

Las Colinas

Condominium Owners' Association

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2019 Financial Report

1.) A Challenging Year – Yet, \$39,000.00 in the Black

2019 opened with the aftermath of the December 30, 2018 fire. Our fast response is a tribute to our Community. Team Las Colinas! Our Insurance carrier, Farmers, goes above and beyond for us at every turn. Our General Contractor was on it, remediating and making repairs. Still, it was, and continues to be, a major impact on our Association staff. The investigation resulted in the owner of Unit 257, Jason Price, being charged with arson, endangerment, and criminal damage. He is in jail, held without bond, pending trial. The fire has cost the Association over \$15,000.00 out of pocket for the deductible and legal costs. More importantly, while our insurance stepped up and made sure we were able to recover from the fire, the experience rating has increase our monthly payment by \$1,500.00, which is \$18,000.00 annually for 3 years. Out-of-pocket and premium experience will total \$70,000.00. While the Association has liens on the property of the owner who was indited for arson, endangerment, and criminal damage – collection is a long road. The legal part may not be over until the end of 2020.

Once again, we ended the year in the black, collecting an additional \$40,000.00 over the \$505,000.00 we budgeted for dues. We collected a total of \$544,000.00 in reimbursements. The non-dues reimbursements include the money collected from our members via the laundry rooms, and the transfer fees collected at escrow. (Typically these fees are kept as compensation by outside property management companies. Since we became self-managed, these reimbursements have gone directly into the Association instead – to benefit all of us through improvements to our property.)

At year end 2019 we were expecting additional collections totaling \$20,000.00. For various reasons, these payments were delayed, and arrived in January of 2020. However, we make sure all the bills are paid timely, so we transferred \$20,000.00 from the reserve at year end, and then replaced it in January. That is why we are showing two balance sheets; one dated the end of 2019, and the second dated 1/31/2020. We also received the final \$7,000.00 pay-off of the secured note.

2.) 2019 Projects

The beginning of this year we installed new technology to filter our hot water and prevent scale to our boilers, plumbing and fixtures. The cost for three systems, one for each boiler, is a total of just under \$45,000.00. The monthly payments are about the same as what we were paying for a salt-based system. After three years, we will own our equipment, with no maintenance cost, and then save the amount of approximately \$15,000.00 per year. (A total of as much as \$100,000.00 in savings over the following seven years.) No maintenance, less scale, no salt. And as we perform preventative maintenance on our boilers and tanks – we can see that it is working beyond our expectations.

In 2019 we laid the groundwork for projects you are seeing come to fruition now. For the first time we have irrigation along the south entrance. That was installed last year, and now you see the new plants going in and rocks being laid. Paublo finished the flagstone walkways. This year he is adding rock borders. So far we have had 70 tons of rock delivered. It is a huge project. Hamed continues painting and coating staircases. It is a work in progress, but every day we get closer to where we want to be.

3.) 2021 Dues Increase

As we look to the future, we see some major projects on the horizon. Certainly the coating we did of the parking lot prolonged the life of our asphalt. However, it is almost 50 years old and as you look at it you realize there are areas where it has broken down and washed away. There is nothing left to seal. It is time for the parking lot to be re-asphalted. It would make sense at the same time to re-paint the parking structures. Preliminary estimates we are looking at run \$150,000.00 to 250,000.00 depending on the quality of materials we choose. We still have shingles to replace at an estimated \$70,000.00 and roofs will need to be done, at least \$100,000.00. People ask about painting the buildings, another \$150,000.00. So, we can easily spend another half million dollars over the next few years to keep our property sustainable.

Our last dues increase was in 2007. Many Associations have annual increases, or multi-thousand dollar special assessments. As costs keep going up we work to off-set rising costs. Meanwhile, our buildings are almost 50 years old, and like all who age, need more care. In the last 16 years we have come a very long way. We made a commitment to saving Las Colinas back then – and now we thrive. But to continue to be sustainable for the coming decades we simply need more money. We pay our dues and dread an increase – just like you. But there are no more rabbits in the hat. The budget for 2021 requires a 20% increase to take effect January 1, 2021. You will be getting notices as we get closer, but we wanted to give you the opportunity to prepare.

4.) Financial Statements

2019 Income Statement

Income:		
Dues		\$512,000.00
Fees & Reimbursements		<u>\$ 32,000.00</u>
Total		\$544,000.00
Expense:		
Administrative & Legal	\$ 4,000.00	
Insurance	\$ 69,000.00	
Common Area Facilities	\$ 54,000.00	
Utilities	\$ 153,000.00	
Common Area Maintenance	\$ 199,000.00	
Common Area Projects	\$ 47,000.00	
Fire Expense (Deductible & Legal)	\$ 16,000.00	
Total		\$542,000.00
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Net Income:		\$ 2,000.00

2019 Balance Sheet

Assets:		Liabilities:	
Cash on Hand	\$ 2,000.00	Liabilities (loan)**	\$ 31,000.00
Reserves	<u>\$ 60,000.00</u>	Owner's Equity	<u>\$ 67,000.00</u>
Equipment *	\$ 36,000.00		
Total Assets	\$ 98,000.00	Total	\$ 98,000.00

*Note: Laundry machines are now fully depreciated. **Note: Represents \$45,000.00 purchase of scale solver water treatment system. Straight line depreciation over 60 months. Secured Note was paid-in-full.

1/31/2020 Balance Sheet

Assets:		Liabilities:	
Cash on Hand	\$ 2,000.00	Liabilities (loan)**	\$ 30,000.00
Reserves	<u>\$ 80,000.00</u>	Owner's Equity	<u>\$ 870000.00</u>
Equipment *	\$ 35,250.00		
Total Assets	\$117,000.00	Total	\$117,000.00

This Compilation was prepared by the Managing Agent in accordance with the requirements stated in the Arizona Revised Statutes. The books of the Association are maintained on a cash basis. These statements fairly state the condition of the entity consistent with generally accepted accounting principles.

5.) 2019 Management Analysis

Infinite needs – finite resources. Our Association budget is just like our individual household budgets. We spend money on utilities, insurance, repairs, savings, and then improvements to make our property look nice. Just like at home, we can think of ten ways to spend every dollar. But we can only spend each dollar once. As we look at how we make decisions about caring for our property, balancing the many demands on our resources, we look at these decisions much like we look at our budgets as individual homeowners.

Totals by budget category are divided by 250 homes to get the average amount per owner/per year, and then by 12 months to get the average per owner/per month. This includes the amount paid by dues, and supplemented with fees and non-dues reimbursements.

Here is how the 2019 expenses were spent per average homeowner:

	<u>Ave. per Month</u>	<u>Ave. per Year</u>
1.) General and Administrative (Includes newsletters, compliance and collections)	\$ 1.33	\$ 16.00
2.) Insurance (Includes blanket hazard insurance, D&O)	\$ 23.00	\$ 276.00
3.) Common Area Facilities (Includes pools, pest control, boilers and softeners)	\$ 18.00	\$ 216.00
4.) Utilities (Southwest Gas, TEP, Trash, Water & Sewer)	\$ 51.00	\$ 612.00
5.) Common Area Maintenance (Includes staff and materials for landscaping, laundries, plumbing, fascia, fencing, roof coating and painting.)	\$ 66.33	\$ 796.00
6.) Common Area Projects (Includes staff and materials for sewer line and water line replacement, toilet replacement program.)	\$ 15.67	\$ 188.00
7.) Fire Expense	\$ 5.33	\$ 64.00
TOTAL AVERAGE	<u>\$180.66</u>	<u>\$2,168.00</u>