

2023 Annual Financial Report from the Treasurer, Ruth E. Wheeler

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

Each month the Board of Directors must review the monthly statements and ratify the Treasurers Review. The Ratified documents for 2022 can be found on the Hidden Valley Mammoth website.

I. Operating Fund

The Operating Fund is used for non-capital regular recurring expenses. It is based on a zero balance principal. 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.

From 2015-2020 we ran an average surplus of \$38,670. In 2021 we reduced dues and in 2022 we held dues steady so we had more conservative surplus amounts of around \$20,000.

The most difficult line item of budgeting is Snow Removal. As yet, we have not found a crystal ball that accurately predicts the yearly snowfall in Mammoth. We did, however change the way we pay for snow removal in 2019. We failed to recognize our snow cost savings, so this is the first year that a significant reduction in the Snow Removal line item is being proposed.

Snow Removal Budgeting Disclosure: Prior to 2019 we paid our management company a significantly lower monthly salary. Every time the management team shoveled snow on stairs and walkways we were charged an hourly rate. In 2019 we switched to management companies that provide ground shoveling as part of the management contract. While the management monthly fees increased with the awarding of the contract to Old Faithful Property Management in 2019, our snow removal costs were significantly reduced. Management fees were reduced with the contract awarded to C House Property Management in 2021 and the snow removal benefits were maintained. This reduction was not incorporated into the 2022 budget. Our snow removal costs for 2023 will include: the cost of driveway snow removal from a loader service at a fee of \$200/hour. (All owners can help keep loader costs down by being sure that owners and their tenant's park in the correct places and move vehicles as directed by management). When we have huge snow dumps (more than 2 feet in 24 hours) Management calls in paid ground and roof shovelers and the HOA picks up the bill.

The 2023 operating budget reflects the snow removal savings for the first time. To calculate potential cost Snow Loader data from 2012-2021 was collected. Over the 9 year period we averaged 80 hours/year of Loader service. At \$200/hour the yearly cost estimate is \$16,000.

\$4,000 was added to this for the potential of ground and roof shoveling if we have more than 2 feet of snow in 48 hours. Unusually heavy snowfall and snow droughts in Mammoth happen periodically. Rather than assuming we will have huge snow storms each year and padding the budget every year we can assume that heavy storms are a contingency to be planned for and keep the contingency fund at a healthy level to cover high costs for snow removal in heavy storm years.

II. Contingency Fund

The Contingency fund has \$60,000 as of November 2022. In 2021 we pulled \$30,000 out of the contingency fund and placed it in the reserve fund to defray the costs associated with additional major capital expenses. This allowed us to keep dues steady for 2022. No expenditures from the Contingency Fund are anticipated in 2022. It is recommended that 2022 surplus operating funds estimated at \$10,000-\$20,000 at the 2022 year end be transferred to the Contingency fund once the year end financials are completed in January 2023.

Contingency funds are used to cover unanticipated costs in the operating fund such as excessive snow removal costs, and other non-capital expense items. Contingency funds can also be transferred to the Reserve Fund if capital expense items run significantly over budget, however Reserve funds may not be used for operating expense items such as snow removal. Keeping a healthy contingency fund helps to avoid Special Assessments.

With this in mind, it is recommended that we work toward having a Contingency fund balance of \$100,000 over the next several years

III. Replacement Fund. Documentation and Disclosure of 2022 Reserve Fund Projects and 2023 Recommended Reserve Funding:

Several major replacement projects budgeted in the 2021 Reserve Study Report for 2022 have been accomplished this year within, or close to budgeted costs thanks to good planning by the 2022 Board of Directors and diligent oversight and bid solicitation efforts by our Management team of C House Property Management. These include the replacement of ten unit front doors, and 5 chimney chase replacements. These upgrades are part of a phased replacement plan which will continue over the next five to seven years. The completed replacement of the electrical panel at the pool building represents the final part of the replacement of the electric panels for buildings A-F and the pool building, the slurry seal coat for the driveway is scheduled for every other year this year the cost was 6.25% over budget (\$8,500 rather than \$8,000) this overage is tied to the cost of oil. Sewer Line clean outs for all buildings were done at 34% under Budget (\$4,940 rather than \$9,000) Thank the management team for finding competitive bids for this savings.

The lower spa deck and resurfacing of the Jacuzzi tub was not anticipated until 2026, however the coping, concrete deck, and sub structure was not going to make it for another 4 years. The 2026 budgeted line item amounts in the reserve study for: replacement of upper pool concrete deck, lower Jacuzzi concrete deck, and resurfacing of the lower Jacuzzi tub totaled \$106,923. We now have a rebuilt substructure, concrete deck and resurfaced lower Jacuzzi which cost \$77,663. This leaves a balance of \$29,260 for the upper pool concrete deck. The next reserve study will be required in 2024. This line item may need to be adjusted at that time.

Recommended Replacement Funding for the Year 2023: **\$184,890:**

This amount is listed in the 2021 Reserve Study, it represents a 3% increase over the amount collected in 2022. The increased dollar amount is \$5,385 which equates to collecting about \$5.40/month more in 2023 than 2022. This increase in monthly funding will be defrayed by the reduction in the operating fund budget for 2023. The spending Budget for 2023 Reserve funds is \$98,121. It should be noted that the Reserve fund collections and expenses are calculated over a 30 year period. The Reserve Study is required by law to be updated every 3 years. For more detailed information about the 2021 Reserve study homeowners can access the study which is posted on the Hidden Valley Mammoth website.

Recommendation:

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. This year increases in Trash Removal, Electricity, Propane, and Water and Sewer are expected. Predicted administrative expenses will increase about \$1,000, Maintenance costs are up about \$2,600. However, due to realistic budgeting for snow removal the recommended funding for the Operating Fund will be less than last year.

The good news is that regular dues will not increase in 2023 due to the reduction of the snow removal budget line item and the Contingency Funds in place to cover unexpected operating cost increases. As the HOA has reduced dues and held dues steady from 2020-2023 is predicted that a 3% to 5% increase in dues in 2024 can be anticipated, however an increase in monthly fees is NOT recommended for 2023

Ruth E Wheeler
HVV BOD Treasurer.