

Park Mediterrania Newsletter

May 10, 2002

Where have we been? Where are we now? Where would we like to be? A Financial Review: December 31, 1982 - December 31, 2001

The following is an historical review of Park Mediterrania's financial position over the past 20 years. Financial data were abstracted from year end reports prepared by Lordon Management, Jordan Realty and Euclid Management and are subject to audit. Ideal reserve figures were abstracted from reserve analyses that were completed in the year in which they are presented. No financial data were available for any years prior to 1982.

Between 1982 and 2001, inclusive, our operating account increased by 169.2%; our reserves have increased by 705.5%; our delinquencies (accounts receivable) have increased by 814.1%; and our Association dues have increased by 232.5%.

Significant financial events in Park Mediterrania's past include the settlement of a lawsuit against the builder in 1985. This explains the corresponding increase in the reserves. Treating the award as "reserves" was questionable from an accounting point of view. The judgement was intended to correct defects in design and construction, not to mitigate future problems.

In 1988, Boards of Directors of condominium complexes in California were granted legal authority to raise dues by 20% on an annual basis without a vote of the owners. Your Board decided to raise the dues by 19.1% that year. Prior to 1988, Boards could only raise the dues

by 5% per year. While it may offer little comfort, Park Mediterrania's dues have increased by 183.9% since 1987 even though your Board could have raised the dues by 20% per year which would place them at \$1,443.64 per month in the year 2002! The current dues are only 18% of what they legally could be...

SILLY
COMMENT

In 1995, your Board made the decision to fund the air conditioner/heater units out of the operating account alone. This resulted in a dramatic reduction in the amount of reserves required.

In an effort to contain costs your Board has implemented some changes. For example, an ongoing maintenance program has been implemented. Your Board believes that it is less expensive to make minor repairs than to wait until major repairs or replacement is required.

Bridges that simply crossed streams and did not provide direct access to a unit have not been replaced.

The pagoda lights that once lined the walkways and pole lamps that lined the driveway were removed and sodium lamps were installed on the buildings. This has improved resident security and lowered costs for electricity and lamps as well as those associated with vandalism.

Your Board began replacing "common area" wooden fences with block and stucco walls. Wooden support beams

were replaced with steel beams. This saves money in the long term since stucco and steel do not rot, nor are they subject to termite damage.

Your Board has removed three defective streams. This saves on water, electricity and stream maintenance. It also saves on maintenance and repair of bridges that are no longer necessary.

Your Board has had defective water valves replaced. This saves on water costs. Owners are encouraged to repair leaking faucets within their units. Any effort to conserve water benefits all owners.

Your Board has raised the deductible on the insurance policy to \$5,000. This was done because one owner, who sustained some water damage, significantly upgraded his/her unit at the expense of the insurance company. Needless to say, the cost for our policy was going to increase. In an attempt to prevent similar behavior by others, your Board raised the deductible such that owners would think twice before trying to take advantage of an unfortunate situation.

OWNERS
PAY
DUES
?

It is efforts such as these that have permitted your Board to keep the dues at the same level since 1997.

Most owners want to know when the dues are going to be decreased. That is

unknowable. If those who are in arrears on their dues were to pay their debt, the Association would only be \$41,492.70 away from fully-funded reserves. It makes sense to your Board to have enough money on hand to address the replacement/repair needs of Park Mediterrania. This also reduces the likelihood of the need for a special assessment.

When the reserves are fully-funded and the operating account has two months worth of expenditures in it, it would seem prudent to take some action. It is possible (and legal) to lower the dues for one month such that any overage can be returned to the owners. For example, if the aforementioned conditions were met and there was an excess of \$14,200, then your Board could reduce every owner's dues by \$100 for one month! It is something to think about. There is no reason for Park Mediterrania to have more money than it needs...

Your Board of Directors wishes to thank all owners for their past and continued support! We remain in need of one more member. If you have a few hours to spare each month and would like to help to shape the future of Park Mediterrania, we would encourage you to join us.

Prepared by Alex Taylor, Board of Directors, Park Mediterrania Owners' Association

Park Mediterranean Operating Account, Reserves, Delinquencies, Ideal Reserves, Association Dues and Annual Dues Increase by Percent: 1982-2001, Inclusive

Fund Account	1982	1983	1984	1985	1986	1987	1988
Operating Reserves	2,906.45	5,923.00	7,868.00	10,342.79	4,048.79	10,660.52	13,108.60
Delinquencies	31,594.95	39,722.00	52,699.00	261,670.47	271,375.05	202,783.14	206,923.51
Total Assets	10,814.82	9,874.99	10,609.99	5,931.61	5,334.25	3,612.70	9,243.46
Ideal Reserves	45,316.22	55,519.99	71,176.99	277,944.87	280,758.09	217,056.36	229,275.57
Dues	80.00	82.00	85.00	85.00	89.25	93.70	111.55
Dues Increase		2.5%	3.7%	0%	5%	5%	19.10%

Fund Account	1989	1990	1991	1992	1993	1994	1995
Operating Reserves	5,228.02	6,816.20	7,048.14	7,112.02	20,224.10	44,861.15	52,944.85
Delinquencies	145,467.65	157,012.30	117,775.61	25,786.71	56,625.67	38,466.57	33,667.51
Total Assets	15,966.25	13,809.17	17,922.65	30,971.12	36,807.16	40,425.26	49,590.18
Ideal Reserves	166,661.92	177,637.67	142,746.40	63,869.85	113,656.93	123,752.98	136,202.54
Dues	116.77	130.00	143.00	171.60	178.00	190.00	311,037.48
Dues Increase	4.7%	11.3%	10%	20%	3.7%	6.7%	16.8%

Fund Account	1996	1997	1998	1999	2000	2001	2002
Operating Reserves	64,288.32	87,365.77	70,308.94	41,838.92	4,057.41	7,823.46	
Delinquencies	79,978.41	95,836.31	186,794.47	205,939.84	249,462.60	254,507.00	
Total Assets	84,864.39	90,115.71	93,544.92	89,474.07	97,752.68	98,861.53	
Ideal Reserves	229,131.12	273,317.79	350,648.33	337,252.83	351,272.69	361,191.99	
Dues	222.00	266.00	266.00	266.00	266.00	266.00	266.00
Dues Increase	0%	19.8%	0%	0%	0%	0%	0%