

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, 2023, 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, after analysis of the RHHA Operating Budget and Annual Reserve Study, the Board has approved a modest increase in the 2022-2023 annual assessments (membership dues) to meet the anticipated increase for daily operational costs of payroll, utilities, maintenance, fire abatement, etc. The RHHA Reserve Study for the 2022-2023 fiscal year requires an increase in reserve funding for the upcoming fiscal year to off-set the cost of major expenditures for marina pier replacement completed in 2021, fire mitigation and legal fees pertaining to a long-running civil case with an RHHA homeowner. A favorable judgement in this case was awarded to RHHA in April 2022. The reserve fund monies will be recovered over time through increased annual reserve fund contributions and anticipated recovery of legal fees. The Board has also streamlined budget expenditures to minimize increases in operational expenses. The assessments (membership dues) have been increased for the 2022-2023 fiscal year to \$435, an increase of \$15.00 (\$1.25 per month) over the current annual fee of \$420.

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 Annual Reserve Study by Association Reserves for the 2022-2023 fiscal year. RHHA Reserve accounts are funded through a portion of membership dues. Copies of the full reserve study are available upon request to RHHA members for a nominal fee.

Major reserve projects completed by fiscal year end June 2022 include fire mitigation and fuel load reduction projects on RHHA common area properties, including the unanticipated cost of \$28,000 to remove 18 dead trees at the Clubhouse that posed serious fire danger (tree mortality caused by drought and related beetle infestation), maintenance and mitigation of RHHA fire break below Westridge Drive using goats and removal of junipers at the RHHA Clubhouse. Outstanding legal fees incurred as part of civil court proceedings in 2022 with RHHA homeowner (as noted above) will be partially paid by RHHA to Ewing & Associates in June 2022, with the remaining balance to be paid in 2023. The Annual Reserve Study of the association's assets as required by law was completed in April 2022 by Association Reserves. Please see additional enclosed information for a rationale of 2021-2022 reserve projects that were deferred this year, including the painting of the Clubhouse exterior and new CC&R's. Priority projects for 2022-2023 will include Clubhouse exterior painting and repair, sealing and repair of the Marina asphalt drive and parking lot, and on-going fire mitigation and dead tree removal to reduce fire danger and loss of RHHA common area property and assets.

