

Sample Budget Packet

DATE: April 15, 2019
TO: All Homeowners
FROM: Board of Directors

RE: 2019-20 Budget

Enclosed is your copy of the 2019-20 Operating Budget and Reserve Study. **Beginning June 1, 2019 the monthly assessment increases to \$402 per month.**

Budget Overview

In the past 10 years we have had only two assessment increases - one in 2015 of 2.8% and the other in 2017 of 4.1%. Over these years, the we have worked hard to keep expenses, within our control, low. Meanwhile, external costs continue to rise, such as PG&E, water and insurance. Adding to the budget challenges, revenue from other sources, such as bad debt collection and laundry service has declined.

- LED lighting has been implemented throughout the common area. But PG&E is expected to continue raising rates, due to their financial troubles from California fires this past year.
- We anticipate water costs to continue to rise – a residual of the California drought in recent years.
- With minimum wage increases, some of our vendor costs are rising, such as landscaping.
- Insurance rates have risen dramatically, due to a large fire claim here on property in early 2018.

Our dues are in line with neighboring HOAs. For example, Park Ridge Condos, near Lowe's is raising their dues to \$390 per month starting May 1st. Baywoods HOA, just on the other side of the freeway, is up to \$410 per month.

The complete budget, including historical data, is on Page 2. Pages 3-4 give you a narrative description of the 2019/20 Operating Budget, including costs per unit/per month. Separate documents provided in this package are:

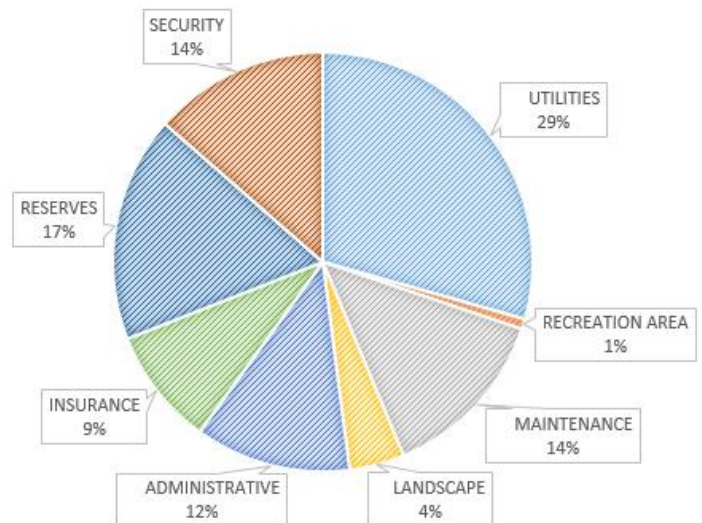
Reserve Funding

Currently the Reserve Funding Plan projects the need for a one-time Special Assessment in 2023 of \$1,800 per unit.

Annual Statutory Disclosures

Also enclosed are important annual disclosures required by California law. *We strongly encourage you to read these disclosures.*

2019-20 BUDGET



2019-20 BUDGET / 328 units

FISCAL YEAR BEGINS JUNE 1, 2019

		2015-16	2016-17	2017-18	2018-19	2018-19	2019-20	2019-20	% CHANGE	BUDGET TO
		ACTUAL	ACTUAL	ACTUAL	BUDGET	EST. ACT.	BUDGET	PER/UNIT	BUDGET TO	BUDGET TO
				From Audit		as of 02/19		PER/MON.	BUDGET	BUDGET
REVENUES										
41010	ASSESSMENTS	1,456,320	1,456,320	1,515,360	1,515,342	1,515,342	1,581,033	402	4.34%	\$65,691
	TRANSFER FROM HERITAGE ACCT			0	32,000	32,000	11,000	8.13	-65.63%	(\$21,000)
43110	LAUNDRY INCOME	26,813	28,349	20,210	28,000	16,485	17,000	4.19	-39.29%	(\$11,000)
43010	BAD DEBT RECOVERY	52,492	26,511	4,495	5,000	0	0	0.00	-100.00%	(\$5,000)
	RENTAL INCOME	14,091	4,460	0	0	0	0	0.00		\$0
43910	FINES & PENALTIES	14,516	4,045	7,000	6,000	12,000	12,000	3.05	100.00%	\$6,000
43990	MISC.	20,000	27,980	12,447	10,000	2,529	5,000	0.64	-50.00%	(\$5,000)
	TOTAL REVENUES	1,584,232	1,547,665	1,559,512	1,596,342	1,578,357	1,626,033	\$417.70	1.86%	\$29,691
EXPENSES										
UTILITIES										
55012	ELECTRICITY	19,341	22,533	31,617	25,919	27,982	35,687	7.11	37.68%	\$9,768
55010	GAS	72,494	82,987	75,850	84,275	79,706	83,691	20.25	-0.69%	(\$584)
	sub-total	91,835	105,520	107,467	110,194	107,688	119,378	27.36	8.33%	\$9,184
55014	WATER	98,085	107,640	124,940	124,126	129,383	133,265	32.87	7.36%	\$9,139
55015	SEWER	79,036	79,036	92,532	92,533	98,631	101,589	25.06	9.79%	\$9,056
	sub-total	177,121	186,676	217,472	216,659	228,014	234,854	57.93	8.40%	\$18,195
55016	REFUSE DISPOSAL	99,666	99,791	99,665	99,665	99,665	99,665	25.32	0.00%	\$0
55017	EXTRA REFUSE PICK-UP	24,697	25,189	32,242	24,000	27,792	24,000	7.06	0.00%	\$0
	sub-total	124,363	124,980	131,907	123,665	127,457	123,665	32.38	0.00%	\$0
	SUBTOTAL	393,319	417,176	456,846	450,518	463,159	477,897	168.54	6.08%	\$27,379
54010	SECURITY	220,126	218,517	218,299	227,556	216,800	220,000	55.08	-3.32%	(\$7,556)
MAINTENANCE										
51010	MAINTENANCE PAYROLL	151,330	158,408	156,571	153,557	144,676	148,000	36.76	-3.62%	(\$5,557)
51011	GENERAL MAINTENANCE SUPPLIES	34,376	33,981	40,183	39,000	45,863	39,000	11.65	0.00%	\$0
51018	PLUMBING	4,060	2,807	3,144	2,400	5,729	2,400	1.46	0.00%	\$0
51025	FENCE AND GATE REPAIRS				1,500	12,411	5,000	3.15	233.33%	\$3,500
51012	MISC.CONTRACTOR	25,863	12,800	8,663	14,000	7,173	9,000	1.82	-35.71%	(\$5,000)
51015	COMMON AREA JANITORIAL	12,134	13,428	13,680	13,368	13,332	13,368	3.39	0.00%	\$0
51020	STREET SWEEPING	3,178	3,213	2,808	3,276	3,468	3,248	0.88	-0.85%	(\$28)
	SUBTOTAL	230,941	224,637	225,049	227,101	232,652	220,016	54.84	-3.12%	(\$7,085)
LANDSCAPE										
51210	LANDSCAPE CONTRACT	53,750	53,616	55,362	53,618	56,880	56,880	14.45	6.08%	\$3,262
51212	PLANT REPLACEMENT	6,934	5,268	5,766	6,000	3,299	5,000	0.84	-16.67%	(\$1,000)
51214	IRRIGATION REPAIRS	5,372	6,767	3,356	9,000	7,939	7,000	2.02	-22.22%	(\$2,000)
	SUBTOTAL	66,056	65,651	64,484	68,618	68,117	68,880	17.31	0.38%	\$262
ADMINISTRATIVE										
50035	MANAGEMENT FEE	58,994	52,684	45,303	0	0	0	0.00		
50036	ON-SITE MGT STAFF	83,854	77,635	95,704	142,682	137,044	142,585	34.82	-0.07%	(\$97)
50030	ACCOUNTING	22,488	22,488	22,488	22,448	22,488	22,448	5.71	0.00%	\$0
50034	MISC. ACCOUNTING	1,500	2,040	1,819	0	0	0	0.00		
50022	AUDIT & TAXES	3,000	3,000	3,000	3,000	3,000	3,000	0.76	0.00%	\$0
50048	TELEPHONES & INTERNET	2,742	3,032	4,385	3,360	5,633	5,633	1.43	67.65%	\$2,273
50016	OFFICE SUPPLIES	4,612	3,112	4,904	3,600	5,049	4,000	1.28	11.11%	\$400
50014	COPIES	3,060	2,309	2,893	2,640	527	1,000	0.13	-62.12%	(\$1,640)
50012	POSTAGE	4,160	3,676	3,752	3,600	3,017	3,200	0.77	-11.11%	(\$400)
50040	ROUTINE LEGAL FEES	6,236	10,524	10,445	10,000	5,469	6,000	1.39	-40.00%	(\$4,000)
51000	ASSESSMENT COLLECTION	538	5,192	10,817	2,000	1,200	500	0.30	-75.00%	(\$1,500)
50090	ADMINISTRATIVE INCIDENTALS	6,997	6,406	6,937	7,200	14,051	7,000	3.57	-2.78%	(\$200)
	SUBTOTAL	198,181	192,098	212,447	200,530	197,479	195,366	50.17	-2.58%	(\$5,164)
RECREATION AREA										
53010	POOL MONITOR PAYROLL	9,194	6,585	7,539	6,308	7,170	8,894	1.82	41.00%	\$2,586
53020	POOL SUPPLIES & MAINT.	3,486	3,314	2,884	3,350	4,003	3,350	1.02	0.00%	\$0
53090	POOL LICENSE	730	730	900	730	730	730	0.19	0.00%	\$0
	SUBTOTAL	13,410	10,629	11,323	10,388	11,903	12,974	3.02	24.90%	\$2,586
50010	INSURANCE	97,236	127,481	124,058	128,133	144,510	147,400	36.71	15.04%	\$19,267
	SUB-TOTAL OPERATING EXPENSES	1,219,269	1,256,189	1,312,506	1,312,844	1,334,620	1,342,533	339.08	2.26%	\$29,689
50050	BAD DEBT	0	0		0	0	0	0.00		
12080	RESERVES	319,972	279,225	283,350	283,498	283,500	283,500	72.03	0.00%	\$2
	TOTAL ALL EXPENSES	1,539,241	1,535,414	1,595,856	1,596,342	1,618,120	1,626,033	411.11	1.86%	\$29,691
	NET RESULT	44,991	12,251	-36,344	0	-39,764		7		

Sample	HOA	2019-20 Operating Budget Narrative	
REVENUE			
41010	Assessments [Regular assessments paid by all owners]		\$1,581,033
	<i>Transfer From Heritage Account = per unit/per month dues reduction</i>	\$2.79	\$11,000
43110	Laundry Income [assumed reduced income from 2018/19]	\$1,416.67	per month x 12 = \$17,000
	<i>per unit/per month dues reduction =</i>	\$4.32	
43910	Fines and Penalties [twice the budget amount from 2018/19]		
		\$1,000.00	per month x 12 = \$12,000
	<i>per unit/per month dues reduction =</i>	\$3.05	
43990	Miscellaneous Income [keys/permits, Rebates, etc.]	\$416.67	per month x 12 = \$5,000
	<i>per unit/per month dues reduction =</i>	\$1.27	
	Overall Revenue expected decline from 2018/19 =	(21,000)	\$1,626,033
EXPENSES			
Utilities			
55012	Electricity [for common area lights and laundry rooms]	\$2,973.88	per month x 12 = \$35,687
		\$9.07	<i>per unit/month</i>
	<i>2018/19 Estimated Actual % over budget</i>	7.96%	
55012	Gas [for hot water heaters & dryers]	\$6,974.28	per month x 12 = \$83,691
		\$21.26	<i>per unit/month</i>
55014	Water [residential water and landscape irrigation]	\$11,105.38	per month x 12 = \$133,265
		\$33.86	<i>per unit/month</i>
55015	Sewer	\$8,465.78	per month x 12 = \$101,589
		\$25.81	<i>per unit/month</i>
55016	Refuse Disposal [Weekly blue trash & brown recycle can service]	\$29.04	x286 cans x12 M \$99,665
		\$25.32	<i>per unit/month</i>
55017	Extra Refuse Pick-Up [common area removal of personal items]	\$2,000.00	per month x 12 = \$24,000.00
		\$6.10	<i>per unit/month</i>
54010	Security [2 private security officers - 7 days/wk for 8 Hrs]	\$17,225.25	per month x 12 = \$206,703
		\$52.52	<i>per unit/month</i>
	5 Camera internet access points [not including the office]	\$792.43	per month x 12 = \$9,509
		\$2.42	<i>per unit/month</i>
	Misc. camera repairs	\$49.00	per month x 12 = \$588
Maintenance			
51010	Maintenance Payroll [Includes 1 PT employee & 2 FT w/benefits]	\$12,333.33	per month x 12 = \$148,000
		\$37.60	<i>per unit/month</i>
51011	Maintenance Supplies [for common area upkeep]	\$3,250.00	per month x 12 = \$39,000
		\$9.91	<i>per unit/month</i>
51018	Plumbing [Contractor fees for misc. plumbing needs]	\$200.00	per month x 12 = \$2,400
		\$0.61	<i>per unit/month</i>
51025	Fence & Gate Repairs	\$416.67	per month x 12 = \$5,000
		\$1.27	<i>per unit/month</i>
51012	Misc. Contractor [when off-site contractors are required]	\$750.00	per month x 12 = \$9,000
		\$2.29	<i>per unit/month</i>
51015	Common Area Janitorial [litter ,carports and trash area cleaning]	\$1,114.00	per month x 12 = \$13,368
		\$3.40	<i>per unit/month</i>
51020	Street Sweeping [additional private contractor sweep each month]	\$234.00	per month x 10 = \$2,340
		\$454.00	x2 Mo Dec/Jan = \$908
		\$2.10	<i>per unit/month</i>
			\$3,248
Landscape			
51210	Landscape contract [monthly common area landscaping]	\$4,740.00	per month x 12 = \$56,880
		\$14.45	<i>per unit/month</i>
51212	Plant Replacement [normal and periodic plant replacement]	\$416.67	per month x 12 = \$5,000
		\$1.27	<i>per unit/month</i>
51214	Irrigation Repairs		

51214	Irrigation Repairs	\$583.33	per month x 12 =	\$7,000
		\$1.78	per unit/month	
Administrative				
50036	Management Staff	\$11,882.07	per month x 12 =	\$142,585
	All costs for one full time manager and one full time assistant.	\$36.23	per unit/month	
50030	Accounting [monthly billing & general ledger services]	\$1,870.67	per month x 12 =	\$22,448
		\$5.70	per unit/month	
50022	Audit and Tax Returns		Annual	\$3,000
50048	Telephones & Internet [includes office & staff mobile phones]	\$469.42	per month x 12 =	\$5,633
		\$1.43	per unit/month	
50016	Office Supplies	\$333.33	per month x 12 =	\$4,000
		\$1.02	per unit/month	
50014	Copies [Large volume copying off-site]	\$83.33	per month x 12 =	\$1,000
50012	Postage	\$300.00	per month x 12 =	\$3,200
50040	Routine Legal Fees	\$500.00	per month x 12 =	\$6,000
		\$1.52	per unit/month	
51000	Assessment Collection		Annual	\$500
50090	Misc. Administration	\$583.33	per month x 12 =	\$7,000
		\$1.78	per unit/month	
Recreation Area				
53010	Pool Monitor Payroll [1 PT employee w/partial benefits - 4 Mo/Yr]	\$2,223.60	per month x 4 =	\$8,894
		\$6.78	per unit/month	
53020	Pool Supplies & Maintenance [service during pool use months]	\$670.00	per month x 5 =	\$3,350
		\$2.04	per unit/month	
53090	Pool License		Annual	\$730
50010	Insurance [annual policies expire June 30]	Annual Premiums		
		2017/18	2018/19	Change +/-
	Property and liability	\$108,077	\$122,147	13%
	Directors & officers	\$2,603	\$3,248	25%
	Umbrella liability	\$4,880	\$4,880	0%
	Auto	\$2,875	\$3,549	23%
	Workers compensation	\$12,560	\$10,686	-15%
		\$130,995	\$144,510	10%
	Total Insurance Budget 2019/20	\$36.71	per unit/month	\$144,510
49010	Reserves [Funding based on Reserve Study dated April 2019]	\$72.03	per unit/month	\$283,500