

# Villas De Las Flores Homeowners Association

October 11, 2020

## October 2020 President's Report

It is now mid-October and it is finally cooling down in Palm Springs. The Coachella Valley saw some of the hottest temperatures on record for an extended time this year so the cool nights feel wonderful. We are getting ready to over seed the lawns and plant the winter annuals. The pool heaters were turned on last week. You would think it is just another autumn here at Villas. Well we can dream!

Before I get to the heart of my report this month, I extend the best wishes from your Board of Directors to continue to be safe and stay healthy during these trying times.

On October 10, a special meeting was held to count the ballots for the revised CC&Rs. The document was approved with 164 "Yes" votes. Thank you to everyone who voted.

On October 17, the Board will be holding a strategic planning session to discuss the 2021 Operating Budget and the Reserve Budget in conjunction with the 2021 Reserve Study and Strategic Planning for future projects. Homeowners are invited and encouraged to observe the meeting. There will be an opportunity to provide feedback at the scheduled Homeowner Forum segment during that meeting.

Our Codes Covenants & Restrictions (CC&Rs) along with The Davis Sterling Act requires that your Board develop and approve these budgets. So what is the role of each? Here is a simple definition for each:

- **The Operating Budget is like a checking account**
- **The Reserve Budget is like a savings account**

The Operating Budget is developed each year to address income and expenses for HOA. It identifies how our monthly fees are used. A portion of the collected fees is set aside into our Reserves account and then rest of the budget is allocated to cover the day-to-day services and needs of the HOA. Our budget has the following categories:

- Utilities
- Landscape Maintenance
- Swimming Pools
- Buildings and Grounds
- Management/Administration Costs

Each category has a series of sub-categories to identify key items such as gas, water, irrigation repairs, tennis court cleaning, audits, management services and so on. Each sub-category also has dollar amounts allocated for the year. Where possible, it is further broken down to a monthly cost if it can be reasonably tracked, such as the monthly invoice for landscape maintenance or when the insurance premium payments are due.

During the course of the year our Treasurer, Bette Alston and our Senior Community Manager, Shelly Ruegsegger and her staff, track the actual expenses against the budgeted amounts. If you have attended the monthly Board of Directors meetings, the Treasurer's report is always one of the highlights. In most years the expenses stay pretty true to the budget, with very little surplus or deficit. The budget, though, is just one tool that the Board uses to guide them in their fiduciary responsibilities.

The Reserve Budget (what we commonly call the Reserves) is used for larger scale projects that do not occur on an annual basis. It covers items such as:

- Roof replacement on common area buildings
- A new pump needed at one of the pools due to compliance issues or failure
- Repair of roads and sidewalks
- Replacing or modernizing the landscape
- Painting

As required by California Civil Code, the Board regularly commissions a Reserve Study to be done and has had it updated on a regular basis. So what is an HOA Reserve Study, you ask? It is an in-depth analysis and on-site inspection of the Association's assets. Our reserve study is done by an outside consultant, SCT Reserve Consultants, Inc., ([www.sctreserve.com](http://www.sctreserve.com)), a respected firm with over 25 years of experience having built over 10,000 reserve studies.

This study plays a pivotal role in assisting the Board to make the best financial decisions regarding the Association's future. It consists of two parts:

**Physical Analysis.** This portion of the study assesses the physical condition of community areas that an HOA is responsible for maintaining and repairing. It also includes an analysis of the cost of repair or replacement.

**Financial Analysis.** This portion of the study assesses the association's financial health, such as its revenues, expenses, and reserve fund balance.

Our Reserve Study is the basis by which the Board is able to determine how much of your monthly HOA fees needs to be set aside to address the future costs of repair or replacement. Planning in this manner allows the Board to set aside funds incrementally to handle those costs without having to resort to assessments or borrowing. All Homeowners receive the annual Reserve Study Disclosure and Summary as part of our annual meeting documents.

### **Are you still with me? Good!**

Let us delve a little deeper into those monthly fees and why increases come about periodically. We all recognize that the costs of goods and services (food, gas, medical insurance, housing, etc.) adjust due to economic forces over time (inflation or deflation). The typical measure of that is the Consumer Price Index (CPI). We probably all remember how costs steadily rose during the early 2000s as the economy expanded. Then the Great Recession came along and those costs went down or neutral. Since 2013, costs began to rise again. The Pandemic that hit us this year has also had a significant economic effect that will be felt for years to come.

If you look at our monthly fees over the last 20 years, with respect to the CPI you will see that we have stayed up with those economic adjustments. Maybe not on a year-to-year basis, but overall it tracks. This is a very important point: By staying in line with those adjustments, we are able to continue to properly fund the operating and reserve budgets. I have included a comparison of our monthly fees adjustments, by year, against CPI for your viewing pleasure at the conclusion of this message.

So how do we address the unknowns and the variables that always seem to come about? Well that is the goal of this upcoming study session!

In addition to trying to find ways to hold the line on operating expenses we will also look at the Reserve Study and prioritize the key large-scale projects that we can anticipate over the next 3-5 years. We are annually challenged with trying to address increasing costs for utilities, as an example. Do we heat the pools later this year, or lower the temperature a few degrees? By continuing to modernize the landscape to be more water wise, how much can we save on our water bill? When we should address repairing/repaving the roads and parking areas? How much will it cost to repair balconies and maintain roofs? Do we spread the work out over a few years? We have to keep in mind that Villas is approaching its 50th anniversary, and we want to make sure that it remains a beautiful and livable for the next 50 years.

While I have rambled on a bit in this month's report, it is my hope, by sharing a bit about what and how your monthly fees are used, that you have a better idea about the effort it takes to keep the HOA running smoothly and plan for the future. Your Board of Directors, as have previous Boards, takes the issue of fiduciary responsibility very seriously.

You would and should expect nothing less.

**Please be safe. Stay healthy. Be kind. Smile-a lot!**

Respectfully,

*Scott Gaudineer*

President – VDLF HOA

On Behalf of the Board of Directors

Timeline	HOA Fees	% HOA Fees	CA CPI-U	% Diff CA CPI
2001	\$240.00		181.70	
2002	\$240.00	0%	186.10	2%
2003	\$240.00	0%	190.40	2%
2004	\$240.00	0%	195.40	3%
2005	\$275.00	15%	202.60	4%
2006	\$295.00	7%	210.50	4%
2007	\$295.00	0%	217.42	3%
2008	\$325.00	10%	224.81	3%
2009	\$325.00	0%	224.11	0%
2010	\$335.00	3%	226.92	1%
2011	\$335.00	0%	232.93	3%
2012	\$335.00	0%	238.16	2%
2013	\$335.00	0%	241.62	1%
2014	\$350.00	4%	246.06	2%
2015	\$350.00	0%	249.67	1%
2016	\$350.00	0%	255.30	2%
2017	\$360.00	3%	262.80	3%
2018	\$360.00	0%	272.51	4%
2019	\$380.00	6%	280.64	3%
2020	\$380.00	0%	284.84	1%