

Dear members of the Park Mediterrania Homeowners Association,

On April 28, 2011, 20 to 30 people attended the annual meeting of the Park Mediterrania Owners Association. While there was an insufficient number present to constitute a quorum for the annual meeting, the Board of Directors thought it would be best to listen to the concerns of those in attendance and answer questions when possible.

The principle issues appeared to be the nature and purpose of the operating and reserve funds, the prior purchase of two units by the Association, the implementation of a special assessment in the amount of \$16 per month for 12 months and the authority under which the latter two actions were undertaken. We will do our best to provide an explanation and to cite specific authority where applicable.

Operating Fund

The operating fund pays for all of the regularly scheduled expenses associated with the common area. These would include, but not be limited to, utilities (water, electricity, trash and gas), landscaping, insurance, pool cleaning, treatment for termites and other pests, etc. We currently budget \$17,750.00 per month in operating expenses.

The ideal system for an operating budget is to collect about 10% more than is the estimated need. This ensures that the Association can meet its obligations as they present themselves. Each homeowner is expected to share equally in that expense. Every \$1000 spent on routine maintenance costs each homeowner \$6.94 based on 144 units.

If, because of rising costs for utilities or other services, the failure of owners to pay their Association dues, or the collected dues do not cover the actual expenses, then the Board must raise the dues for those who do pay.

Reserve Account

The reserve account pays for the long term maintenance of the common area and other items specified in the covenants, conditions and restrictions (CC&Rs) such as the repair of leaks in the roofs, slurry seal for the driveways, replacement of sidewalks, etc.

In the past few years the reserve account has been used to pay for new fencing at the pool, replacement of the pool deck, re-plastering of the pool and bring the pool drain up to County code. New mail boxes have been installed and the driveways received a coat of slurry seal. All of the wood and metal on the homes have been painted. Major tree trimming and removal of diseased trees have been completed.

Park Mediterrania, like all other homeowners associations in California, is required to have a reserve study conducted every three years to insure that there are sufficient funds in the reserve account to pay for reasonable and required maintenance.

The current reserve study shows your reserve account at 114% of that which is needed. That is good! The current study also indicates that we must raise the dues by \$13.90 per month in order to keep the reserve account adequately funded.

Purchase of Two Units

In 2010, the Board of Directors purchased two units to be used as rental properties. It was believed that such units could generate as much as \$1,600 per month.

The purchase price for the two units is considered as an asset for the Association in that no money is owed. It appears in the Association's ledger as part of the reserves.

Legal Authority to Buy, Lease and Sell Real Property: The Articles of Incorporation of Park Mediterrania Owners Association were filed with the State of California on June 25, 1979 and state that the Association is a nonprofit entity. Article IV, Purposes and Powers of the Association, section (b) (4) permits the Association "to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease ... real or personal property in connection with the affairs of the Association." This section specifically allows the Association to buy, lease and sell real property.

Special Assessment

On February 23, 2011, the Board of Directors met to discuss a special assessment in the amount of \$27,000. This special assessment was predicated on delinquencies on the part of 30 (20%) of 144 units. Since \$27,000 does not divide evenly among 144 accounts for 12 months. It was decided to round the figure to the nearest dollar and make the special assessment \$16 per unit per month for 12 months.

Legal Authority to Implement Special Assessment: The Declaration of Covenants, Conditions and Restrictions (CC&Rs) was recorded on July 2, 1979 with the County of San Bernardino, California. Article V, Covenant for Maintenance Assessments, section 505 permits the Association "to levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the common area..." This section specifically allows the Association to levy a special assessment to fund the reserves.

We truly hope that the information contained herein is helpful to you and has value for you. We hope that you now understand what the operating and reserve accounts are for; that the Association elected to purchase two units to improve cash flow and to delay increases in the dues; and why it was necessary to implement a special assessment in the amount of \$16 per month for 12 months. We believe that we have acted in a manner which helps to preserve the operating and reserve accounts at the least cost to each homeowner.

Respectfully,

Board of Directors