

## **TREASURER**

### **OHHA BUDGET PROPOSAL**

In preparation for proposing a dues increase at the 2019 Annual Meeting, the Budget Committee has put together the following information for the Board of Directors and homeowners. This document serves as the reference for a dues increase to be considered by and voted upon by the Board of Directors. If approved, the Committee will move forward with communication plans to educate and inform homeowners in preparation for a community vote at the Annual Meeting on May 14, 2019.

**Budget Committee:** Linda Marshall, Dan Badders, Martin Hehman, Lindsay Sandor, Jana Carlson

#### **RECAP: Homeowner Budget Review Meetings (Jan. 8 and 15)**

The following are summarized committee observations from the two review meetings:

- attendees mostly agreed that a dues increase was necessary
- appreciated updated budget format; provided valuable feedback to help clarify expenses
- Committee updated budget document, making improvements from homeowner feedback

#### **PROPOSAL TO BOARD OF DIRECTORS**

*Guided by values that promote a sense of community and preservation of property values, the goal of the Board is to make decisions that are consistent with high principles and in the best interests of the entire Oak Hills community.*

The budget for the 2018/2019 fiscal year projects the Association pulling \$32K from savings to properly fund our general operating expenses for the upcoming year. Many factors contribute to this deficit, including:

- operating costs of the new Recreation Center buildings and pools;
- increased wages for employees resulting from the increased minimum wage; and
- general property maintenance needs requirements.

In the past, OHHA has relied heavily upon non-dues income sources (last fiscal year, over \$120K from field rentals, pool passes, building rentals, RV lot space rentals, fitness program tags/punch cards, and miscellaneous income) to supplement the general operating budget in order to keep homeowner dues low. These non-dues income sources, while generating income for OHHA, are not guaranteed and therefore not reliable to utilize for supporting general operating expenses in lieu of homeowner dues. For example:

- the youth swim teams that rented pool time last winter moved to another location this year;
- the LLC providing flag football paid two years' rentals in the prior fiscal year;
- the LLC providing flag football has reduced its program by two weeks (\$1,800 reduction in revenue) this fiscal year;
- future exercise classes will be taught by independent contractors who will collect their own fees;
- Oak Hills Soccer made its final \$5000 payment toward field irrigation last year;
- Energy Trust of Oregon payments of \$33,000 will not repeat in 2018/2019.

The Board has the fiduciary duty to the membership to set the HOA fees at a level that is adequate to cover operating expenses and reserve transfers as determined by the Board after consulting the reserve study. Recognizing that previous funding practices are not sustainable or adequate for 2019 and beyond, the Budget Committee is recommending increasing Homeowner dues in order to prudently fund projected operating expenses. This increase will ensure that operating expenses are adequately covered by homeowner dues for at least the next one to three fiscal years, allowing OHHA to complete long overdue maintenance and repairs to



**TREASURER**

infrastructure (such as RV Lot gate security and landscape improvements) in order to properly maintain our property values.

The Association will utilize projected income from pool and field rentals, RV Lot rentals, July Fourth, and any miscellaneous income for three purposes:

(1) Funding of the two Operational and Replacement Reserve (savings) accounts:

- The Operating Reserve is the account in which any funds greater than expenses are saved for use in future years or for unexpected expenses;
- The Replacement Reserve is the account in which funds are set aside for repair and replacement of equipment and facilities. Repaving walkways, rebuilding the iconic Oak Hills entry sign, maintaining the neighborhood trees, refurbishing the tennis courts, replacing non-working mailboxes as needed, and rebuilding the tractor are examples of expenses that could be charged to the Replacement Reserve account.

(2) Offset Pool Pass and Tennis Court access to nominal fees. Although a nominal fee will be necessary for registration and bracelets identifying homeowners, the Board agrees that all homeowners have paid to build the facilities that are the capstone of our community. Homeowners should not have to pay again to use those facilities. Removing the cost of pool and tennis tags will cost about \$26,000. It is appropriate this be covered by pool and field rentals.

(3) Paying for the Fourth of July Celebration including the fireworks and all associated costs.

The homeowner dues increase proposal includes the following:

- annual OHHA dues will increase to \$700 per lot to fund the actual cost of operating OHHA. This is an increase of \$150 from the current fee, taking effect with the invoice to be mailed in October, 2019.
- Pool Passes and Tennis Court fees will be reduced to a nominal expense for homeowners.
- leverage non-reliable income sources (field, facility, pool, and RV Lot rentals, 4th of July donations), estimated to be between \$50K and \$100K, to fund savings in the Operational Reserve Account , the Replacement Reserve Account, and the Fourth of July Celebration.

<b>\$528,316 PROJECTED OHHA EXPENSES</b>	
<b>\$50K+ Replacement and Operational Reserves \$20,600 Fireworks Event</b>	<b>\$457,716 Operating Expenses</b>
<i>funded by non-dues income sources = estimated \$50-100K (field, facility, pool and RV Lot rentals, and 4th of July donations)</i>	<i>funded by 650 homeowner lots = \$704 per lot</i>
Committee Recommends leveraging non-dues income to: <ul style="list-style-type: none"> <li>• Fund savings in Replacement Reserve and Operational Reserve Accounts (\$50K+)</li> <li>• Fund the annual fireworks event (\$20,600 budget)</li> <li>• Reduce Pool Passes and Tennis Court fees to nominal expense to homeowners</li> </ul>	Committee Recommends: \$700 dues per lot <ul style="list-style-type: none"> <li>• increase of \$150 from current dues</li> <li>• homeowner dues fully cover Operating Expenses</li> </ul>
<b>NON-DUES INCOME/REVENUE</b>	<b>HOMEOWNER DUES</b>

## TREASURER

### **SUPPLEMENTAL INFORMATION**

The following are suggested items and information that the Committee and Board may want to provide to show full transparency, proactive and thoughtful planning, and encourage open dialogue with all homeowners.

#### **Budget Spreadsheet**

- update with detailed information for all/most line items, helping homeowners understand ALL expenses
- recommend printing again in newsletter
- include with Annual Meeting package mailed to homeowners

#### **HOA Cost Breakdown**

- create a reference document to clearly show what it costs to run Oak Hills
- show 2014 expenses comparison next to 2018, since that was the last time we increased (not necessarily "apples-to apples" with the new facilities but it may reinforce the point that current/previous dues do not adequately cover our current and immediate future needs)

#### **Communication Calendar and Plans (Lindsay)**

- shows plan for communication to homeowners
- clarifies for Board, if proposal approved, of our next steps to help get increased passed at Annual Meeting
- includes the following communication plans:
  - 3 printed Board newsletters (March, April, May issues)
  - 4 e-newsletters (Feb, March, April, May)
  - direct email (closer to Annual Meeting--focus on dues increase)
  - HOA website (create an info page that homeowners can easily reference; promote links)
  - Facebook/social media (best to align posts with other communications elements)
  - postal mail (CMI to provide, as stated in Bylaws, between 10 and 50 days from meeting)
- Some potential idea(s) communication ideas:
  - info Q&A session (similar to the Review Meetings but hyper-focused on the proposed dues increase), held at Community Room and via Facebook Live
  - 1-3 minute info video/presentation to share electronically with homeowners (think "PSA" or any other short videos that you've seen from your favorite brands/companies. We will most likely be publishing and printing LOTS of information about increasing the dues, and it would be great to be able to condense the information down and deliver it clearly and effectively to homeowners in a brief and engaging format. If they need more information, that's where the website info page and newsletters are necessary.

**The Oak Hills Homeowners Association is governed by a Board of Directors made up of nine members of the community elected by the homeowners. Guided by values that promote a sense of community and preservation of property values, the goal of the Board is to make decisions that are consistent with high principles and in the best interests of the entire Oak Hills community.**