



Hills of Neskowin Treasurer Report

BRIAN CULP 9/28/22

Oregon Statutes Requirements

Per ORS 94.645, the annual budget must fund two things



An operating budget account that funds items which occur one or more times per year



A reserve account that must fund items which happen less frequently than yearly, but within 30 years.

https://oregon.public.law/statutes/ors_94.645

https://www.oregonlegislature.gov/bills_laws/ors/ors094.html

Current Balances

Construction
Account:
\$2,060.42*

Operating
Account:
\$12,614.92

Savings
Account:
\$7,231.11

* \$1000 of this amount is potentially refundable to current construction projects

2022 Detail

Dues: \$14,640.00

Shortfall: \$7,311.29

Date	Expense	Category	Notes
1/4/22	\$ 750.00	Landscaping	
1/25/22	\$ 143.88	Website fees	
1/26/22	\$ 750.00	Landscaping	
1/26/22	\$ 800.00	Legal Fees	
3/2/22	\$ 750.00	Landscaping	
3/3/22	\$ 1,725.00	Legal Fees	
3/14/22	\$ 712.00	Tax Prep	
3/23/22	\$ 750.00	Landscaping	
4/19/22	\$ 525.00	Legal Fees	
4/27/22	\$ 750.00	Landscaping	
5/19/22	\$ 850.00	Landscaping	
6/1/22	\$ 750.00	Landscaping	
6/22/22	\$ 70.00	PO Box Rental	
6/27/22	\$ 1,150.00	Landscaping	
7/14/22	\$ 123.24	Dog Waste	
7/18/22	\$ 104.33	Office Expenses	
7/27/22	\$ 1,150.00	Landscaping	
8/7/22	\$ 103.84	Picnic	
8/25/22	\$ 4,150.00	Landscaping	
9/2/22	\$ 384.00	Insurance	
9/30/22	\$ 1,150.00	Landscaping	
10/30/22	\$ 1,400.00	Landscaping	Estimate
11/30/22	\$ 1,400.00	Landscaping	Estimate
12/30/22	\$ 1,400.00	Landscaping	Estimate
12/30/22	\$ 50.00	Annual Corporate Fee	Estimate
12/30/22	\$ 60.00	Postage	Estimate
Total	\$ 21,951.29		

2023 Detail

Dues: \$15,372.00
Shortfall: \$5012.41

Date	Expense	Category	Notes
1/1/23	\$ 16,600.00	Landscaping	Estimate
1/1/23	\$ 150.00	Website fees	Estimate
1/1/23	\$ 2,000.00	Legal Fees	Estimate
1/1/23	\$ 740.00	Tax Prep	Estimate
1/1/23	\$ 70.00	PO Box Rental	Estimate
1/1/23	\$ 123.24	Dog Waste	Estimate
1/1/23	\$ 104.33	Office Expenses	Estimate
1/1/23	\$ 103.84	Picnic	Estimate
1/1/23	\$ 384.00	Insurance	Estimate
1/1/23	\$ 50.00	Annual Corporate Fee	Estimate
1/1/23	\$ 60.00	Postage	Estimate
	\$ 20,385.41		

Operating Budget Conclusions

The 2023 shortfall of \$5012.41 requires increasing the dues by a minimum \$83 per lot to \$335 per lot to fund the operating budget. This does not account for any unanticipated expenses.

We also need to replenish the \$7,000 in operational reserves depleted in 2022. Spread this across three years at \$40/lot/yr.



Construction/Reserve Budget Strategy

The proposed strategy is to follow ORS 94.625 and fund known expenses via a reserve account which is funded by annual dues rather than special assessments.

This proposal does not include the \$67,000 in 2023 for ditch work. That is better funded via a special assessment at this late stage, as raising dues to the level to fund that next year on top of our normal run rate would make dues higher than is necessary. That is intended to be the last special assessment for known construction expenses.

This proposal only includes known future expenses.

Construction / Reserve Budget

	Last Cost	Last Yr	Inflation Adjusted	Frequency	Next Expected	Years until	Per year cost
Sealing roads	\$ 21,000	2019	\$ 24,360	Once per ~6yrs unless repaved	2025	3	\$ 8,120
Repaving roads	\$ 73,145	2014	\$ 91,431	Once per 15yrs	2030	8	\$ 11,429
Ditch Repair	NA	NA	\$ 25,000	1000' section every 2yrs	2025	2	\$ 12,500
							\$ 32,049

Note: Due to the recent increase in oil prices, sealing and paving costs are trending even higher than the inflation adjusted numbers above (up to 50% higher). However, since oil is cyclic, it was decided in the 9/28/22 board meeting to leave these numbers tied to inflation and revisit in coming years if oil prices do not return to norms.

Construction Reserve Budget Conclusions

Funding the Reserve account with \$32,049/yr will require increasing the dues by \$526/yr per lot.

Legal Reserve

Typical legal fees for HOA litigation range from \$200-\$600/hr.

There have been events in the past that have required the HOA to spend \$25,000 or more, inflation adjusted.

In 2012 a legal reserve target of \$10,000 was set. This inflation adjusts to \$13,000. The savings account will represent the first \$7,000, leaving a \$6,000 gap.

The treasurer recommends establishing this as a dedicated reserve, funded by annual dues. Funding this at \$49/lot/year will enable this to be funded within two years.

Annual Dues History

Year	Increased to	# Lots	Dues Income
2013	\$ 208.00	61	\$ 12,688.00
2014	\$ 218.40	61	\$ 13,322.40
2015	\$ 229.32	61	\$ 13,988.52
2016	\$ 229.32	61	\$ 13,988.52
2017	\$ 240.00	61	\$ 14,640.00
2018	\$ 240.00	61	\$ 14,640.00
2019	\$ 240.00	61	\$ 14,640.00
2020	\$ 240.00	61	\$ 14,640.00
2021	\$ 240.00	61	\$ 14,640.00
2022	\$ 240.00	61	\$ 14,640.00
2023	\$ 252.00	61	\$ 15,372.00

The maximum dues increase the board can implement without a member vote is 5%.

In 2022 at the annual meeting, the board approved a 5% increase.

Prior to 2022, the most recent dues increase was in 2017.

In Summary



Known operational
expenses: \$335/lot/yr



Known construction
expenses: \$526/lot/yr



Fund legal reserve:
\$49/lot/yr



Replenish operating
reserves: \$40/lot/yr

Total: \$950/lot/yr

This does not comprehend the first 1000' of ditch work discussed 8/15/22.
That ~\$67k will remain a separate special assessment, as it needs funded in 2023.

Thank you for your time!

And thank you also to...



MEMBERS AT THE ANNUAL MEETING WHO PROVIDED INFORMATION ON THE STATUTES.



THE PREVIOUS TREASURER FOR KEEPING EXCELLENT RECORDS.



MEMBERS WHO ASSISTED WITH HISTORICAL ANNOUNCEMENTS, BALANCE REPORTS, ETC.



MEMBERS WHO ASSISTED WITH FORECASTING OF LANDSCAPING, DITCH, AND ROAD WORK.

Closing thoughts

This is a “best effort” attempt at a comprehensive future looking budget. However, there are unknown variables that will influence future costs, such as the actual costs associated with specific maintenance, inflation, and timing.

Per ORS 94.645, this budget should be revisited yearly. Reserves (ie, legal reserve or roads) once fully met would reduce annual dues until those reserves are depleted from their targets, while inflation or new requirements may increase annual dues.

We have benefitted from the low dues of \$240 for several years, many other communities near us are 2-6 times that amount. At this time we have construction items that we are behind in generating reserves for, and we are not well positioned for the current inflationary pressures.

End of presentation

Feedback during Board Meeting 9/28/22

1. Our fiscal year is the same as the calendar year. The past reports at the Aug meeting showing July-June were just convenient snapshot cycles. Culp to adjust the charts in this preso accordingly. **DONE**
2. We are supposed to have an established legal reserve. This was a concern raised by multiple individuals who have experience from other HOAs. Culp to add this to presentation. **DONE**
3. The cost of oil has increased substantially. Culp to attempt to get updated road/sealing pricing and include it here. **Partially Done** by cutoff date of 10/5/22. Seal coating came in a range of \$21k to \$39k. No road bids received by cutoff date, but similar increases are expected.
4. Culp to adjust the presentation with the final numbers from Oregon's Finest Gardeners. **DONE**



Supporting Links

https://www.salishanhills.org/?page_id=5

<https://www.thecapeshoa.org/faq/>

https://oregon.public.law/statutes/ors_94.645

https://www.oregonlegislature.gov/bills_laws/ors/ors094.html