

**Lake Don Pedro Owners Association**  
**May 8, 2024 Board Meeting**

**Bookkeeper Presentation on 2024/2025 Budget and Other Financial Topics**

**Presentation Outline**

Introduction

- The LDPOA Board of Director's legal & financial responsibility
  - Each Board Director has a fiduciary responsibility to all 3,122 LDPOA members (property owners) to operate the association within the law, to protect and manage the association assets and to minimize risk to the association.
  
- Legal & Financial Governance for the Association
  - LDPOA Governing Documents: Bylaws and CC&R's
  - Davis Stirling Act: California state law that governs owners associations
  - Federal and State Corporate and Tax Law
  - Federal & State Payroll Law
  - Federal Accounting Standards
  
- LDPOA Annual Budget Process
  - In January and February every year, the Bookkeeper builds the draft budget for the next fiscal year. The process includes:
    - Detailed analysis of the prior fiscal year and current fiscal year-to-date, actual income and expenses
    - Review and inclusion of any new items approved by the board, new items required by a governing authority or known increases to products or services that will impact the budget
    - Completion of the annual Reserve Study and the related annual Reserve Contribution
    - Creation of the draft budget and required dues amount
    - Review of the draft budget and dues amount with the Board in the executive session Budget Committee Meeting. Resolve any questions and concerns that arise and create a final budget for the board to vote on in the open Board Meeting.
    - NOTE: Per Davis Stirling, an HOA can only raise the dues amount by 20% per year
    - NOTE: When the members elect their board of directors they give them a job. In addition to the fiduciary responsibility, directors are responsible for making informed decisions on how the association operates, how it's staffed, on employee roles, on compensation, etc. They also make the decisions on how the association spends its funds.
    - NOTE: This budget is built upon many years' worth of board decisions.

- Every March the Board votes to approve the next fiscal year budget, the related dues amount, the annual reserve contribution and the reserve study
- Overview of the major budget line items
  - Payroll Related Expenses: Employee salaries, payroll taxes & payroll outsource cost = \$221,800 (46% of total budget expense)
    - The association has 1 fulltime employee, 5 part time employees and 2 seasonal employees
    - In 2021 and 2022, the Board reviewed comparable pay levels from local employers and approved raises to bring employees within range if possible
    - No raises are factored into this current year's or next year's budgets
    - LDPOA has no employee benefit packages (i.e. medical insurance, retirement, etc). The full-time employee has holiday and vacation pay
  - Insurance Expense (16% of total budget expense)
    - Per Davis Stirling and our governing documents, the Board is responsible for purchasing and maintaining insurance policies against various risks
    - The major insurance coverage areas are Commercial Liability, Directors & Officers Liability and Commercial Property. We carry smaller policies for employee theft, non-owned auto and workers compensation.
    - Our annual insurance renewal date is February 2
    - Our insurance broker is located in Sonora and we have used them since 2016
    - Insurance carriers are not required to quote a renewal before 30 days prior the renewal date.
    - Because we are an owners association and due to our large size, there are only 3 carriers that will quote our policies, regardless of which broker we use.
    - NOTE: In 2023, our property carrier dropped our policy and the other carriers declined to quote. Therefore, we had to seek coverage from CA Fair Plan. Our property policy went from \$9,142 to \$46,496 (almost a 400% increase).
    - NOTE: The increase to insurance expense took 64% of the \$20 budget increase for this fiscal year
  - Electrical Utilities Expense (9% of total budget expense)
    - In the last 2 years our electrical utility expense has increased by 50%. We were \$10,000 over budget last year and estimated to be \$15,000 over budget this year.
    - This increase is mainly due to significant PG&E rate increases as well as increased usage of the Hacienda facility. The budget for next fiscal year should cover the electricity expense.

- Election Expense (3.5% of total budget expense)
  - Prior to this recent election, we had not held an election for 7 years. Our past elections cost \$7,000. Now they cost at least \$16,500. This significant increase was caused by a major change in Davis Stirling law related to elections. There are increased notification and election process requirements. In California, HOA elections must be done via first class mail vs online which makes it more expensive. The staff researched many companies that perform the Inspector of Elections role prior to selecting California Elections Company.
  
- **Summary Notes for Fiscal Year 2024/2025 Budget**
  - These 4 expense areas comprise approximately 75% of the total budget expense, leaving 25% of the budget for all the other expenses.
  - In the past 2 years all expenses have gone up significantly, in some cases they have doubled.
  - We were over budget last year and we are over budget again this year. The fact that we could not increase our dues for this year by more than 20% meant that we could not cover all our estimated costs for this year. This is why the dues were raised another 20% for next year's budget.
  - NOTE: Up to this point, we have covered the overruns by using up excess operating funds. Those are now used up and we need to operate within our budget going forward.
  - NOTE: If the board finds it is short on operating funds, they may either borrow from reserves or levy a Special Assessment on all members to cover the shortfall. Neither of these options should be chosen lightly and without significant research and justification.
  - NOTE: The association staff is always looking for ways to cut costs.
    - Changing the phones from AT&T landlines to a cellular solution last year saves over \$15,000 per year.
    - Performing delinquent account collections and lien processes in-house instead of through a collection agency as in the past, saves approximately \$6,000 per year.
    - With a change in the law, the association can now publish it's annual disclosures and year-end financial review via email if the owner chooses it. This saves approximately \$8,000 per year.

## Other Financial Topics

- Reserves
  - Associations are required to save for repair or replacement of key assets. The reserve funds are kept completely separate from operating funds and are to be used only for reserve projects. Our governing documents as well as Davis Stirling provide governance on how they are managed.
  - We are required to perform a reserve study every year. A reserve study is a calculation that factors in all the assets we are saving for, their expected useful life, replacement cost and inflation. That calculation drives how much we should save and how much we need to contribute to reserves every year.
  - We use Browning Reserve Group who specializes in HOA reserve studies.
  - The maintenance manager and the bookkeeper perform the study every year and identify which reserve projects will be presented to the board for approval that year.
  - The summary of our reserve study is part of our annual disclosures that go out to all members every year in May.
- Monthly Financial Statements and Year End Financial Review
  - Every month, the bookkeeper prepares a financial report for the Treasurer that includes the Balance Sheet and the Income Statement in Fund Accounting format as well as the monthly check register, bank statements and reconciliations.
  - All directors receive a copy of the monthly financial statements and vote to approve them in the Board Meeting. After approval, these statements are published in the Discoverer and on the LDPOA website.
  - We are required by law to have a year-end Financial Review performed by a CPA
  - We have used Levy Erlanger, CPA's in San Francisco who specialize in HOA financial reviews, for over 16 years.
  - To support the review, the bookkeeper provides all reconciled accounting data for the full fiscal year. This includes the full General Ledger Report which includes all accounting transactions for the year
  - The year-end review is published to all members in the fall of every year.

If any members have financial questions, they can email the LDPOA bookkeeper at [bookkeeper@ldpoa.com](mailto:bookkeeper@ldpoa.com) and she will get back to them as soon as possible. Please include your Lot # or property street address to verify membership.

LAKE DON PEDRO OWNERS ASSOCIATION  
2024 - 2025 Budget FINAL

As of March 2024

Based on \$144 Annual Assessment

	ANNUAL BUDGET	MONTHLY BUDGET
<b>INCOME</b>		
3110 - ASSESSMENTS	449,568.00	37,464.00
3115 - APARTMENT RENTAL	18,000.00	1,500.00
3125 - HALL RENTAL	3,000.00	250.00
3140 - OFFICE RENTAL	6,000.00	500.00
3210 - INTEREST - RECEIVABLES	2,000.00	166.67
3211 - INTEREST - BANK	0.00	0.00
3310 - OTHER INCOME	5,000.00	416.67
3410 - LATE FEES	5,500.00	458.33
3510 - TRANSFER FEES	15,000.00	1,250.00
<b>TOTAL INCOME</b>	<b>504,068.00</b>	<b>42,005.67</b>
<b>EXPENSE</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
3610 - BAD DEBTS	14,000.00	1,166.67
4119 - BOARD EXPENSES	500.00	41.67
4120 - OFFICE SUPPLIES	6,000.00	500.00
4125 - COPIER COSTS	2,500.00	208.33
4130 - OFFICE SALARIES (Office Mgr, assistant, bookkeeper)	81,500.00	6,791.67
4135 - TRAVEL / MILEAGE	1,000.00	83.33
4140 - LEGAL	5,500.00	458.33
4145 - ACCOUNTING	6,000.00	500.00
4229 - RESERVE STUDY	400.00	33.33
4148 - PUBLICATION COSTS	8,400.00	700.00
4150 - COMPUTER / INTERNET	10,500.00	875.00
4152 - ELECTION	16,500.00	1,375.00
4153 - COLLECTIONS	2,500.00	208.33
4156 - PUBLIC RELATIONS / SOCIAL ACTIVITIES	500.00	41.67
4157 - POSTAGE AND DELIVER	2,368.00	197.33
4158 - MERCHANT FEES	8,500.00	708.33
4160 - INSURANCE	75,100.00	6,258.33
4346 - PAYROLL TAX EXPENSE	16,000.00	1,333.33
66000 - PAYROLL EXPENSES	3,500.00	291.67
4355 - SALARY EXPENSES - OTHER	6,000.00	500.00
4165 - TAXES / LICENSES /FEES	13,000.00	1,083.33
4170 - WORKMANS COMP	3,500.00	291.67
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>283,768.00</b>	<b>23,647.33</b>

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2024 - 2025 Budget FINAL

Based on \$144 Annual Assessment

	ANNUAL BUDGET	MONTHLY BUDGET
<b>UTILITIES EXPENSE</b>		
4202 - ELECTRIC (HACIENDA)	33,000.00	2,750.00
4204 - ELECTRIC (WELL)	8,500.00	708.33
4206 - ELECTRIC (EL PRADO)	1,000.00	83.33
4210 - ELECTRIC (BARN)	100.00	8.33
4220 - WATER (EL PRADO)	3,000.00	250.00
4230 - PROPANE	2,000.00	166.67
4235 - TRASH REMOVAL	5,700.00	475.00
4240 -OFFICE PHONE	1,100.00	91.67
<b>TOTAL UTILITIES EXPENSES</b>	<b>54,400.00</b>	<b>4,533.33</b>
 <b>MAINTENANCE EXPENSES</b>		
4305 - HACIENDA MAINTENANCE SALARY	72,800.00	6,066.67
4309 - HACIENDA MISCELLANEOUS EXPENSE	0.00	0.00
4310 - HACIENDA MAINTENANCE SUPPLIES	6,000.00	500.00
4311 - HACIENDA MAINTENANCE REPAIRS	3,000.00	250.00
4312 - HACIENDA LANDSCAPING	0.00	0.00
4315 - SEPTIC MAINTENANCE	1,800.00	150.00
4316 - SEPTIC & WELL WATER TESTING	2,500.00	208.33
4320 - MAINTENANCE EQUIPMENT	500.00	41.67
4322 - WELL MAINTENANCE	500.00	41.67
4323 - HACIENDA SECURITY	1,500.00	125.00
4324 - POOL MAINTENANCE	5,000.00	416.67
4306 - POOL MONITOR SALARIES	11,000.00	916.67
4326 - APARTMENT EXPENSES	300.00	25.00
4328 - PEST & WEED CONTROL	2,000.00	166.67
4330 - JANITORIAL SALARIES	31,000.00	2,583.33
4335 - JANITORIAL SUPPLIES	5,000.00	416.67
<b>TOTAL MAINTENANCE EXPENSES</b>	<b>142,900.00</b>	<b>11,908.33</b>
 <b>PARKS</b>		
4338 - POND MAINTENANCE	0.00	0.00
4350 - TRAILS	0.00	0.00
4339 - GENERAL PARK MAINTENANCE	3,000.00	250.00
<b>TOTAL PARK EXPENSES</b>	<b>3,000.00</b>	<b>250.00</b>
 <b>TOTAL EXPENSES</b>	 <b>484,068.00</b>	 <b>40,339.00</b>
<b>TRANSFERS TO RESERVES</b>	<b>20,000.00</b>	<b>1,666.67</b>
<b>TOTAL EXPENSES AND TRANSFERS TO RESERVES</b>	<b>504,068.00</b>	<b>42,005.67</b>