



December 2020

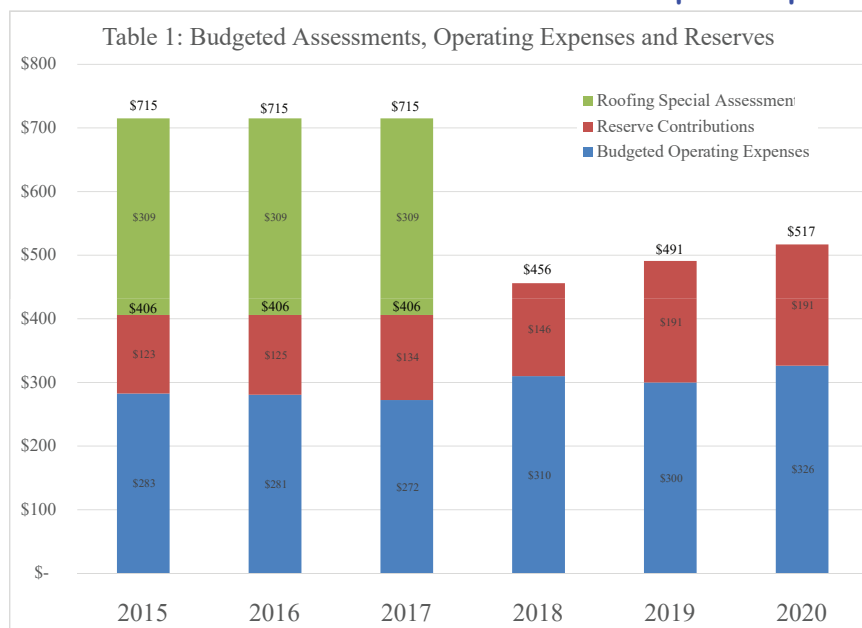
A publication for the homeowners/residents of The Broadmoor Huntington Harbour Community Association

MESSAGE FROM THE PRESIDENT HI Neighbors,
This month's newsletter is long and filled with often requested information. So I'll keep this brief and just say Happy Holidays! I hope you find the following article on how the association spends your monthly assessments informative and interesting.

THE BREAKDOWN

MONTHLY ASSESSMENTS, RESERVES, MAINTENANCE AND OPERATING EXPENSES Monthly assessments, reserves, operating and maintenance expenses are inextricably intertwined in the financial cost of operating a condominium association. (See **Table 1: Budgeted Assessments, Operating Expenses and Reserves** for a graph of these items.)

Different association's boards have various philosophies in how to address these important issues.



Here is some background information:

MAINTENANCE: Since 2011, eleven different members have served in the four condominium director positions. Without exception, each of those 11 directors has been committed to both continuous repairs and preventive maintenance efforts. Those directors' philosophy has been to effect continuous repairs as an element shows sufficient wear and tear to warrant attention. Certain elements require preventative maintenance before that component fails or necessitates complete replacement, or before the eroding condition causes

damage to another component (such as its substructure). The difficulty of this approach is balancing the cost and timing of repair with the option of total replacement, and determining when preventive maintenance is less expensive than resulting damage if left untreated. Routine, consistent repair and maintenance involves a certain level of financial commitment and expenditures from regular assessments.

An alternate philosophy is to save costs by performing maintenance only as absolutely required or as a common area element wears out or fails, deferring maintenance on those components as long as possible. One downside to that approach is that failure to perform preventive or routine maintenance can result in significant long-term damage to an element, requiring higher capital repair costs or total replacement in the long run. Deferred maintenance can result in components looking tired and worn, while yet still functional. The upside is that monthly assessments can be kept lower. However, hand-in-hand with the low-maintenance, low-assessment approach is generally lower reserve contributions. When funds are needed to address a large capital item for which inadequate reserves exist, a special assessment may be required from current homeowners



(e.g., Broadmoor's 2015 special assessment for \$11,125 for re-roofing). Property values can suffer as a result of poor or deferred maintenance.

RESERVES: Condominium reserves are accumulated funds used for major repairs and deferred maintenance of the capital assets of the complex. Each month a portion of each member's regular assessment is allocated to the specific reserve accounts. Over time when a costly repair or comparable outlay becomes necessary, cash reserves are available to handle the expense without utilizing day-to-day operating funds or imposing a special assessment on homeowners.

The reserve funds should not be treated as a general savings or rainy-day account to be used for any new project. Reserves are established for *existing* capital components. Each and every component is assigned a replacement cost and useful life. Each month, a portion of your monthly assessment goes into each specific reserve account to "pay" for the depletion of that component over its useful life. For example, say the pool needs to be re-plastered every 15 years at a cost of \$15,000. Each year the association should put \$1,000 in reserves for that element. This assures there will be sufficient funds to re-plaster the pool at the end of 15 years; regular operating funds are not used for that expense, no increase in monthly assessments should be required, and no special assessment is needed. Broadmoor's reserves are allocated each month for roofing, painting, termite tenting, building repairs, awnings, railings, sidewalks and streets, sea wall, vehicle gates, lighting, irrigation systems, mail boxes, pool furniture, etc.

Broadmoor was built between 1978 and 1980. In 2012, after 34 years of operation, Broadmoor's reserves were only \$350,000. That amount seemed unusually low for an upscale development with an estimated insurance building replacement cost of \$50 million. Concerned, the board retained a reputable company to prepare a new, independent reserve study from scratch. That study revealed that existing reserves were woefully inadequate and were only 18% funded. One of the first things prospective buyers and their agents look at when considering Broadmoor are its reserves (another is monthly assessments, which are addressed below).

Ultimately, the failure to properly fund reserves transfers the financial burdens past homeowners should have paid to current and future homeowners. Here's a perfect example: Broadmoor's roofs are the most important component of each building, and had an original useful life of 25 years. In 2015 the board hired an independent roofing consultant who confirmed the roofs were well beyond their useful life. The board subsequently approved a \$3.3 million plan to re-roof the residential buildings. Since, after 34 years, there were no meaningful reserves for roof replacement, the board was forced to immediately increase monthly assessments 20% to begin building up roof reserves, and then members approved a special assessment of \$11,125 per unit. (To avoid repeating that oversight, Broadmoor's current budget includes a \$96,000 annual reserve contribution for roof replacement. In 40 years, a special assessment will not be required.)

Currently \$191 of each homeowner's monthly assessment (37%) goes into reserves, an amount determined by the annual reserve study. Those funds are not spent on any current operating expenses. From 2015 to 2020, reserve contributions increased from \$123 per unit per month to \$191 per unit per month, or an annual average increase of 10.87% (see *Table 2: Assessments, Operating Expenses & Reserves*, which is a summary of some of the key financial data over the past six years). Over the past nine years, Broadmoor's reserves have increased six-fold, from \$350,000 to \$2.1 million, and funding now exceeds 52%, which is considered very healthy and will continue to improve if the association continues to adhere to its reserve studies.

TABLE 2: ASSESSMENT, OPERATING EXPENSES & RESERVES (per unit)

							5-yr avg
Description	2015	2016	2017	2018	2019	2020	% incr
Monthly assessments	406	406	406	456	491	517	5.47%
(Year-to-year % increase)	0.0%	0.0%	0.0%	12.3%	7.7%	5.3%	
Budgeted operating expenses	283	281	272	310	300	326	3.11%
(Year-to-year % increase)	0.0%	-0.6%	-3.0%	13.8%	-3.3%	8.8%	
Reserve contributions	123	125	134	146	191	191	10.87%
Major operating expense categories:							
Cable TV	34	29	31	31	33	33	0.00%
High speed internet (200Mbps)	0	0	0	0	21	21	n/a
Earthquake insurance	0	0	0	14	13	16	n/a
Entry gate monitors	49	49	51	54	57	61	4.78%
Harvest Landscape	20	27	28	29	29	30	9.60%
Building & common area maintenance	72	81	56	53	67	69	0.00%
Subtotals	176	187	165	181	221	230	6.12%
(Year-to-year % increase)	0.0%	6.0%	-11.6%	9.4%	22.0%	4.4%	
California minimum wage	\$9.00	\$10.00	\$10.50	\$11.00	\$12.00	\$13.00	8.89%
(Year-to-year % increase)	0.0%	11.1%	5.0%	4.8%	9.1%	8.3%	

MONTHLY ASSESSMENTS:

Everyone wants their association dues to be as low as possible. That's human nature. Many homeowners expect assessments to remain the same year after year. That's not fiscally possible. In the last three years, the association has imposed three assessment increases. Homeowners have asked, "Why the increases?" and others question whether the boards need to reign in operational expenditures. What's happening?

Each August homeowners

receive a detailed packet showing the next fiscal year's budgeted operating expenses, a copy of the reserve study report, and the study's required reserve contributions. The budgeted operating expenses and reserve allocations together make up the required monthly assessment. Homeowners should review the budget and reserve study carefully as these are what the board uses to monitor its spending.

Assessment increases: To assist you in your review, let's drill down into some numbers. Let's go back to **Table 2**. From 2015 to 2020, monthly assessments increased from \$406 to \$517 per month, or a total of \$111 per month. That's a 5.47% average annual percentage increase, which is reasonable. However, the increases were all end-loaded, occurring only during the last three years. The reason – from September 2015 through August 2018, homeowners were paying an additional \$309 per month in roof special assessment. To ease the burden, the boards intentionally kept the regular monthly assessments at \$406 per month and deferred any increases until the special assessment ended. After the roofing project was completed and special assessments ended, the operating budget was increased to address the maintenance that had been deferred, re-plaster the pool, rebuild the pool decks, add the deck shade pergolas and seating, and secure earthquake insurance (note the 13.8% increase in operating budget from 2017 to 2018).

Operating expenses: Your monthly assessment has two components: projected operating expenses and reserve contributions. Let's start with the annual budgeted operating expenses: Over the last six years, budgeted operating expenses have increased only 3.11% annually. That is in line with inflation. Next, a majority of our budgeted line items are service related – entry gate monitors, landscape services, property management, pool service, and common area maintenance. Now consider that minimum wage in California has increased from \$9.00 per hour to \$13.00 per hour over the last five years -- a 44% total increase, or a 8.89% average annual increase (minimum wage will continue to increase to \$14.00 in 2021 and \$15.00 in 2022). Those wage increases are passed on by our vendors through higher contract prices. (For example, landscape services have increased 9.6% per year and entry guard services have increased 4.78% annually during that time period.) These labor rate increases account for a significant portion of the annual increases in our operating expenses.



Homeowners should be reminded that the \$111 monthly assessment increase over the past three years includes the addition of earthquake insurance (\$16) and high speed internet (\$21). If you remove those two new budget line items, the operating budget is virtually flat from 2015 to 2020. Remember the above concern about the board’s spending? Over the last six years, the board is spending about the same money in 2020 as it did in 2015. Further, our complex is now over 42 years old. With any aging complex, expenditures for repair, maintenance and replacement of its vital components will only continue to increase.

Comparison of association’s assessments: At \$517 per month, Broadmoor’s monthly assessments fall in the bottom half of assessments for comparable associations in Orange County. When comparing, it is important to consider that Broadmoor provides certain amenities which other associations do not. Most associations do not provide 24-hour manned entry monitors, high speed internet, cable TV, and earthquake insurance. *Without those four budget items, our monthly assessments are \$386 per month.* Compare that to other local association dues. Separate the \$191 reserve contribution, and our operating assessments are \$195 per month, which is very low. That amount is to maintain the buildings, grounds, landscape, pool, lagoon, repairs, insurance, utilities, tennis courts, tree trimming, etc.

Finally, this article emphasizes efforts to devote necessary funds to maintain our property and build reserves. This enhances and increases our property values and makes Broadmoor a more desirable place to own and live. And by adhering to recommended reserve contributions, future homeowners will not be faced with unexpected special assessments. Now take a look at **Table 3: Comparison of Associations**. The two other associations are located on Warner and Algonquin, within 1-1/2 miles of Broadmoor. Both Pelican Cove’s and Bay Club’s boards deferred many capital maintenance items as long as possible to the extent that extensive repairs of many components and full replacement of others is now required. Unit owners in those complexes are currently facing a \$35,000 and \$30,000 special assessment to address their long-deferred maintenance issues. That is shocking. But what is also surprising is that despite both associations deferring maintenance, their current monthly assessments are considerably higher than Broadmoor when you consider that neither provides internet, cable TV, or entry monitors; neither has tennis courts, a lagoon, or extensive landscape green space; one doesn’t have a pool; and the other doesn’t carry earthquake insurance.

TABLE 3: COMPARISON OF ASSOCIATIONS

BROADMOOR	PELICAN COVE	BAY CLUB
<ul style="list-style-type: none">- Built 1978-80- 244-units- \$517 monthly assessment- No special assessment	<ul style="list-style-type: none">- Built 1983- 48-units- \$510 monthly assessment- \$35,000 proposed special assessment for deferred maintenance issues)(monthly assessments increased to \$800/mo for 10 years)- No internet/cable TV- No earthquake insurance- No manned guard house- Reserve contribution (\$165)- Reserves (\$96,000)- Pool- Pool bathrooms- No tennis courts- No lagoon- Minimal green space- No parking patrol	<ul style="list-style-type: none">- Built 1990-91- 36-units- \$718 monthly assessment- \$30,000 proposed special assessment for deferred maintenance issues)(paid in lump sum)- No internet/cable TV- Earthquake insurance- No manned guard house- Reserve contribution (\$23)- Reserves (\$240,000)- No pool- No bathrooms- No tennis courts- No lagoon- Minimal green space- No parking patrol



IN OTHER NEWS

IT'S BEGINNING TO LOOK A LOT LIKE CHRISTMAS The board would like to thank volunteers Annette Merriam, Elizabeth Schmicker-Black, Mickey Bennett, Ricardo Diaz dela Vega, Rob Morris, Virgilio Moreno and Chris Gray for putting up all the holiday lights and decorations at the entrance to our complex. Decorations will be taken down on Tuesday, January 9, 2021, and volunteers will be needed. Please meet at 9:00AM at the pool gate.

ALTERNATE DISPUTE RESOLUTION As previously reported, a homeowner objects to all AC condensers installed in the common area since early 2020, and a Martin Lane homeowner's enclosure of the unit's balcony after receiving initial approval from the association. In both instances, the homeowner requested Alternate Dispute Resolution, a form of legal proceeding designed to resolve disputes without a trial. The board represented Broadmoor in the ADR mediation with the homeowner, Judge Luis Cardenas presiding. The complaining homeowner demands the association require that the installed ACs be removed by the homeowners, and that the Martin homeowner restore the balcony to its original condition. Since the board would not accede to those demands, there was no resolution of the matter at ADR.

During the mediation, the board reminded the complainant that the association is in preliminary stages to restate its CC&Rs. In addition to bringing the old CC&Rs into compliance with current Civil Code, the board proposes to clarify that installations of AC units and enclosures of balconies are permitted. The complainant agreed to refrain from filing any legal suits pending the outcome of the CC&R restatement effort.



UPCOMING EVENTS

12/10/2020: First night of Hanukkah 

12/12&13/2020 5:30pm: Huntington Harbour Boat Parade

12/16/2020 6:30pm: This months Board Meeting will be held via GoToMeeting. All residents are encouraged to attend. Meetings are held on the 3rd Wednesday of each month.

12/25/2020:  *Christmas*
12/31/2020 12:00am: 

BOARD OR DIRECTORS

2019/2020

President: Kevin Lutke

Vice President: John Wicketts

Treasurer: Annette Merriam

Secretary: Ronald Lee

Grimaud Rep: Robert Sebring

COMMITTEES AND THEIR MEMBERS

*Chairperson

Architectural:

*Chris Gray
Barbara Blodgett
Don Kujat
David Price

Parking:

*Jeff Pennington
Chris Gray
Ronald Lee
Bill Selfridge
Tony Sellas

BROADMOOR SERVICES CONTACT INFO

Broadmoor :

broadmoorhh.com

Guard House

Phone:(562) 592-4213

Website: gatekeyresident.com

Powerstone Property Mgmt.:

Jessica Hundermark

Phone: (949) 372-4031

Email: jhundermark@powerstonepm.com

Sylvia Mandujano

Phone: (949) 535-4514

Email: smandujano@powerstonepm.com

Spectrum:

Internet and cable TV

included with Association Dues

Phone:(866) 550-3211

Red Star Plumbing:

Use for common area

plumbing issues/emergencies

Phone:(714) 671-8799

LOCAL SERVICES CONTACT INFO

Huntington Beach Police:

Front Desk/Noise Complaint

Phone:(714) 960-8811

Parking Control (non-emergency)

Phone: (714) 960-3998 ext #0

Huntington Beach Animal Control:

M-F 8:00am- 5:00pm

Phone: (714) 935-6848

After Hours

Phone: (714) 935-7158

Rainbow/Republic Services

M-F 7:30am- 5:00pm

Phone: (714) 847-3581

www.republicservices.com