

SAN LORENZO HOMEOWNERS ASSOCIATION COMMUNITY NEWSLETTER NOVEMBER 2024

PROPERTY & LIABILITY INSURANCE COVERAGE OF SAN LORENZO ASSOCIATION PURCHASED

The Community Association's property and liability insurance with Farmers Insurance ended October 28th. The decision by Farmers to terminate insurance with community associations having more than \$50 Million in insured property value created significant problems for the HOA to obtain insurance because of the 2008 Freeway Complex fire burning to within 1,000 feet of the community fence line. The Orange County Fire Authority moved the wildfire fuel modification zone into the community after having established it north and east of the community in 2004/2005. Prospective insurers were reticent to provide a quote to cover the Association at full replacement value – even in the high cost, high risk excess and surplus insurance market.

The community management company worked with several insurance brokers to obtain the best possible coverage for the HOA. All California admitted insurance companies declined to quote because of wildland/brush proximity so close to the community and the 2008 fire that burned near to the San Lorenzo Community property. The decision by admitted insurance carriers to decline coverage of the community assets pushed the HOA into the surplus market where costs can range from 200 to 700 percent higher. The 2025 cost of insurance increased 198.82 percent from the 2024 cost. Even at more than \$200,000, the Association was unable to afford 100% replacement coverage for wildfire and smoke damage for the approximately \$85 Million insured property value.

The California Fair Plan is only providing \$20 Million in insurance for wildfire damage or wildfire smoke damage coverage. There is a belief among California insurance agents and brokers that the Fair Plan will increase coverage for condominiums up to \$100 Million in February, however, that is neither announced nor in place at this time. The remainder of the building property (not wildfire related) and liability coverage has had to be purchased from the surplus – non-admitted – insurance market at a significantly higher cost than from California insurers.

To pay for the unplanned, unbudgeted \$202,047.71 insurance cost for 2025, the Board of Directors passed an Emergency Special Assessment compliant with California's Davis Stirling Common Interest Development Act during the Town Hall budget meeting with members. All Association owner/members will be assessed \$772.60 in January 2025 to pay for the 198% insurance cost increase. The assessment may be paid all at once in January or over 10 months at the rate of \$77.26 per month that must be paid prior to October 31, 2025. This is to ensure the loan from the Reserve Fund that was required to pay the insurance invoice in full at time of renewal is paid back within 12 months as required by law.

2025 RESERVE STUDY RECEIVED, REVIEWED, & APPROVED BY THE BOARD FOR RELEASE

The board and management received and reviewed the 2025 Reserve Study for the Community. The full Study document will be posted to the Community Association website. The Reserve Study shows the Community Association currently has a more than \$5 Million shortfall compared to the Full Funding Reserve Balance. The Study recommended funding the Reserve at \$65,500 per month in 2025 – the amount required to fund at the "Monthly Full Funding Allocation" rate. Because of the unanticipated high cost of insurance and the statutory 20% assessment increase limitation under the State's Common Interest Development Act, the Reserve will only be able to fund monthly at approximately 76% of required funding or \$50,027 – below the level needed to keep the Reserve above \$0.00 and just above the deterioration rate of our components and infrastructure.

The Reserve Study also recommended that the Association send a one-time \$1,131,000 (\$6,500 per Unit) Special Assessment to the membership for a vote to cover current project funding requirements

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that cannot be undertaken because of historic underfunding and borrowing from the Reserve. The board and management will send this special assessment to the membership in early 2025 for a vote.

2025 BUDGET APPROVED, ASSESSMENTS INCREASE 20% PLUS 5% SPECIAL ASSESSMENT

With the increased cost of property and fire insurance and Reserve Study corrections to previous study deficiencies, the Association required an assessment increase of more than 50 percent to fully fund all operating and reserve components consistent with the need to operate, maintain/replace, and sustain the assets of the corporation. State law limits the board approval authority to a 20% increase over the previous year's assessment which will not fund all budget items. The Board of Directors approved a 20% increase over the previous year to \$592.87 per Unit per month. The board also approved a 5% (\$61,895.83) Special Assessment of \$355.72 per unit to help fund the roof replacement requirement that was inappropriately removed from the Reserve Study in 2010 by the board at that time. The Special Assessment for the roof replacement funding may be paid in full or monthly in 2025 at the rate of \$29.64 per unit per month.

To limit the budget to within a 20% increase, the board eliminated the following for the 2025 budget year: annual fence corrosion control inspection, holiday lighting, storm drain catch basin cleanout, annual termite inspections, and 26.37% of the required annual Reserve funding.

ASSOCIATION DEFERRING MAINTENANCE & REPAIRS TO PRESERVE RESERVE FUNDING

The board has directed management to defer more than \$300,000 in repairs to community infrastructure to preserve funds for the most urgently needed repairs and maintenance. The board has increased the annual assessment by 20% plus a 5% special assessment to improve the Association's ability to pay for repairs and maintenance. A member vote on an additional \$1.13 Million special assessment for the Reserve Replacement Fund that will allow the Association to stay current on maintenance and replacement costs will be provided to members in early 2025.

BUILDING STUCCO & SOIL/HARDSCAPE CONSTRUCTION DEFECT REPAIR UPDATE

Restart of open building wall repair has been delayed to the end of November. Availability of the specific specialty material required by the City of Yorba Linda has delayed the repair restart until materials are on hand. Once restarted, work progress will be constrained by weather and multiple building inspections required by the City Building Department. The City is also requiring revisions to the building permits for buildings that have already been closed up and destructive inspection spot checks of the work completed prior to the stop work order in August 2023.

WINTER COMMUNITY ASSOCIATION POOL & SPA HOURS IN EFFECT

Winter season San Lorenzo Community Association pool & spa hours are 8:00 AM to 10:00 PM seven days a week. The pool will not be heated from Oct. 15th to April 15th. The spa will be heated and pumps circulating during the posted hours of operation.

SAN LORENZO HOA BOARD MEETINGS: Monday November 18th & January 13th at 7:00 PM in the Community Clubhouse & on ZOOM. Agendas posted at <http://myhoa.com/sanlorenzo/>

San Lorenzo HOA Board of Directors:

Lillian Franklin, President
Bob Carson, Vice President
Richard Williamson, Treasurer
Taryn Martin, Secretary
Robert Powers, Member at Large

StoneKastle Community Management

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