



The following questions were presented to the Board as part of the Budget forum that was conducted by Zoom on October 21<sup>st</sup>. The answers are provided to help all homeowners to understand our budget.

Q: Covenants, Section 7.03, specifies that Common Expenses shall be divided among the Lots equally, so that each Lot shall be subject to equal annual assessments. Section 7.05 specifies that any expenses of the Association occasioned by the conduct of less than all of the Owners shall be *specifically* assessed against such Owners of Lots. In the 2022 budget, there is a proposed additional \$325.00 Guest Service Fee for Rental Properties use of amenities (Fee is in ADDITION to the Annual Assessment). Please explain *in specific terms* the additional expenses the Association experiences for directly attributed to rental properties and for which non-rental properties do not benefit or share in generating expenses.

A: Section 7.05 Individual Assessments. Any expenses of the Association occasioned by the conduct of less than all of the Owners or by the family, tenants, agents, guests, or invitees of any Owner shall be specifically assessed against such Owners and their respective Lots. The individual assessments provided for in this Section 7.05 shall be levied by the Board of Directors and the amount and due date of such assessment so levied by the Board shall be as specified by the Board.

The justification for the Guest Service Fee is as follows:

- Funfangle. 75% of the cost of FunFangle allocated to renters - \$900.00.
- Administration time to develop materials and signage for guests - \$250.00 implement.
- Payroll for Seasonal Staff. \$14,473.00
- Brochure. Updated each year and printed - \$200.00
- Trash rollback. \$8,750
- Clubhouse manager's workdays reduced to 2 days a week for 14 weeks during the season - \$7,896.00

Total: \$32,469.00 or rounded to \$32,500.00.

Q: The 2022 budget proposes no income from kayak and bike rentals. With the waning concern of COVID in open areas, why would MS not continue to provide this service to the community? Does the expense outweigh the income or place extensive burden on the Monterey Shores Staff? Please explain the decision not to offer the rental service of recreational equipment and the associated expense versus income in detail?

A: Kayak and Bike rentals are available through a local business. This is advertised at the clubhouse. Their service is quick, and no complaints have been received. We must always monitor the pool and clubhouse desk. Renting kayaks and Bikes would require a third employee. We have relied on local residents to fill employee openings at the clubhouse due to the labor shortage.

Q: The 2022 budget does not show any income from interest. Why doesn't Monterey Shores HOA participate in financial investment programs to generate even the smallest amount of interest?

A: The HOA uses local banks and brokered CDs. By law the HOA may only invest in FDIC insured accounts. The current rates on CDs are close to zero. Based on a projected COLA of 5.9% it is likely that rates will increase. We invest In CDs using a laddered approach. Currently our investments are primarily in short term CDs. Because of the volatility of CD rates we entered zero income from this source. Based on this discussion a small interest amount was added to the final budget

Q: The 2022 budget reflects a significant increase in legal fees from prior years. Please explain the increase in costs in specific terms. How much of this effort is related to revising the Monterey Shores covenants?

A: The cost of revising our Covenants is estimated to be from \$7,500 to \$10,000. The Board has also been reviewing many procedures, policies and general practices as prompted by owner inquiries and management suggestions.

Q: In the 2022 budget there is a line item for Common Areas - General R&M at \$26,550.00. Please identify the R&M projects (work areas and associated expenses) that are included in this estimate.

A: In 2020 the expenses totaled \$4530. Expenses included repair of playground, boat ramp, signs and fencing. In 2021 the expenses totaled \$7,430. Expenses included repair of planters, signs and materials. The irrigation system near the clubhouse has required significantly increased repairs recently and larger expenses are anticipated to replace portions of the system.

Q: For the entry "Payroll (GM, CM and ACM) + Contract Mgt \$125,152.00", define GM, CM and ACM for clarity purposes. What are the expenses associated with the GM, CM, and ACM? What is the cost of the 2022 contract management contract? Why are a GM, CM, ACM required when MS employs a contract management company? Are there overlapping areas of responsibilities?

A: The management company's contracted cost is \$80,640 for the first year. The clubhouse manager, seasonal employees and maintenance personnel continue to be paid by the HOA directly. Individual employee salaries are confidential but can be found on a separate line item from the management contract.

Q: What positions make up the Miscellaneous Staff Payroll at \$14,473.00?

A: Part time maintenance and part time office assistant in 2021. Part time maintenance in 2022.

Q: Owners have expressed a high degree of interest in access to community amenities 7 days a week and for longer hours each day of the week. Does the 2022 budget allow for this or are there new procedures/processes being prepared to allow full enjoyment of the amenities for we which we pay in our annual assessments?

A: The 2022 budget does not address any change in budget or staffing based on hours of amenity usage. Aside from that, this matter is being investigated and topic on the agenda, unrelated to the budget, for the Board meeting scheduled for November 7, 2021.

Q: There is a line item in the 2022 budget identified as "trash collection at \$1,593.00". Is this for trash collection in common areas? If not, please explain the expense? Assuming this line item is related to the dumpster at the Clubhouse, could this expense be reduced or removed altogether by doing away with the dumpster and replacing it with typical trash receptacles to service the clubhouse and other common areas? To promote a clean liter free community, we need to place receptacles in areas where trash such as pet waste and beverage and food containers is likely to be generated with Owner/guest enjoyment of our wonderful, shared spaces.

A: The cost is for the dumpster near the clubhouse. We do look at each line item and are always open to suggestions on how they can be reduced. This has been visited in the past and this line item is based on the current procedure for trash at the clubhouse. As that is the amount we have confirmed at this time it is the budgeted projection for 2022, which is approximately \$3 per year of each lot's annual assessment. The trash removed in the dumpster is limited to large items that would not fit in our trash cans or that could be collected using the special trash collection service. Unfortunately, receptacles placed in public areas tend to be filled with pet waste that should be deposited in the pet owners' trash.

Q: In the 2022 budget there is a line item, Reserve Contribution \$210,000.00. When was the Monterey Shores Reserve Fund established? In the 2021 Annual Meeting, I believe a committee was going to be established to develop "reserve fund" recommendations for the community. Did that committee stand up? On this specific entry, please provide the status and amount of any reserve projects and associated expenses and timeline with this line item.

A: The Board commissioned a reserve study to provide the estimated cost of future reserve projects. This study was completed by Miller Dodson a company that specialized in reserve studies. The results of this study are available in the Owner's Section of our website.

Q: Where in the budget would we see the costs associated with completing the on-going or future Monterey Shores Drainage Project? What specific areas have been approved under this effort and which ones, if any, are any being proposed for 2022? Are the areas under consideration reducing standing water primarily to common areas or to a subset of Lot Owners?

A: Phases 1 and 2 are complete. These phases cover the main entrance and the area near the boat ramp. Phase 3 is proposed as a reserve expense in 2022. This phase covers an area from the intersection of Monterey Shores Dr and Drifting Sands Dr to the pond near the Marsh Landing pier. Future projects could include Sea Ridge Dr, Monterey Dr south of Drifting Sands Dr and the foot of Golden Bluff. The HOA is responsible for maintaining HOA property only. The budget proposes that approximately \$210,000 be deposited into the reserve fund.

Q: Are there any pending suits or judgments in which Monterey Shores is a party? If so, what is the financial risk to the community?

A: There are no pending suits or judgements in which Monterey Shores is a party.

Q: To facilitate Owner review and approval of our community's budget in future years, is it possible to change the format of the budget to provide current year approved estimated and actual spending information adjacent to proposed next budget year figures?

A: Yes, going forward management will propose a draft budget to the Board each year which will be in their recommended format which is set up in this manner.

Q: As for dues-is everyone paying the \$1490, whether or not they rent out their home? Is the guest fee of \$325 per house annually, or per week or per month for those that do rent out their homes? Basically, how does the guest fee work?

A: The proposed dues of \$1490 are for all lots. The annual \$325 fee is for properties that are rented.

Q: If I am understanding this, the raise in dues is to create a fund to do work in the future. What kind of pricing structure is used to "guestimate" costs?

A: The board hired Miller Dodson to prepare a reserve study analysis. Our reserve expenses are based on that study. The entire study is available on our website for review.

Q: Is there a place on the budget that shows how much it costs to belong to all the different organizations that are being mentioned for running an effective HOA? Does it show the cost of Association Consultants?

A: We belong to CAI which is an organization that provides information for HOA boards and management companies on best practices in managing communities. The cost is approximately \$200 per year. The cost of our management company is listed in the budget and financial statements included with the Annual Meeting Packet.

Q: Can you provide me with cd info prior to the meeting?

A: CD income is provided with the Annual Meeting packet. In 2019 our Interest income was \$16,480. In 2020 it was \$11,490. Our CD investments were reviewed compared to 2018 which resulted in a significant improvement in our ROI. Income is typically posted by our accountant at the end of the year.

Q: can you provide an actual vs. budget. Since 2021 is not over, try 2020. While I know they are not comparable, please just put them out there side to side. The historical method of putting budget vs. prior year budget is completely inappropriate and deceptive.

A: Most individual financial questions will be provided by our management company.

Q: Please advise what is the breakdown on payroll? How much of the budgeted payroll is the fee to your firm and how much is actual HOA employees?

A: \$80,640 is paid to the management company. They have a 3% increase in 2022. The HOA employs the clubhouse manager, seasonal employees and maintenance personnel. Their salaries are included in the budget on a separate line item.

Q: In the budget there appears to be a guest service fee per rented lot? What is that fee for and how was the number reached. What line items in the budget are specifically related to guest services only from rented homes. Please present them on a line by line item. Also, is there a full time homeowner charge since they are here 12 months per year and rental properties are 4-5 months with limited use permitted by the homeowner who rents. Perhaps full time residents should pay for more of the landscaping, utilities, clubhouse management etc. How do rental guests' use of amenities differ from guests of homeowners? Also where is the accounting for vrbo, airbnb, and unofficial rentals including non-f/t homeowners that charge their guests for the use of their houses and then use amenities. The Board has previously not been able to provide this information.

A; Data was reviewed from 05/20 to 09/21 and homeowners represented 25% of the usage and renters accounted for 75%. Any type of rentals is included in the rental fees. VRBO and Airbnb rentals are included. The items included in the Guest Services Fee was described in a previous question. The amount in 2021 was approximately \$500.

Q: Interest income is a real line item when there is \$1mm in funds. Your reply that interest rates are low is not valid since according to some prior minutes, Mrs. Scott researched and recommended investments in CD's before the rates went down and at the 2019 annual meeting, the Treasurer at the time, Robert Scott agreed to look into proper investment strategy.

A: The best available rates were used, including brokered CDs, to determine the amount in the 2022 budget. Individual CD rates are not available to businesses. Businesses typically receive a lower rate. In a recent search, quoted rates were as follows:

0 – 1 year: 0.08%

1 – 3 years: 0.429%

3 years: 0.8%

5 – 7 years: 1.055%

These are for personal investments only. The interest received in recent years improved significantly because of the improved investment strategy referenced in this question. For the first time brokered CDs were purchased which typically have a higher rate.

Q: What is the unemployment insurance tax rate for MSHOA?

A: The HOA paid approximately \$60 in unemployment insurance annually.

Q: By what authority in the By-Laws or Covenants can the HOA impose a fee in addition to the assessment?

A: Section 7.05 Individual Assessments. Any expenses of the Association occasioned by the conduct of less than all of the Owners or by the family, tenants, agents, guests, or invitees of any Owner shall be specifically assessed against such Owners and their respective Lots. The individual assessments provided for in this Section 7.05 shall be levied by the Board of Directors and the amount and due date of such assessment so levied by the Board shall be as specified by the Board.

Q: What if I refuse to pay the Guest Service Fee?

A: Your renters will not receive any of the services included In the Guest Services Fee.

Q: Why does the Clubhouse require cable TV since it is closed so much?

A: When the gym is in use most users expect to have TV available. However, this amenity can be eliminated.

Q: Why did Legal go up so much?

A: The cost of revising our Covenants is estimated to be from \$7,500 to \$10,000. Board has also been reviewing many procedures, policies and general practices as prompted by owner inquiries and management suggestions.

Q: Why the increase in Landscaping?

A: COLA, repairs after flood mitigation project and increased maintenance required to replace sections of the irrigation system near the clubhouse.

Q: Where did the 6.2% come from for inflation?

A: COLA projected by Social Security Administration which includes COLAs that are calculated using the Consumer Price Index for Urban Wage Earners and Clerical Workers. A recent update shows that the actual rate will be 5.9.

Q: Why do we need a trashcan rollback service? Make the rental companies pay for it.

A: This is paid for as part of the guest services fee. Full time homeowners do not need this service and are not charged as part of the 2022 budget.

Q: for the phone and TV we have budgeted \$4k? Why not use magic Jack voip service \$49.00 per year using internet service. Can we get the breakdown of this cost?

A: Clubhouse -

Cable TV	Spectrum	110.57
Clubhouse		
Internet	Spectrum	116.98
Telephone/fax	Spectrum	79.98
TOTAL:		<u>307.53</u>

Or \$3,690/year.

We do look at each line item and are always open to suggestions on how they can be reduced. We can look at reducing cost for this line item. It is currently based on the cost that has been being charges. As that is the amount we have confirmed at this time it is the budgeted projection for 2022 and has a low impact on the overall annual assessment.

Q: can we get some transparency of the bids coming in for roll back service, landscaping, cleaning of the club house? Have we thought of having the club house

workers clean the club house as part of their duties? I want to suggest a neighborhood team that can do some of the landscaping duties to ease the cost ( I am willing to head that team up being we have 60 full time residents ).

A: The board is responsible for obtaining and reviewing bids. The bids are confidential. No business would make a bid if it would be public knowledge. We received three bids for landscaping. Two were for approximately \$100,000 per year. Our contract is for approximately \$50,000 and was only obtained by splitting the contract between two companies. The cleaning of the clubhouse has low total impact on the annual assessment.

Q: How many undeveloped or vacant lots are there?

A: According to County records, of the 384 residential lots in Monterey Shores, there are 104 unimproved. Approximately 16 of those lots are adjacent to a developed lot by the same owner and may never be developed. There are new homes currently being constructed and applications for new construction are being submitted for review on an ongoing basis so this number is lowering on an ongoing basis.