

**BLUE LAKE SPRINGS HOA
2019 TREASURER'S REPORT**

Dear BLSHA Members,

Overview

Managing our BLSHOA annual budget is our greatest fiduciary responsibility, and is managed with the greatest care and respect. Accordingly, the Finance Committee is pleased to present the attached summary pro forma budget to our members. Our annual assessment will be increased from its present value of \$714 to \$735, an increase of 3% over 2018 and the smallest increase in assessments since 2012.

This modest increase is despite a California State mandated minimum wage increase of 9.1% in 2019, which affects all of the labor costs in our HOA. We plan to mitigate this increased expense through careful management of overtime, a reduction in capital improvement and operating expenditures compared to 2018, some reduced expenses related to our ongoing lawsuit by one of our members, and other cost reduction efforts.

We plan to fund our Major Asset Reserve and Operating Reserve Accounts in accordance with the policies outlined in 500-A-17 and 500-A-35. More detail is provided below.

Asset Reserves

BLSHOA Policy 500-A-17, revised in October of 2017, establishes the goal of our Asset Reserve Account reaching 50% of our major asset value no later than 2027, and hopefully sooner. A large part of the 18% increase in last year's assessment was to make a significant step in accomplishing this goal. With this step increase last year, increases in the remaining years of our plan should be much more modest, in the range of 2-3% per year. Our projected percentage for the end of 2018 is 23% funding, and our budget numbers for 2019 should bring us to 29%. This is in line with the plan outlined in 500-A-17.

Operating Reserves

Operating reserves are used to fund all asset components of less than \$1000 in value. Our operating reserve fund target is 5%, in line with Policy 500-A-35. Our 2019 Budget shows \$94,088, 5% of operating expenditures in 2019.

Legal Expenses

In June of this year, Calaveras County Superior Court ruled in favor of the HOA on all counts in the lawsuit by one of our members. The court also ruled that attorney fees and court costs of \$263,362.97 be awarded to the HOA. However, the litigant has appealed the case, and the appeal process is expected to take between 12 and 18 months. In 2018, we budgeted \$100K for legal expenses. With the costs of the trial taking place this year, our actual expenses will exceed this number by about 20%.

In 2019, we have once again budgeted \$100K for legal expenses. We believe this is conservative in that it is unlikely that the appeal will be heard in 2019, and that even if it is, our costs for the appeal should be somewhat less than costs for the original trial.

Additionally, we incurred nearly \$27K in Accounting Services in preparation for the trial. We have budgeted only \$7500 for Accounting Services in 2019, a saving of nearly \$20K.

Cost of Amenities

In 2019, our budgeted net cost of Recreation is \$78,945.

Our budgeted net cost of Snowflake Restaurant and our Snack Bar is \$96,564.

Delinquent Accounts

In order to make it easier for our members to pay their assessments, and in an effort to reduce the balance of delinquent accounts, in March of this year the Board approved a policy allowing assessments to be paid in installments. As a result of this, and a more aggressive collection policy, 2018 delinquent accounts were reduced from a value of \$64,974 and 91 properties at the end of May 2018 to just \$3570 and 5 properties in mid October.

BLSHOA Board of Directors

BLUE LAKE SPRINGS HOMEOWNERS' ASSOCIATION

Summary Pro Forma Budget for the Fiscal Year January thru December 2019

The Blue Lake Springs Homeowners' Association Board of Directors has conducted a review of the annual assessment requirements for the 2019 Fiscal Year as required by the California Civil Code. Based on that review and the projected costs to maintain the Association, the Board has established that the annual assessment for the year 2019 will be \$735 per lot. All sums are due January 1, 2019, and are considered delinquent if not paid by May 1, 2019. Payments received after May 1, 2019, will accrue a 1% interest charge per month (12% per annum) computed on the past due balance.

SUMMARY PRO FORMA BUDGET FOR THE YEAR ENDING DECEMBER 31, 2019

INCOME:	Annual Assessment	\$	1,489,115
	Administration Income	\$	53,641
	Interest Income	\$	4,900
	Recreation Fees & Sales	\$	105,600
	Restaurant & Snack Bar	\$	231,833
	TOTAL INCOME	\$	1,885,089
EXPENSES:	Administration	\$	565,494
	General Maintenance	\$	443,037
	Utilities	\$	92,710
	Security	\$	66,993
	Recreation (Winter & Summer)	\$	184,545
	Restaurant & Snack Bar	\$	328,397
	Transfers to Reserve Funds	\$	156,673
	Capital Improvements/Operating Fund Expenditures	\$	43,369
	Reserve Fund Interest	\$	3,872
	TOTAL EXPENSES	\$	1,885,089
BALANCE		\$	0

The budget summary conforms to the following:

Summary, Pro Forma Budget Ref. CC §5300

Dues assessment collection policy Ref. CC §5310(a)(7)

Notice of rights to minutes of board meeting Ref. CC §4950

Dispute Resolution Procedures Ref. CC §5905

Notice of Board Meetings Ref. CC §4920

Assessment and Reserve Funding Disclosure Ref. CC §5570

Section §5300 of California Civil Code requires that a summary Pro Forma operating budget be provided to all members of a common interest subdivision association not less than 30 days on more than 90 days preceding the beginning of the fiscal year. Property owners should retain this budget summary and all financial disclosures associated with Civil Code §4525 with their property records as property owners are required by Section §5300 of the Civil Code to provide the most recent financial documents to a prospective purchaser.

Blue Lake Springs Homeowners' Association
Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending 2019

1) The current assessment for each lot owned is \$735.00.

Note: If assessments vary by the size or type of unit, the assessment applicable to this unit may be found on page N/A of the attached report.

2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Assessment Is Due:	Amount Per Unit Per Month (If Assessments Are Variable, See Note Immediately Below):	Purpose Of The Assessment:
N/A		
	Total:	

Note: If assessments vary by the size or type of unit, the assessment applicable to this unit may be found on page N/A of the attached report.

3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes or No

4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years?

Approximate Date Assessment Will Be Due:	Amount Per Lot Per Month:
N/A	N/A
	Total:

5) All major components are included in the reserve study, and are included in its calculations.

6) As of the last reserve study or update, the current balance in the reserve fund is \$1,652,799 based in whole or in part on the last reserve study or update prepared August 2018. The projected reserve fund cash balance at the end of the current fiscal year is \$386,888, resulting in reserve being 23.41% percent funded at this date.

If an alternate, but generally accepted, method of calculation is also used, the required amount is \$ N/A .

7) Based on the method of calculation in paragraph (4) of Subdivision (b) of Section §5570 of Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is seen below, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues.

Calendar Year	Annual Expenses	Projected Reserve Fund Balance End of Year	Percent Funded End of Year
2019	\$69,713	\$477,720	29.00%
2020	\$181,863	\$578,659	35.01%
2021	\$54,902	\$725,473	43.89%
2022	\$179,333	\$753,908	45.61%
2023	\$49,820	\$981,089	59.36%

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 1.00% per year, and the assumed long-term inflation rate to be applied to major components repair and replacement cost was 2.60%

Blue Lake Springs Homeowners' Association Annual Policy Statement

Official Association Communications, The Person designated to receive official communications to the Association is Ref. CC §4035

Tony Abila, General Manager
PO Box 712
Arnold, CA 95223
209-795-2357 Email: blshoffice@caltel.com

Mailing Address for Overnight Payments of Assessments
PO Box 712
Arnold, CA 95223

Annual Assessment Increase. As of January 1, 2019, the Blue Lake Springs Homeowners' Association's annual assessment will be \$735.00 for all properties and all Associate Memberships.

Payment Plan. The Association under Policy 500-A-29 does accept payment plans (refer to attached Policy).

Major Component Repairs. The Association does not anticipate and has not decided to defer or not undertake repairs or replacement of any major components with a remaining life of 30 years or less.

Reserve Funding Mechanism. The Associations annual contribution to the reserve fund will be increased each year a minimum of 3% of the current years contribution. This yearly increase to the annual contribution will insure the Association's reserve funds to adequately funded. 2019 Annual Reserve Contribution \$156,673.

Secondary Address. California Civil Code §5260 and §4040(b) gives members the right to submit a request for notice to be sent to a secondary address. Send such request to the Association office with Attn. Secondary Address Request.

Outstanding Loans. The Association does not hold any outstanding loans.

General Notices Location. General notices for the Association are posted on bulletin board in Snowflake Lodge dining room and on the Association website.

Right to Individual Delivery. Members option to receive the general notice by other means, in addition to the General Notice Location in accordance with California Civil Code §4045(b)

Right to Minutes. California Civil Code §4950(b) Board meeting minutes are available on the Association website and by email. The minutes shall be available to members within 30 days of the meeting. Copies will be sent to a member upon reimbursement of the Association's cost for the distribution.

Architectural. Refer to the Association CC&Rs Article II Section 1 Architectural Review Committee second paragraph.

Rules Enforcement Policy. Refer to the Association CC&Rs Article I Section 1 Blue Lake Springs Homeowners Association and Mutual Water Company paragraph (f). Attached is the Association Violation and Fining Policy, Schedule of Fines.

Special Assessment. As of October 20, 2019, the Blue Lake Springs Homeowners' Association's Board of Directors does not anticipate a Special Assessments for 2019. Per Civil Code §5615

Emergency Assessment. Civil Code §5610. Emergency Assessment Requirements.

Litigation. As of November 30, 2015 The Blue Lake Springs Homeowners' Association is in litigation with a member due to the interpretation of the CC&Rs and how assessments are levied on multiple lot owners. The lawsuit was filed in Calaveras County Superior Court. The Case number is 15CV40810, a copy of the lawsuit is kept on file in the Association office for any member wishing to review it. The Association in May of 2018 prevailed in the law suit. As of September 7, 2018, defendant is appealing the ruling.

Annual Insurance Disclosure

Name of Insurer: Travelers

Policy Limits: Commercial Excess Liability (Umbrella) Insurance Policy

Aggregate Limits of Liability: \$4,000,000
\$4,000,000

Coverage A – Bodily Injury and Property

Damage Liability: \$4,000,000

Coverage B – Personal and Advertising

Injury Liability: \$4,000,000

Amount of Deductible: \$1,000

Date Policy Begins: 01-01-2019

Date Policy Ends: 01-01-2020

THIS SUMMARY of the Association's policies of insurance provides only certain information as required by 5300 of the Civil Code and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

**SUMMARY OF ALTERNATIVE DISPUTE
RESOLUTION REQUIREMENTS
(Civil Code 5925-5965)**

1. An association, owner or member of an association may not file an action in Superior Court seeking either:
(a) declaratory or injunctive relief to enforce the governing documents, the Davis-Stirling Common Interest Development Act, or the Corporations Code, or (b) in conjunction with a claim for \$7,500 or less (other than assessments), unless the parties have endeavored to submit their dispute to alternative dispute resolution (ADR), which includes mediation, arbitration, conciliation, or other non-judicial procedure that involves a neutral party in the decision-making process. The ADR process may be binding or non-binding.
2. This requirement does not apply to disputes within the jurisdiction of the Small Claims Court or disputes over assessments.
3. The ADR process is commenced by one party serving the other party with a Request For Resolution. It must contain the following:
 - a. A brief description of the dispute;
 - b. A request for ADR; and
 - c. A notice that the party receiving the Request For Resolution must respond within 30 days or the Request For Resolution will be deemed rejected.
 - d. If the person on whom the Request For Resolution is served is an owner, a copy of the statutes governing ADR. Civil Code 5925-5965.
4. Service of the Request For Resolution may be by personal delivery, first-class mail, express mail, facsimile or other means reasonable calculated to give the other party actual notice.
5. A party served with a Request For Resolution has 30 days to accept or reject the request. Failure to accept or reject is deemed a rejection.
6. If the Request For Resolution is accepted, ADR must be completed within 90 days from the date of acceptance. The deadline can be extended by a written agreement among all parties.
7. The costs of ADR shall be shared by the parties.
8. The time to file a civil action is suspended while ADR is pending.
9. Refusal to participate in ADR may result in the loss of the right to recover attorney fees in a subsequent Superior Court action.

FAILURE OF A MEMBER OF THE ASSOCIATION TO COMPLY WITH THE ALTERNATIVE DISPUTE RESOLUTION REQUIREMENTS OF SECTION 5930 OF THE CIVIL CODE MAY RESULT IN THE LOSS OF YOUR RIGHT TO SUE THE ASSOCIATION OR ANOTHER MEMBER OF THE ASSOCIATION REGARDING ENFORCEMENT OF THE GOVERNING DOCUMENTS OR THE APPLICABLE LAW

BLUE LAKE SPRINGS HOMEOWNERS' ASSOCIATION
CHARGES FOR DOCUMENTS PROVIDED AS REQUIRED BY SECTION 4525*

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller.

A seller may request to purchase some or all of these documents, but shall not be required to purchase ALL of the documents listed on this form.

Property Address _____

Owner of Property _____

Owner's Mailing Address _____

(If known or different property address.)

Provider of the Section 4525 Items:

Print Name Position or Title Association or Agent Date Form Completed

Check or Complete Applicable Column or Columns Below

<u>Documents</u>	<u>Civil Code Section</u>	<u>Included</u>	<u>Not Available (N/A) or Not Applicable (N/App)</u>	<u>Fee</u>
Articles of Incorporation or statement that not incorporated	Section 4525(a)(1)			\$2.05
CC&Rs	Section 4525(a)(1)			\$5.05
Bylaws	Section 4525(a)(1)			\$7.30
Operating Rules	Section 4525(a)(1)			\$0.00
Age restrictions, if any	Section 4525(a)(2)		N/App	\$0.00
Pro forma operating budget or summary, including reserve study	Section 4525(a)(3)			\$1.80
Assessment and reserve funding disclosure summary	Section 5300 and 4525(a)(4)			\$1.55
Financial statement review	Section 5305 and 13684525(a)(3)			\$2.30
Assessment enforcement policy	Section 53110 and 13684525(a)(4)			\$1.80
Insurance summary	Section 5300 and 4525(a)(3)			\$1.55
Regular assessment	Section 4525(a)(4)			\$1.55
Special Assessment	Section 4525(a)(4)			\$1.55
Emergency assessment	Section 4525(a)(4)			
Other unpaid obligations of seller	Section 5675 and 4525(a)(4)			
Approved changes to assessments	Section 5300 and 4525(a)(4),(8)			
Settlement notice regarding common area defects	Section 4525(a)(6),(7) and 6100			
Preliminary list of defects	Section 4525(a)(6), 6000, and 6100			
Notice(s) of violation	Section 5855 and 4525(a)(5)			
Required statement of fees	Section 4525			
Most recent 12 months of minutes	Section 4525(a)(10)			\$14.30
Total Fees for these documents				\$42.35

*The information provided by this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 may be charged separately.