

**RIVIERA HEIGHTS HOMEOWNERS ASSOCIATION**  
**ANNUAL BUDGET REPORT**  
**(Civil Code Section 5300)**

After thoughtful review and consideration, the RHHA Board of Directors has approved a Pro Forma Budget for the fiscal year ending June 30, 2021, which it believes is reasonable and prudent to meet the funding needs of the Association. The budget shows estimated revenue and expenses on an accrual basis. A copy of the budget is enclosed for your review.

This year, there are several major expenditures that impact the financial picture for RHHA. As such, after analysis of the RHHA Operating Budget and Annual Reserve Study, the Board has determined that an increase in annual assessments (membership dues) is essential to maintain the financial stability and integrity of the RHHA. In the past two years, the assessment increases have been kept to a minimum with only a 3% annual increase. The RHHA Reserve Study for the 2020-2021 fiscal year requires an increase in reserve funding for the upcoming years to offset the cost of major expenditures. Daily operational costs of the HOA have also increased. The assessments (membership dues) have been increased for the 2020-2021 fiscal year to \$382, an increase of \$35.00 (\$2.92 per month) over the current annual fee of \$348.00.

The Board of Directors does not, at this time, anticipate the need to levy a special assessment for planned expenditures, but reserves the right in accordance with California Civil Code to approve a special assessment for unplanned major expenses, if necessary, in the upcoming fiscal year.

A summary of the Reserve Funding Plan prepared per Section 5565 for major reserve expenditure component repairs and an Executive Summary are also enclosed. The Board has adopted a reserve funding plan as recommended in the Full Reserve Study just completed by Association Reserves for the 2020-2021 fiscal year. RHHA Reserve accounts are funded through a portion of membership dues. Copies of the full reserve study plan are available upon request to RHHA members for a nominal fee.

The major reserve projects completed in 2019-2020 included the removal of the destroyed Marina pier, pilings and debris (approximately \$19,000), as well as the expansion and maintenance of firebreaks and reduction of fire fuel loads on RHHA common area properties behind Westridge Drive, Grande Vista Drive and at the Marina. A large swath of common area land below the Club House is pending clearing (using masticators) before the end of this fiscal year. Fire prevention hardscaping around the Club House was completed to reduce fire risk. A Full Reserve Study of the association's assets as required by law was completed in May 2020 by Association Reserves. Reserve projects for 2019-2020 that were deferred included Club House parking lot repaving/repair, new CC&R's and Club House exterior repair and painting. The Board has also voted that the mailbox hutches will not be replaced, saving the RHHA \$4,635. New priority projects for 2020-2021 include replacement of the marina pier and legal fees (see below) as well as Club House exterior painting and repair.

The Board has approved construction of a new Marina pier (estimated \$80,000), which will be underway as soon as necessary approved plans and permits are obtained. This project is costly but necessary. The

Marina pier is a major amenity and asset of the association and a reserve fund component. Accordingly, monies to build the new pier will come from the RHHA reserve fund. These reserve fund monies will be recovered over time through increased annual reserve fund contributions.

Legal fees pertaining to on-going litigation with an RHHA homeowner have created significant expenses to the RHHA, both in time and money. The Board does anticipate being awarded a favorable judgement in these civil cases in 2020-2021 and will move to recover legal fees at that time. Also, the insurance company for RHHA, State Farm Insurance, has authorized additional attorney representation in this matter.