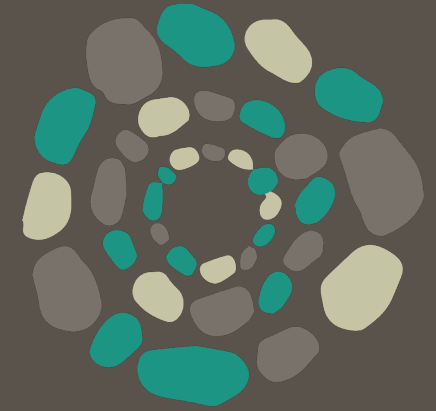


Board Meeting
June 4th, 2024

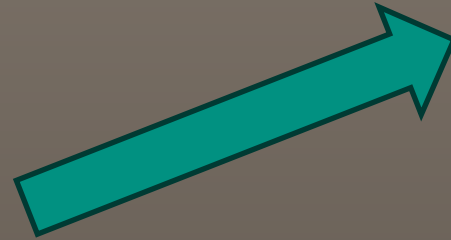


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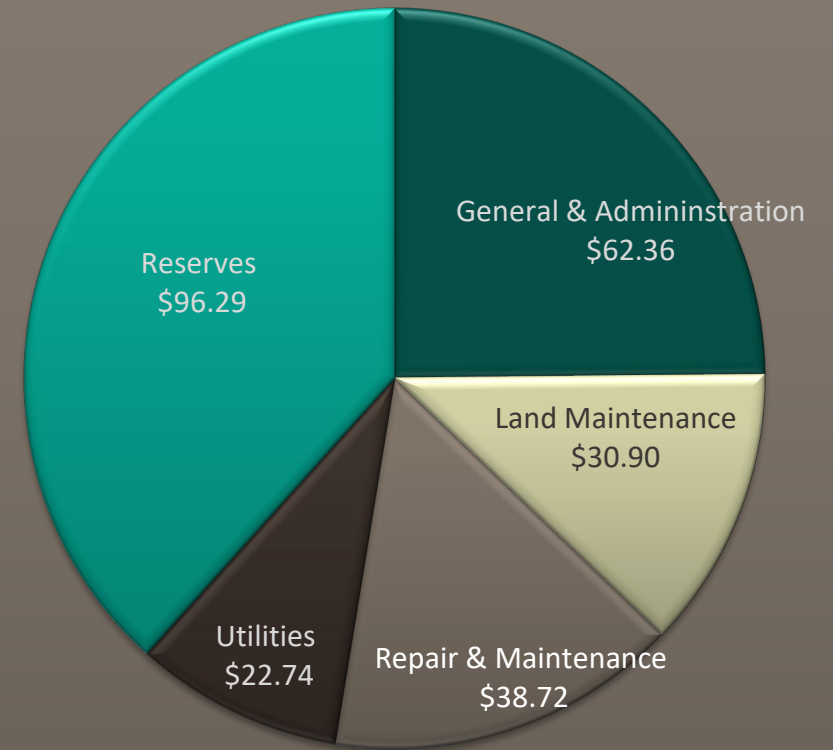
at The Village of Foothill Ranch

Annual Budget Planning

- Around November every year, the board produces a budget for the upcoming year.
- Two main components to that...
 - Reserve Contributions
 - Operating Costs



Here is how our current \$251 / month breaks down



2024 Budget Changes

Our reserve study conducted in 2023 determined that our reserves are funded at about **65%** of what we should have on hand right now. That is not good, and the lowest we have seen in a reserve study. For example, our 2020 reserve study put us at **73%**. We've been falling further behind every year since then.

We wanted to address this, so we raised dues while simultaneously trimming down operating costs.

Dues went up about **3.7%** (\$242 to \$251)

Reserve contributions went up about **6.8%**

Making The Most of Reserves

Other actions in 2023 to help improve our Reserve Study.

- The board approved and spent about **\$30,000** on a new commercial grade ADA mats. While this may sound like a big number, the new mats should easily last 30-40 years. Sticking with the old/current mats would have cost more than **double** that over 30 years.
- Our camera system was scheduled for full replacement in 2023, and it needed it. The entire system was unavailable for some time. Board member donated time and expertise (a lot of time) to doing a lot of the work to get the system up and running. The reserve study forecasted a cost of **\$77,800** would need to be spent in 2023. Our camera system is now functioning better than ever, at a cost will under **\$5,000**.

These are just two of the more significant examples of spending a little to save a lot. These will have significant positive impact on our next reserve study.

A Tip About Investing...

Interest earned on savings accounts and/or CD's is not "extra."

Earning interest on our money is not a novel idea. It is expected, and already built into our Reserve Study results.

Remember the (not great) 65% funding? That already includes/assumes we will be earning interest on our funds.

February 2024

- Our insurance policy renews in mid February.
- We were unable to get a premium quote until February, when we discovered that California's insurance crisis will impact us significantly.

February 2023

Premiums are \$38,000 / year

That comes to \$3,166.67 / month

That is \$21.54 / month for each of household.

February 2024

Premiums are \$103,895 / year

That comes to \$8,657.92 / month

That is \$58.90 / month for each of household.

We now have costs that on average exceed what we take in each month by \$5,491.25.

We are dwindling \$5,491.25 of our community funds every month that goes by.

Here is a Monthly Breakdown

	Budgeted	Actual Premium Cost	Difference	
January	\$3,166.67	\$3,166.67	\$0.00	Still enjoying our 2023 premiums.
February	\$3,166.67	\$5,912.29	(\$2,745.63)	Half the month is at a higher cost.
March	\$3,166.67	\$8,657.92	(\$5,491.25)	We have elections.
April	\$3,166.67	\$8,657.92	(\$5,491.25)	We have our first meeting where this issue is on the agenda. The meeting is so chaotic that we do not get to the agenda item.
May	\$3,166.67	\$8,657.92	(\$5,491.25)	Another meeting goes by with this item on the agenda. The majority of the board refuses to address the issue.
June	\$3,166.67	\$8,657.92	(\$5,491.25)	Today! We have another chance to address the situation.
July	\$3,166.67	\$8,657.92	(\$5,491.25)	Forecasted loss per month for the remainder of the year. As you can see, time matters. This is how much money we burn every month that goes by where we do not address this.
August	\$3,166.67	\$8,657.92	(\$5,491.25)	
September	\$3,166.67	\$8,657.92	(\$5,491.25)	
October	\$3,166.67	\$8,657.92	(\$5,491.25)	
November	\$3,166.67	\$8,657.92	(\$5,491.25)	
December	\$3,166.67	\$8,657.92	(\$5,491.25)	
2024 Toal Cost	\$38,000.00	\$95,658.13		

So, What Can We Do???

There are generally always only two option...

1. Cut Operating Costs
2. Raise Dues

No one likes either of these options, but the cost of doing nothing is higher.

We are still healthy financially. Our HOA can endure this for some time without needing to resort to extreme measures like “special assessments.” But we are headed in the wrong direction.

The sooner we correct course, the better.

Here are some options...

- We'll start with the worst option....

Do Nothing

If we do nothing, we will burn through nearly \$60k. That is about 1/2 of a spa.

\$57,658.13 will be gone from our accounts with nothing to show for it if we continue to fail to act.

	Budgeted	Actual Premium Cost	Difference	
January	\$3,166.67	\$3,166.67	\$0.00	
February	\$3,166.67	\$5,912.29	(\$2,745.63)	
March	\$3,166.67	\$8,657.92	(\$5,491.25)	
April	\$3,166.67	\$8,657.92	(\$5,491.25)	
May	\$3,166.67	\$8,657.92	(\$5,491.25)	
June	\$3,166.67	\$8,657.92	(\$5,491.25)	
July	\$3,166.67	\$8,657.92	(\$5,491.25)	
August	\$3,166.67	\$8,657.92	(\$5,491.25)	
September	\$3,166.67	\$8,657.92	(\$5,491.25)	
October	\$3,166.67	\$8,657.92	(\$5,491.25)	
November	\$3,166.67	\$8,657.92	(\$5,491.25)	
December	\$3,166.67	\$8,657.92	(\$5,491.25)	
2024 Toal Cost	\$38,000.00	\$95,658.13		

Make Up For Lost Time

We could raise dues to a level that would make up for lost time and make us flush for the year.

If dues were raised to **\$317/month**, we would make up the money lost in the first half of the year.

This is the second worst option...

	Budgeted	Actual Premium Cost	Difference	Hypothetical Increase \$317
January	\$3,166.67	\$3,166.67	\$0.00	\$0.00
February	\$3,166.67	\$5,912.29	(\$2,745.63)	(\$2,745.63)
March	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
April	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
May	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
June	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
July	\$3,166.67	\$8,657.92	(\$5,491.25)	\$4,210.75
August	\$3,166.67	\$8,657.92	(\$5,491.25)	\$4,210.75
September	\$3,166.67	\$8,657.92	(\$5,491.25)	\$4,210.75
October	\$3,166.67	\$8,657.92	(\$5,491.25)	\$4,210.75
November	\$3,166.67	\$8,657.92	(\$5,491.25)	\$4,210.75
December	\$3,166.67	\$8,657.92	(\$5,491.25)	\$4,210.75
2024 Toal Cost	\$38,000.00	\$95,658.13		

Stop Falling Farther Behind

We could raise dues to a level that would make us break even for the remaining months.

If dues were raised to **\$289/month**, we would stop falling behind.

Without other cost cutting measures, this is about what we should expect dues to need to be in 2025.

	Budgeted	Actual Premium Cost	Difference	Hypothetical Increase \$289
January	\$3,166.67	\$3,166.67	\$0.00	\$0.00
February	\$3,166.67	\$5,912.29	(\$2,745.63)	(\$2,745.63)
March	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
April	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
May	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
June	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
July	\$3,166.67	\$8,657.92	(\$5,491.25)	\$94.75
August	\$3,166.67	\$8,657.92	(\$5,491.25)	\$94.75
September	\$3,166.67	\$8,657.92	(\$5,491.25)	\$94.75
October	\$3,166.67	\$8,657.92	(\$5,491.25)	\$94.75
November	\$3,166.67	\$8,657.92	(\$5,491.25)	\$94.75
December	\$3,166.67	\$8,657.92	(\$5,491.25)	\$94.75
2024 Toal Cost	\$38,000.00	\$95,658.13		

Meet Half Way

If dues were raised to **\$270/month**, we would still burn **\$40,900.13**.

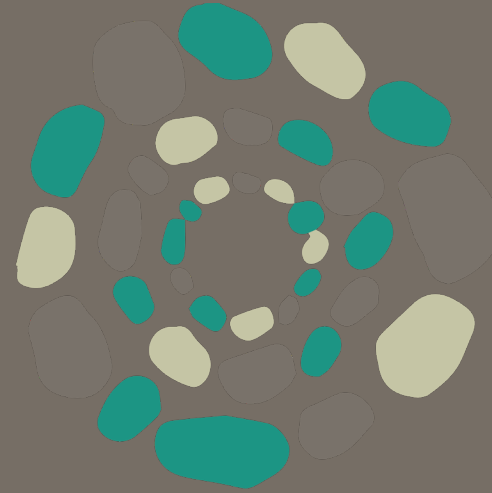
That is **\$16,758.00** better than the “do nothing” option.

This upcoming budget season, we will have some difficult decisions to make.

	Budgeted	Actual Premium Cost	Difference	Hypothetical Increase \$270
January	\$3,166.67	\$3,166.67	\$0.00	\$0.00
February	\$3,166.67	\$5,912.29	(\$2,745.63)	(\$2,745.63)
March	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
April	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
May	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
June	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$5,491.25)
July	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$2,698.25)
August	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$2,698.25)
September	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$2,698.25)
October	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$2,698.25)
November	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$2,698.25)
December	\$3,166.67	\$8,657.92	(\$5,491.25)	(\$2,698.25)
2024 Toal Cost	\$38,000.00	\$95,658.13		



thank you



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at The Village of Foothill Ranch

