

SMOKETREE ORANGE PROPERTY FACTS:

- This community was built in 1973. In a couple of weeks, it will be 52 years old. Maintaining a property of this age involves many costs.
 - The trees planted many years ago have grown larger and have more developed root systems than the area can support.
 - The buried irrigation lines are damaged by tree root systems taking over more and more space underground.
 - The property lighting conduit and wiring are getting damaged underground.
 - Despite maintenance, some aspects of the buildings have reached their end of life and require replacement.

INFORMATION ABOUT ASSOCIATION DUES:

- Association dues vary based on many factors. Some examples include the property's age, location, and maintenance responsibilities. Recreational amenities rarely offer a fair point of comparison because they exclude the examples listed above.
- It is nearly impossible to compare apples-to-apples HOA dues amounts solely by looking at realtor property listings. The full details of the HOA maintenance responsibility covered by the different HOAs are rarely listed.
- There is not a standard list of covered maintenance for homeowners associations. Some associations, like ours, include more aspects of property maintenance, whereas others transfer the burden to the homeowner and exert more control over the finished product requirements.
 - Although their monthly dues may be lower, the homeowner will incur an additional undisclosed out-of-pocket cost when the extra work must be performed according to the HOA standard.
- Many newer properties face different expenses than older communities. While they do not require higher dues to facilitate those costs today, that does not mean they will not go up later.
- Due to unprecedented insurance premium costs in the past few years, most California HOAs sustained substantial dues increases and special assessments. Some insurance companies took the opportunity to demand expedited maintenance projects as a condition of coverage, adding to the financial burdens.

ASSOCIATION MANAGEMENT:

- On February 1, 2024, we changed from Seabreeze Management to BHE Management.
- BHE Management primarily lists their office PO Box on correspondence because that is the appropriate place to send mail correspondence.
- BHE Management does have a physical office. It is listed in the newsletter and meeting agenda postings as the in-person location for Zoom board meetings.
- A different PO Box address is used for mailing dues payments because an outside company handles the processing.

BOARD MEETINGS – IN PERSON & ZOOM:

- Board members are volunteers; sometimes, personal scheduling conflicts or emergencies arise that require changing meeting dates. At times, this can occur with little to no notice.
- The board can't hold a meeting if less than a quorum of members is present.
- All management contracts for board meetings include a fixed amount of time. Meetings that exceed that duration will incur additional charges.
- Homeowners have a fixed amount of time to speak during homeowner forums to maintain efficiency and avoid going over contracted management attendance time.
- Zoom meetings allow for a more efficient and productive meeting without incurring over-time fees for unruly disruptions during a meeting.
- Homeowners are welcome to submit their questions in writing before the meeting to save time and ensure they are addressed.
- All Zoom meetings have a physical location (BHE Management office) listed on the agenda and in the newsletter for homeowners to attend if they cannot participate in Zoom meetings otherwise.
- We have requested quarterly in-person meetings at the clubhouse so homeowners can attend in-person on-site. Like all meetings, these may be canceled or postponed if the quorum requirement is unmet or other unavoidable circumstances prevent them.
- Meeting cancellation notices are posted at the clubhouse as soon as possible to avoid inconvenience.

BOARD PACKETS:

- **EVERY** board member receives a board packet by email before the meeting. The board agreed to change from printed hard copy packets to PDF files to save on copy and postage costs. Packets are usually a minimum of 300 pages each month.
- A blanket offer has been made that any board member who would prefer to have a hard copy packet printed can do so at a local store (such as Staples) and submit the receipt to management for reimbursement.

FINANCIAL TRANSPARENCY:

- The budget, reserve study, and CPA audited financials are mailed to each homeowner annually.
- Every board member receives the monthly financials in their packet to review, which are approved by a vote at each meeting.
- Homeowners can request a copy of the financials; however, some information must be redacted for privacy or security.

HOMEOWNER DOCUMENT REQUESTS:

- Homeowners are legally allowed to request documents from management. Depending on the document, some require a cost to produce, borne by the homeowner or the association. The standard copy and postage costs are itemized in the annual financials packet.

DUES INCREASES, THE BUDGET, THE RESERVE STUDY, AND FIDUCIARY RESPONSIBILITY:

- Homeowner Associations are 501(c)(3) Non-Profit organizations. The funds that run the HOA come directly from the membership. (There is a possibility for a supplemental income contribution through interest accrual on financial investments, but it is taxable income, and strict restrictions exist on how funds can be invested.)
- The Board is comprised of volunteers responsible for maintaining a standard of maintenance that follows our governing document directives and prevailing law while acting in good faith and reasonable care to benefit the association and its members.
- The Board is tasked with making decisions based on the available information, which they believe is best for the association. At times, this includes seeking professional guidance from experts in the field. These experts range from Reserve Study analyst reports to construction project consultants and vendors.
 - One example: We hired a landscape consultant to evaluate our property needs and develop a scope of work we could bid from. This consultant's recommendation changed our contract from a fixed rate to a performance-based contract.
 - A fixed-rate contract is usually a little less expensive because it provides a set number of hours and manpower, which may or may not be able to complete what is expected. If they fall short, the vendor will bill for overage to pick up the slack at whatever rate they feel is necessary to cover the additional manpower. These variable additional costs were problematic and led to some hard decisions that sometimes left the landscaping in less-than-ideal conditions.
 - A performance-based contract is usually a little more expensive at first glance because it puts the responsibility on the vendor to provide the manpower necessary to perform the scope without overage billing.
 - We were paying more for the fixed rate contract because of the unavoidable overages than we do comparatively for the performance-based contract.
- Deferring maintenance can become a very slippery slope, especially in an older community. It can drastically impact resale value and limit lending options.
 - The Federal National Mortgage Association (Fanny Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) have been revising their lending guidelines to include questions about deferred maintenance, structural and safety issues, and related matters.
- Reserve study analyst reports provide critical data for the Board to consider when making financial decisions at budget time.
 - Reserve study reports itemize the maintenance responsibilities and provide best guess replacement costs, and the anticipated lifespan before replacement is necessary to make recommendations for the appropriate amounts of funding to meet the obligations in a reasonable amount of time.
 - Reserve study reports rely on analysts' best guesses of replacement costs, which must be periodically cross-checked with actual vendor proposals to ensure reasonable accuracy.
 - Significant increases in the costs of goods and services can drastically impact the amount of funding necessary to maintain the association's maintenance responsibilities. This can be compounded if the significant cost increases apply to a line item that is soon to reach the end of its useful lifespan.

This year, the budget meeting was two hours, and we reviewed every line item, looked for ways to cut back, and discussed new additions to the reserve study we need to consider. Some examples of cost-cutting ideas include:

- Administration costs, such as the rising postage cost, have become a factor in our decisions to include multiple notices in the monthly dues invoice envelopes. \$0.73 stamp (as of 12/1/24) * 179 units = \$130.67 for one mailing worth of postage without factoring in the associated document copy and mailing preparation costs.
- Encourage homeowners to opt-in for electronic communication to reduce mailing documents' postage and copy costs. (Homeowners can opt-in for electronic communication by contacting BHE Management.)
- Utility costs include eliminating gas usage to heat the pool when there is limited usage.
- Re-evaluating plant material and trees used to reduce cost during installation and in long-term maintenance. This includes looking into available subsidy support available to offset costs.

The Board does not take passing dues increases lightly. We are all equally responsible for paying the same amount each month. Our responsibility as Board Members is to weigh all of the factors itemized above carefully and exercise our best judgment to ensure the long-term financial health of our association.

ADDITIONAL EXPENSES THROUGH NEW AND UPCOMING LEGISLATION:

New legislation has added required inspections and material upgrades not previously budgeted for.

- SB326 mandates that architects, structural engineers, or civil engineers inspect and test all balconies every nine years. The resulting findings are submitted to local code enforcement and must be corrected by the association per the governing documents. Our HOA is responsible for the costs of inspections and repairs based on the maintenance responsibility matrix included in our governing documents. The deadline for the first inspection was 1/1/25.

Upcoming legislation will restrict the use of non-functional turf and potable water for landscape irrigation. The legislature still needs to finalize much more information before we can adequately prepare, but the deadline to comply is 1/1/29.

BUDGET PREPARATION AND POTENTIAL DUES INCREASE DISCUSSIONS ARE HELD AT THE SAME TIME EVERY YEAR AT THE HOA BOARD MEETINGS.

Homeowners are welcome to come and listen to the discussions.

MULTIPLE BIDS FOR VENDORS:

- Every endeavor is made to procure at least three bids per project. However, in some cases, only a limited number of vendors who meet the required qualifications are available or willing to bid, which may reduce the number of bids that can be procured. This is the exception, not the rule.

VENDOR AND PROJECT SCOPE DISCUSSIONS OCCUR DURING ASSOCIATION BOARD MEETINGS.

Homeowners are welcome to come and listen to the discussions.

FENCE PROJECT:

- Many fences had rotting and broken wood components visible from the common areas, making the community look poorly maintained. In many cases, what we could see rotting and broken from the outside was matched with more structural rot on the inside.
- Despite the pressing need to address considerable wood rot throughout the community, the entire wood replacement/paint project is not financially feasible at this time. We divided the enormous project scope into sections in order of priority and looked for ways to complete individual components we could afford instead of delaying the whole project.
- The fence project cost was a short-term and long-term victory. It addressed a pressing problem, improved and modernized the community's aesthetic, and strengthened property values. It also reduced future costs by installing a 30-year warranty product instead of putting funds toward wood that may need replacing again in the next 5-10 years.
- This also removes a large amount of wood throughout the community, which can house and spread wood-borne pests and rot to other areas if we are forced to delay wood-focused repairs and replacements due to financial constraints.
- Most importantly, it removed a significant cost from the wood replacement/paint project, making it more affordable when we have the finances to start it and when we have to undertake the project again in the future.

BY-LAW AMENDMENT & TERM LIMITS:

- A resolution was presented at the December 2024 Board Meeting to acknowledge a By-Law Amendment that was passed, adopted, and certified in 1995 after a community vote to change the number of directors to seven. This resolution resolved the discrepancy between the Articles of Incorporation, which indicated five directors, and the original By-Laws, which stated nine directors.
- The resolution acknowledging the existence of this document was voted on by the Board and passed unanimously in the December 2024 Board Meeting.
- The Board did not vote to change the number of directors at the December 2024 meeting. The Board voted to acknowledge the By-Law Amendment, which was adopted and certified in 1995.
- The association membership voted on this change at the annual election, and the measure's passing was documented in the annual meeting minutes. Subsequently, the board secretary, Janet May, adopted and certified it.
- Meeting minutes were reviewed to determine the historical practice regarding the number of directors in office. For more than a decade after adopting this By-Law Amendment, the Board operated in conformity by attempting to elect or appoint seven directors.
- If the board had not acknowledged this amendment, the Articles of Incorporation would have prevailed, and the board would have had only five seats. Articles of Incorporation supersede the original By-Laws unless changed by an amendment, as stipulated in the Articles of Incorporation recorded with the State of California.

- There has not been an annual election that has reached a quorum in over a decade, and the currently appointed directors replaced those who resigned, again maintaining a total of less than seven directors.
- Term limits have not been followed because we did not have an election for over a decade nor a fully seated board, and we needed to maintain the board members to ensure board quorum was possible.
- This resolution also acknowledged staggered director terms, which will resume with the 2025 elected directors.

PARKING:

There are 132 PARKING SPACES THROUGHOUT THE COMMUNITY for 179 UNITS

- Parking spaces are not evenly distributed throughout the community. Some areas have very few spaces, whereas others have more availability.

PARKING PERMITS:

- Permitting vehicles limits the number of cars per unit (max 2) and allows more homeowners to park in the limited lot spaces. The patrol service is needed to administer and monitor this program.

PERMIT FEES:

- Parking permit fees contribute toward asphalt maintenance, which is an additional contribution by those who impact the asphalt wear and tear the most.
- Lowering permit fees will not reduce the cost of performing the required maintenance and repairs on the asphalt. It will only reduce the funds available to pay for the necessary work.

PATROL COMPANY FACTS:

- They are NOT security.
- They are NOT paid to be here full-time to prevent all crime.
- They are NOT on-call and have no requirement to come out for every call placed. If they are in the area, they come out at no charge, but if they have to make a special trip, that would incur an additional charge to the association.
- We are contracted for three patrols per day – approximately 15 minutes each.
 - One patrol to clear out pool/bathrooms after closing and look for parking violations
 - Two patrols specifically to look for parking violations
- Vehicles not displaying a parking permit are not necessarily illegally parked in a space – they may be safe-listed.

LANDSCAPING:

- Mow the entire property once a week (except during winter re-seeding)
- One day per week to work on the property rotation to trim and maintain the rest of the landscaping. Sometimes, an extra day of manpower may be necessary to complete this work, but it is usually included in our contract.
- Rotation work includes shrubs, ground cover, low trees, tall perimeter hedges around the pool, basketball court, and the property borders.
- The property is split into quadrants, and the rotation is performed in one weekly quadrant. The landscapers do not address the landscaping of the whole property each week.
- Irrigation system upgrades improved water consumption, using subsidy programs to offset costs. Our old system equipment was failing, inefficient, and cost significantly more to repair than replace.
- Many trees planted years ago have grown too large for their location and must be removed. Provided space exists where the prior tree has been removed, we re-plant a new tree, which is smaller due to cost and anticipated future size. In some cases, the removed tree had a root system that was too large to allow a new tree to be planted.

POOL:

The pool company comes 3x per week to clean and service our pool, spa, and equipment.

- The County of Orange mandates daily chemical monitoring records and in-person service requirements. We installed automated controllers to record, monitor, and manage the chemicals between visits to save costs. We do not have a choice to cut back on service visits if we wish to keep the pool open.
- The most significant operating cost associated with the pool is the chemicals, and the controllers offer the best opportunity to reduce those costs by more carefully dispensing chemicals based on need. Our pool company makes every effort to stabilize this cost, but it is an industry-wide issue. We have corroborated this information with other sources.
- We have a lot of trees and landscaping around the pool, which blows debris into the water during winds. This debris must be regularly flushed from our filtration systems and pumps, or we risk damaging the expensive components. The most significant threat to our filters and pumps is pine needles. We removed two pine trees near the spa, which has helped reduce the number of needles that entered the water, but it is an ongoing issue that isn't easily remedied.

ON-SITE MAINTENANCE:

- The board hired a maintenance contractor for a set number of hours per month to address some of the aesthetic maintenance issues brought up by homeowners during HOA board meetings.
- Many of the repairs would be completed during the wood/stucco repair and paint project, which is on hold until reserve funds are available.
- Types of repairs completed thus far have included stucco patch repairs, painting, cinder block fence repair, siding repairs, monument sign structure repair, pool and basketball court fence repairs, dog station repairs, to name a few.

** . Multiple bids for this service were solicited. ** This vendor was not only the least expensive hourly but also provides receipts for materials to be paid as straight reimbursement instead of marking up. They also do not charge more than the contracted rate should we need additional time for an urgent repair.

We look forward to seeing you at the future meetings.

Incorrect or misleading information regarding the Association has been circulating. This information is intended to factually address many topics of concern and encourage homeowners to find confirmation of these facts by attending an HOA Board Meeting or by contacting BHE Management.

If homeowners have specific issues or see things within the community that need to be addressed, they should promptly report them to management or bring them to the HOA Board Meetings. Contact information for BHE Management is always available on your dues statement and the clubhouse message board.

Phone: 949-363-1963 email: email@bhemanagement.com