased rates. It is likely that other complexes will be non-renewed in the future. At least we have collected \$700,000 and invested in repairing our complex.

This brings me to what do we do now? How can we maximize benefits and minimize cost.

Now that we are safely covered by insurance policies. We have established a committee with the goal of lowering our insurance costs while maintaining the levels of insurance required by our CC&R and mortgage lenders. We hope to have a list of all of our options -ready to present to the Board. By the January 2025 regular Board Meeting. By the March 2025 regular Board Meeting we hope to have our study completed and make a recommendation to the Board. * Note as a committee we do not set policy, we research and make a recommendations. Thank you to the seven owners, Jason Brooks Jon McCuskey, Jen Waterman, Peter Spenser, Karen Shorr and Rose Paschall, two Board members, Tricia and me, and

Karen Houle who volunteered to serve on the committee. Hopefully we will be able to lower our insurance costs. In the meantime, we must prepare for the upcoming insurance expenses.

The proposed Budget with a 20% dues increase for 2025. Was adopted by the HVVOA Board at the Nov 2, regular Bard meeting

Ruth E Wheeler

HVV BOD Treasurer.