

## The West Bluff Hills News

issue #6 (8/1/19)

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### **This month's topic: Is our HOA fee structure fair?**

In [the last issue](#), we presented an analysis of our HOA fee increases over the last 37 years and identified some deficiencies. If one studies this chart, the HOA fee increases (or decreases) can best be described as inconsistent. For now, let's focus on the current state of our HOA fee structure.

HOA fees: Nobody likes them, nobody likes the increases and it's a fact that higher fees will reduce the resale value of your property. But, fees are necessary as we have to supply operating funds and feed our reserves to fund future capital expenses.

Davis-Sterling law gives the board of directors the power to raise HOA fees with a limitation of 20% maximum per year. If funds are needed mid year for unexpected expenses, the board can also make, without membership approval, a special, one time assessment of up to 5% of our operating budget. For us, that equates to about \$202 each (or \$16,000 total).

For review, there are 80 condo units in our complex, split evenly among four sizes with four different HOA monthly payments. They comprise:

1. The smaller interior one bedroom units (575 sq ft, \$296/mo),
2. The larger one bedrooms (750 sq ft, \$316/mo) then, upstairs,
3. The smaller two bedroom units (1065 sq ft, \$353/mo) and
4. The larger two bedroom units (1180 sq ft, \$376/mo).

In most associations, it is common that larger units have higher fees. The reasoning for having different fees based on size is that larger units theoretically utilize more of the community resources (pool use, parking spots, water, sewage, trash, etc).

If you owned property here in 1982, your HOA fees would have been \$88 / mo. for the smaller one bedroom unit (#1 above) and \$110 for the larger two bedroom unit (#4), a \$22 difference. Today, one can see from the above data, that the difference between the largest and smallest units is \$80. So, what happened and is this really fair?

Well, over the last 37 years there were fee increases, but the board members missed the big math picture. Instead of raising the fees by a set amount, such as having everyone pay an additional \$10 per month, they chose to use a

percentage. The difference is hardly noticeable when you compare a percentage of \$91 versus \$110 but, over many years, the larger number of the two will always inch further ahead. Here is an example. If this year, there was a 10% increase in fees, the small one bedroom owners would pay an additional \$30 and the largest two bedroom owners would pay an additional \$38. This \$8 differential would be tacked on to the already higher fees those owners currently pay.

Here is a sobering thought. If you still own here 20 years from now and if the HOA fees increase 3% per year (not dollars but percent) then your HOA fees will be:

1. \$535
2. \$571
3. \$638
4. \$679.

The differential between the unit 1 and 4 owners is now \$144! It just doesn't seem fair and, full disclosure, the editor of this newsletter owns a larger one bedroom unit and yet, believes this disparity is unreasonable.

So, what can be done?

For now we can only suggest that this board and all future boards raise HOA fees by a set amount rather than a percentage. That way, every owner will be carrying more of an equitable load of our operating costs. Some language could be put in the CC&R's to prohibit raising fees by percentages but it would require a majority vote (41). Until then, the best we can do is voice our opinion when budget discussion time comes (November/December). Make sure that fee increases are standardized and not raised by a percentage!

When the budget is drafted, property management looks at all the costs incurred during the previous year and presents an estimate of what it will take to operate for the upcoming year.

Costs that went over budget will be added to the new budget and those costs that were under will be subtracted. Then the previous operating budget number (this year it is \$323,815) will be subtracted from the estimated one for the coming year to see how much additional money is required.

Let's look at a hypothetical example. Say, for simplicity, the estimated operating costs for next year (2019-2020) are \$333,415. The difference between this new estimate and last years budget is \$9600. That \$9600 increase will be shared by 80 owners, so  $9600/80 = \$120$ . This, of course is a yearly fee increase so we then divide that value by 12 to get \$10. Ten bucks per month is what we need from each and every owner to meet the new budget. And, hopefully, not eleven from some and nine from others!

This won't reduce the existing fee disparity but it will keep it from increasing.

Finally, there are solutions available to reduce the HOA fee differences either immediately or over time (say 5-10 years) and bring our HOA fees closer together but they will require a vote from a majority of the owners (41).

### **A general session board meeting was held July 30 at Prescott Companies.**

Two homeowners were in attendance. Our property manager is now Margaret Rios and if you are a WBH owner and need to contact management, call 760-634-4700, or email: [customerservice@prescottmgt.com](mailto:customerservice@prescottmgt.com) Prescott is a big company so be sure to state that you are a West Bluff Hills homeowner and Margaret Rios is your manager.

A good part of the meeting was spent discussing illegal dumping on the property and unauthorized use of the trash bins. For a special pickup of discarded waste it costs us \$42 per item. That can add up and it will affect us all with higher fees. Owners, please inform your tenants that bins are for household waste only and all trash must be placed in (and not next to) a bin.

The board discussed writing up a simple educational guide (perhaps three pages long) outlining the basic rules for residents of West Bluff Hills.

People are still bringing glass into the pool area. If you see someone with glass and are so inclined, please inform them of the rules. Broken glass and bare feet don't mix!

Invited guests from [Rancho Santa Fe Security](#) answered questions regarding parking and security services they could provide. Much of the questioning was on parking enforcement but also brought up was on-site security.

For the first time in four months, budget numbers have been released by Prescott. This is normal when a new management company takes over. If allowed, we will be letting the members know via this newsletter of how weak or strong our financials are.

Board member elections are coming, likely in October. If you are an owner and interested in serving on the board, please contact Margaret and express your interest. For a reminder, watch your mail for a "call to candidacy". West Bluff Hills is always looking for pragmatic individuals to serve.

The new landscape proposal appears to be shelved for now. This board of directors is onboard with saving water, and improving the look of our property but realizes that we have more important priorities for our reserve funds.

Umbrellas at the pool may be onsite within a week! If you move or adjust them, please treat them like they are yours.

The laundry room in the 6921 building requires a fair amount of electrical work to make it operational. The board is entertaining a bid from our electrical contractor to get the job done. This revamp project is going to happen!

NOTE: Our star reporter will not be able to attend the next board meeting (Tuesday, August 27th, 6-8pm). Is there an owner willing to volunteer to attend and take detailed notes? If so, contact us at [westbluffhills@gmail.com](mailto:westbluffhills@gmail.com)

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