



Newport Ridge Vistas Homeowners Association

August 31, 2022

MID-YEAR INCREASE AND ONE-TIME SPECIAL ASSESSMENT NOTICE

Dear Newport Ridge Vistas Homeowner:

On January 28, 2022, you were mailed a copy of the March 1, 2022 – February 28, 2023, budget, annual policy statement, and supporting documents required to be sent annually in accordance with California Civil Codes §§5300 and 5310.

As you may already be aware, the preparation of this fiscal year's budget led to the discovery of \$202,000.00 that was borrowed from but never paid back to reserves. Please see the enclosed letter for a full reference, including the attempt and failure to pass a one-time special assessment in June of this year. As a result, the Board has determined that a mid-year increase with a one-time five percent (5%) special assessment is necessary, in order to begin the process of fulfilling the legal requirement to pay-back our reserves.

As a result of this review, the Board has determined that beginning October 1, 2022, monthly assessments will increase to \$771.20 per month per unit for the remaining fiscal year. In addition, a one-time special assessment in the amount of \$388.80 will be due in full on October 1st.

The Board does not anticipate any special assessments to replace, repair or restore any major components.

If you are on automated clearing house (ACH) through Keystone, the special assessment amount of \$388.80 will be withdrawn from your account along with the updated monthly assessment on the second business day of October 2022. If you are enrolled through your bank, please update the amount accordingly to avoid late charges.

Should you have any questions regarding the materials enclosed, please contact the undersigned at (949) 381-3668.

At the Direction of the Board of Directors,

Shey Manafian

Shey Manafian, CMA, AMS
Director of Community Management



Newport Ridge Vistas Homeowners Association

To: Newport Ridge Vistas Members
From: Newport Ridge Vistas Board of Directors
Re: **Board Decision** on Reserve Replenishment Plan

Dear Homeowners:

On behalf of the Newport Ridge Vistas Board of Directors, Management wishes to thank those of you who attended the August 2, 2022, Board of Directors meeting. After several months of discussions at regularly noticed meetings, and a good-faith attempt to pass a one-time special assessment to replenish the \$202,000.00 owed to reserves, the Board was tasked with making yet another tenuous decision on the path forward to collect what must legally be paid back to our reserves.

As many of you are aware, the topic of the Association's unfunded reserves came about through a discovery made by Keystone during their budget preparation process in January of this year. The news came as a shock to everyone, including members of the Board who were not serving on the Board during the period in which the reserve balance and funding were called into question. Wasting no time, the Board immediately jumped into action, starting first with an in-depth review of the materials presented, followed by a meeting with the Association's legal counsel on February 2, 2022. The Board left no stone unturned as they first sought to determine the legal implications involved, as well as available claims for damages, the affiliated costs, and the probability of recovery if a claim for compensatory damages could be brought. Legal counsel ultimately tendered a recommendation to pursue alternative methods of reserve replenishment on the basis of an extremely low probability of obtaining favorable outcome and the exorbitantly high legal costs the Association would have to undertake. Faced with this hurdle, the Board, in following legal counsel's recommendations, resolved to propose at the March 22, 2022, Board of Directors meeting, a one - time special assessment to the community. The results of the special assessment election tendered a less than favorable outcome with twenty-seven (27) owners voting against the proposition, and sixteen (16) members voting in favor of the special assessment.

At the August 2, 2022, General Session meeting of the Board, a detailed proposal containing available reserve replenishment options was presented to the Board that included an option for another attempt at a special assessment, or a mid-year increase with a one-time 5% special assessment. Given the large margin presented during the results of the June 28, 2022, special assessment election, the Board ultimately approved to proceed with a mid-year increase, with October 1, 2022, start date. A proforma budget for the 2023-2024 fiscal year was also discussed as it directly ties to the timeline in which we can expect to fully replenish the \$202,000.00 owed back to our reserves.

Enclosed, please find a find a copy of the approved mid-year increase numbers, along with the figures presented for the 5% special assessment, and the projected March 1, 2023- February 28, 2024, fiscal year budget. A supplemental guide was also included to read in conjunction with your review of the budget numbers. Prior to reviewing this important material, we hope that you keep the following in mind. The replenishment of our reserves is a legal requirement that every member including our Board Members, must pay. The proposed one-time special assessment with an offer to breakdown the \$2,900.00 payment/unit over three (3) monthly payments was turned down, and this mid-year increase with the one-time 5% special assessment can be viewed as monthly incremental payments that are made in conjunction with your monthly association dues. The Board understands the assessments outlined below may be alarming at first but keep in mind, the Newport Ridge Vistas has maintained low monthly association dues for several years now, especially when compared with neighboring Communities of a similar scale and structure.

Thank you for your time and attention to this critical matter. You can expect more communication to come on this matter in the weeks ahead.



Newport Ridge Vistas Homeowners Association

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Sincerely,

At the Direction of the Board of Directors,

Shey Manafian

Shey Manafian, CMCA, AMS | Director of Community Management



Newport Ridge Vistas Homeowners Association

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ID	FRP H	FDWELJRU\	2021-2022 BUDGET	20% INC 2022-2023	3.7% INC 2022-2023	ACTUAL 2022 - 2023 FISCAL YEAR COMBINED		15% INC 2023-2024
						MARCH 1 '22 - SEPT. 30 '22	OCT. 1 '22 - FEB. 28 '23	
4000	Total Annual Dues Assessments		\$453,600.00	\$544,320.00	\$470,400.00	\$274,400.00	\$269,920.00	\$625,800.00
	Dues/Unit/Month		\$540.00	\$648.00	\$560.00	\$560.00 (7 Mo)	\$771.20 (5 Mo) (+\$211.20)	\$745.00
	Mid-Year Income						\$73,920.00	
4010	Special Assessment		\$0.00	\$0.00	\$0.00	\$0.00	\$27,216.00 (\$388.80/Unit)	\$0.00
Total Sum Income								
Monthly Operating Expenses						\$39,524.00	\$39,524.00	
Annual Budgeted Expenses						\$276,668.00	\$197,620.00	\$517,000.00
TOTAL NET INCOME							\$101,360.00	\$108,800.00
							\$210,160.00	

The draft budget should be looked at with the following considerations:

- Notwithstanding more restrictive limitations placed on the board by the [governing documents](#), the board of directors may increase regular assessments ([dues](#)) by up to 20% of the association's [preceding fiscal year](#) without membership approval.
- The March 1, 2021 – February 28, 2022, contained the following budget numbers:
 - Annual Dues Income Budget Total: \$453,600.00
 - Monthly Dues Assessment per Unit: \$540.00.
- This fiscal year, if the Board opted to increase assessments 20% from last fiscal year's budget (\$90,720.00 annual income increase), our numbers from the start of this 2022-2023 fiscal year's budget would be:
 - Annual Dues Income Budget: \$544,320.00
 - Monthly Dues Assessment per Unit: \$648.00
- Because the Board opted instead for 3.7% dues increase, the following numbers were approved:
 - Projected Annual Dues Income Budget: \$470,400.00
 - Monthly Dues Assessment per Unit: \$560.00
- If a majority of the board were to approve a mid-year budget increase at tomorrow night's meeting, the effective start date will fall on October 1, 2022. A mid-year budget increase triggers a reformulation of our budget numbers in accordance with the annual 20% dues increase listed under item 3 above (\$544,320.00). This number will be used as the guiding figure to break-out our current, year-to-date, fiscal year's numbers:
 - First, subtract \$544,320.00 from \$274,400.00 (7 months' worth of this fiscal year's annual dues income: \$560.00 x 70 units = \$39,200.00 = 1 months' worth of dues income x 7 months) = \$269,920.00.
 - \$269,920.00 is the remaining amount that can be billed to the homeowners over the remainder of this fiscal year (5 months).
 - To get your total monthly dues income, take \$269,920.00 ÷ 5 months = \$53,984.00.



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- d. To get your per unit per month dues, take $\$53,984.00 \div 70 \text{ units} = \771.20 per unit per month for the remaining 5 months (October '22 – February '23).
- e. To get your mid-year increase income, take the increase per unit monthly assessment number – the previously approved per unit monthly assessment income number:
 $\$771.20 - \$560.00 = \$211.20/\text{month}/\text{unit increase} \times 5 \text{ months} = \$73,920.00$.

FIVE (5%) SPECIAL ASSESSMENT

1. A board may approve a special assessment if the assessment is 5% or less of the annual budget (\$544,320.00), or if the aggregate amount does not exceed 5% of the budgeted gross expenses of the association for that fiscal year.
 - a. To arrive at our one-time special assessment amount, take what would've been the annual budget amount of $\$544,320.00 \times .05\% = \$27,216.00 \div 70 \text{ units} = \388.00 per unit.
2. To arrive at our *total* reserve replenishment number, take the a) the mid-year increase income + b) the income provided by a one-time 5% special assessment:
 - a. $\$73,920.00 +$
 - b. $\underline{\$27,216.00}$
 - = $\$101,360.00$

2023-2024 FISCAL YEAR BUDGET

1. Notwithstanding more restrictive limitations placed on the board by the governing documents, the board of directors may increase regular assessments (dues) by up to 20% of the association's preceding fiscal year without membership approval.

At this time, Management is preliminarily recommending increasing our dues (\$648.00) by 15% to capture the remainder of the monies owed to our reserves. Take $\$648.00 \times 15\% = \$97.20 + \$648.00 = \745.20 (rounded down to \$745.00/per unit/per month).
2. To arrive at your estimated net income, I took last year's annual budgeted expenses (\$474,288.00) and increased it by 9% (\$42,685.00) to arrive at next fiscal year's budgeted gross expenses: \$516,973.00 (rounded up to \$17,000.00)
3. The net difference comes to \$108,800.00 combined with last year's mid-year increase income and special assessment (\$101,360.00), and you arrive at \$210,160.00, \$203,000.00 of which is replenished to reserves.

Newport Ridge Vistas Homeowners Association

P568

Fiscal Year Ending Last Day of February 2023
Approved Mid-Year Budget Revision

Acct	Account Name	Annual	Monthly Mar22 - Sep22	Monthly Oct22 - Feb23
INCOME				
<u>Income</u>				
4000	Assessments	544,320.00	39,200.00	53,984.00
4010	Special Assessment	27,216.00	0.00	5,443.20
4020	Reserve Interest Income	3,888.00	324.00	324.00
	Total Income	<u>575,424.00</u>	<u>39,524.00</u>	<u>59,751.20</u>
EXPENSES				
<u>Utilities</u>				
5225	Electricity	7,596.00	633.00	633.00
5235	Gas	3,588.00	299.00	299.00
5245	Water	4,932.00	411.00	411.00
5255	Telephone	1,956.00	163.00	163.00
	Total	<u>18,072.00</u>	<u>1,506.00</u>	<u>1,506.00</u>
<u>Administration</u>				
8210	Taxes	1,476.00	123.00	123.00
8220	Audit/Tax Returns	960.00	80.00	80.00
8222	Reserve Study	720.00	60.00	60.00
8230	Accounting Reimbursables	876.00	73.00	73.00
8365	Legal Service	3,600.00	300.00	300.00
8366	Collection Expense	12.00	1.00	1.00
8410	Insurance	45,252.00	3,771.00	3,771.00
8415	Earthquake Insurance	27,576.00	2,298.00	2,298.00
8435	Special Project Managemen	3,000.00	250.00	250.00
8440	Contract Professional Mana	38,208.00	3,184.00	3,184.00
8445	Management Reimbursable	8,400.00	700.00	700.00
8465	Annual Meeting	324.00	27.00	27.00
8470	Additional Meeting Hours	756.00	63.00	63.00
8475	Individualized Compliance C	240.00	20.00	20.00
8485	Repayment of Reserve Loan	101,136.00	0.00	20,227.20
8490	Bank Fees	420.00	35.00	35.00
8495	Contingency	8,292.00	691.00	691.00
	Total	<u>241,248.00</u>	<u>11,676.00</u>	<u>31,903.20</u>
<u>Swimming Pools</u>				
6210	Contract Pool/Spa Service	3,672.00	306.00	306.00
6215	Pool/Spa Supplies	348.00	29.00	29.00
6220	Pool Inspection	468.00	39.00	39.00
6225	Pool Chemicals	504.00	42.00	42.00
6230	Pool Equipment Repair	2,496.00	208.00	208.00
	Total	<u>7,488.00</u>	<u>624.00</u>	<u>624.00</u>
<u>Landscape Maintenance</u>				
7210	Contract Land Maint	79,572.00	6,631.00	6,631.00
7220	Landscape Replacement	3,996.00	333.00	333.00
7225	Sprinkler Repair	3,000.00	250.00	250.00
7230	Tree Trimming	12,996.00	1,083.00	1,083.00
7235	Tree Removal	1,200.00	100.00	100.00
7240	Backflow Device Test	36.00	3.00	3.00
	Total	<u>100,800.00</u>	<u>8,400.00</u>	<u>8,400.00</u>
<u>Contracts, Maintenance & Repairs</u>				
7510	Contract Janitorial	3,480.00	290.00	290.00
7515	Janitorial Supplies	864.00	72.00	72.00
7525	Pest Control	4,200.00	350.00	350.00
7526	Termite Treatment	3,000.00	250.00	250.00
7545	Light Maintenance	1,440.00	120.00	120.00
7550	Lighting Repairs/Supplies	1,680.00	140.00	140.00
7560	Patrol Service	4,440.00	370.00	370.00
7565	Access Gates	816.00	68.00	68.00
7570	Gate Repair	1,200.00	100.00	100.00
7614	Common Area Maint	6,000.00	500.00	500.00
7620	Plumbing Repair	996.00	83.00	83.00
7625	Roof & Gutter Cleaning	18,000.00	1,500.00	1,500.00
7630	Holiday Lighting	1,800.00	150.00	150.00
	Total	<u>47,916.00</u>	<u>3,993.00</u>	<u>3,993.00</u>

Reserve Funding

9120	Painting	36,564.00	3,047.00	3,047.00
9130	Roofs	33,600.00	2,800.00	2,800.00
9135	Streets/Drives	15,660.00	1,305.00	1,305.00
9140	Pool/Spa	10,920.00	910.00	910.00
9145	Deck	4,128.00	344.00	344.00
9150	Guardhouse	684.00	57.00	57.00
9155	Masonry	756.00	63.00	63.00
9160	Furniture/Fixture	33,252.00	2,771.00	2,771.00
9165	Lighting	4,644.00	387.00	387.00
9170	Walls & Fences	6,708.00	559.00	559.00
9175	Access Gates	2,880.00	240.00	240.00
9180	Landscape	4,308.00	359.00	359.00
9210	Mailbox	1,008.00	84.00	84.00
9215	Monument	456.00	38.00	38.00
9225	Sprinkler Controller	444.00	37.00	37.00
9305	Allocate Int To Reserves	3,888.00	324.00	324.00
	Total	<u>159,900.00</u>	<u>13,325.00</u>	<u>13,325.00</u>
Subtotal Operating Exp (wo Reserves)		575,424.00	39,524.00	59,751.20
Total Operating Expenses		<u>575,424.00</u>	<u>39,524.00</u>	<u>59,751.20</u>
Net Surplus/(Deficit)		0.00	0.00	0.00