

# **\*\*Management Cost Controls, Inc.\*\***

1057 First Street Gilroy, CA 95020 \*\* (408) 848-5953 Fax (408) 848-4043

July 5, 2005

To the Homeowners of The Glen of Pacific Grove

Re: 2005/6 Fiscal Year Budget and Annual Letter to Members

The Board of Directors of The Glen of Pacific Grove Homeowners Association has approved the 2005/2006 Annual Budget of \$350.00 per unit per month. Of the \$350 monthly dues, \$211 will be used to fund Operations, \$114 will be allocated to the Reserve Fund, and \$25 will repay the balance of the amount borrowed from Reserves in prior years to cover cash flow shortfalls in Operations.

The complete 2005/6 Operating Budget and Table of Reserve Items are enclosed. In addition, current legislation requires annual mailings of certain information to all members of the Association. Enclosed are the following:

- Assessment and Reserve Funding Disclosure Summary.
- Notice of Availability of Copies of Minutes of Meetings.
- Summary of Insurance Coverage.
- Dispute Resolution Process. (Civil Code 1363.810-1363.840)
- Summary of Architectural Procedures.
- Schedule of Fines.
- Delinquency Policy.
- Notice of Assessments, Foreclosure, and Payment Plans. (Civil Code 1365.1)

If you should have any questions regarding the 2005/2006 budget, please do not hesitate to contact me.

Sincerely,



Joseph Chaffers, Manager

The Glen of Pacific Grove  
Homeowners Association

2005/06 BUDGET  
 THE GLEN OF PACIFIC GROVE  
 EFFECTIVE September 1, 2005

NUMBER OF UNITS: 60

ACCT	DESCRIPTION	2005/06 PER UNIT PER MONTH	2005/06 MONTHLY	2005/06 ANNUAL	2004/05 ANNUAL BUDGETED	VARIANCE
<b>CASH RECEIPTS</b>						
4010	ASSESSMENTS	\$325.00	\$19,500.00	\$234,000.00	\$211,680.00	\$22,320.00
4040	RESERVE REIMB ASSMT	\$25.00	\$1,500.00	\$18,000.00	\$8,640.00	\$9,360.00
TOTAL CASH RECEIPTS		\$350.00	\$21,000.00	\$252,000.00	\$220,320.00	\$31,680.00
<b>EXPENSES</b>						
5000	UTILITIES					
5020	ELECTRICITY	\$5.14	\$308.33	\$3,700.00	\$3,600.00	\$100.00
5070	WATER	\$11.88	\$712.50	\$8,550.00	\$8,100.00	\$450.00
SUBTOTAL UTILITIES		\$17.01	\$1,020.83	\$12,250.00	\$11,700.00	\$550.00
6000	LANDSCAPE					
6010	LANDSCAPE MAINT.	\$55.56	\$3,333.33	\$40,000.00	\$39,200.00	\$800.00
6020	LANDSCAPE IRRIGATION	\$5.00	\$300.00	\$3,600.00	\$3,600.00	\$0.00
6030	LANDSCAPE OTHER	\$6.94	\$416.67	\$5,000.00	\$4,800.00	\$200.00
6040	TREES	\$4.17	\$250.00	\$3,000.00	\$5,400.00	(\$2,400.00)
SUBTOTAL LANDSCAPE		\$71.67	\$4,300.00	\$51,600.00	\$53,000.00	(\$1,400.00)
7000	BUILDINGS & GROUNDS					
7040	MAINT SUPPLIES	\$0.00	\$0.00	\$0.00	\$600.00	(\$600.00)
7120	PEST CONTROL	\$5.00	\$300.00	\$3,600.00	\$3,000.00	\$600.00
7130	TENNIS COURT MAINT	\$0.17	\$10.00	\$120.00	\$120.00	\$0.00
7150	SECURITY CONTRACT	\$0.28	\$16.67	\$200.00	\$210.00	(\$10.00)
7155	SECURITY PHONE	\$0.33	\$20.00	\$240.00	\$300.00	(\$60.00)
7530	PLUMBING REPAIR	\$1.67	\$100.00	\$1,200.00	\$1,200.00	\$0.00
7550	ROOFING REPAIRS	\$2.50	\$150.00	\$1,800.00	\$1,800.00	\$0.00
7560	LAKES & WATERWAYS	\$0.83	\$50.00	\$600.00	\$1,800.00	(\$1,200.00)
7600	REPAIR MAINT	\$11.67	\$700.00	\$8,400.00	\$2,400.00	\$6,000.00
7640	SECTION 1	\$5.00	\$300.00	\$3,600.00	\$6,000.00	(\$2,400.00)
SUBTOTAL BLDG & GRNDS		\$27.44	\$1,646.67	\$19,760.00	\$17,430.00	\$2,330.00

2005/06 BUDGET  
 THE GLEN OF PACIFIC GROVE  
 EFFECTIVE September 1, 2005

NUMBER OF UNITS:           60

ACCT	DESCRIPTION	2005/06 PER UNIT PER MONTH	2005/06 MONTHLY	2005/06 ANNUAL	2004/05 ANNUAL BUDGETED	VARIANCE
<b>8000 ADMINISTRATIVE</b>						
8010	MANAGEMENT	\$5.00	\$300.00	\$3,600.00	\$3,600.00	\$0.00
8020	RESIDENT SERVICES	\$1.18	\$70.83	\$850.00	\$300.00	\$550.00
8030	LEGAL SERVICES	\$8.33	\$500.00	\$6,000.00	\$2,000.00	\$4,000.00
8031	LEGAL-CC&R REVISION	\$0.00	\$0.00	\$0.00	\$4,000.00	(\$4,000.00)
8040	ACCOUNTING	\$6.67	\$400.00	\$4,800.00	\$4,980.00	(\$180.00)
8060	TAX RETURN/REVIEW	\$2.08	\$125.00	\$1,500.00	\$2,400.00	(\$900.00)
8070	FEDERAL TAXES	\$0.14	\$8.33	\$100.00	\$240.00	(\$140.00)
8080	STATE TAXES	\$0.01	\$0.83	\$10.00	\$240.00	(\$230.00)
8090	SOCIAL COMMITTEE	\$0.83	\$50.00	\$600.00	\$600.00	\$0.00
8100	POSTAGE	\$0.83	\$50.00	\$600.00	\$600.00	\$0.00
8110	PRINTING	\$0.83	\$50.00	\$600.00	\$600.00	\$0.00
8120	SUPPLIES	\$0.42	\$25.00	\$300.00	\$400.00	(\$100.00)
8140	BANK CHARGES	\$0.83	\$50.00	\$600.00	\$600.00	\$0.00
8150	INSURANCE	\$43.99	\$2,639.58	\$31,675.00	\$25,500.00	\$6,175.00
8160	WEBSITE	\$0.50	\$30.00	\$360.00	\$360.00	\$0.00
8170	MISC G & A	\$1.11	\$66.67	\$800.00	\$720.00	\$80.00
8180	CONTINGENCY	\$9.74	\$584.58	\$7,015.00	\$3,930.00	\$3,085.00
8190	PRIOR YEAR DEFICIT	\$12.36	\$741.67	\$8,900.00	\$0.00	\$8,900.00
8195	RESERVE REIMB	\$25.00	\$1,500.00	\$18,000.00	\$8,640.00	\$9,360.00
SUBTOTAL ADMINISTRATIVE		\$119.87	\$7,192.50	\$86,310.00	\$59,710.00	\$17,240.00
TOTAL OPERATING EXPENSES		\$236.00	\$14,160.00	\$169,920.00	\$141,840.00	\$28,080.00
<b>R E S E R V E S</b>						
<b>9000 RESERVES</b>						
9001	RESERVES GENERAL	\$114.00	\$6,840.00	\$82,080.00	\$78,480.00	\$3,600.00
SUBTOTAL RESERVES		\$114.00	\$6,840.00	\$82,080.00	\$78,480.00	\$3,600.00
TOTAL EXPENSES		\$350.00	\$21,000.00	\$252,000.00	\$220,320.00	\$31,680.00

TABLE OF RESERVE COMPONENTS AND COSTS

COMPONENT	OPERATION	LAST DONE	USE FUL LIFE	SPEND YEAR	ESTIMATED REMAINING LIFE	BASE COST YEAR	CURRENT COST	1365.2.5(b)(4) ACCUMULATED FUNDS
Roofs	Replace	1981	27	2008	3	2005	240,000	213,333
Gutters A	Replace	1999	30	2029	24	2004	51,975	10,395
Gutters B	Replace	2004	30	2034	29	2004	25,000	833
Siding	Paint	2005	5	2010	5	2004	150,000	-
Asphalt	Resurface	1986	20	2006	1	2004	53,000	50,350
Asphalt	Seal	2001	5	2006	1	2004	4,307	3,446
Wood Bridge	Replace	2002	20	2022	17	2004	8,000	1,200
Wr. Iron Fence (front to shed)	Replace	1988	25	2013	8	2004	30,000	20,400
Wr. Iron Fence (tennis court)	Replace	1988	25	2013	8	2004	6,340	4,311
Wr. Iron Fence (unit fronts)	Replace	1988	25	2013	8	2004	6,340	4,311
Chain Link Fence	Replace	1988	20	2008	3	2004	10,000	8,500
Mail Boxes	Replace	1986	20	2006	1	2004	6,000	5,700
Pump Motor	Rebuild	1998	10	2008	3	2004	3,000	2,100
Lake	Dredge	1997	20	2017	12	2004	39,000	15,600
Lake	Clean	2001	4	2005	0	2004	3,000	3,000
Valves	Replace	1990	15	2005	0	2004	1,500	1,500
Controllers	Replace	1990	15	2005	0	2004	1,500	1,500
Drain Channels	Replace	1988	20	2008	3	2004	5,000	4,250
Court	Resurface	2001	10	2011	6	2004	5,040	2,016
Deck	Replace	1993	20	2013	8	2004	2,016	1,210
Deck	Paint	2001	5	2006	1	2004	740	592
Net	Replace	1999	6	2005	0	2004	275	275
Gate Computer	Replace	1996	20	2016	11	2004	4,500	2,025
Gate Doors	Replace	1997	10	2007	2	2004	10,000	8,000
Gate Openers	Replace	1996	20	2016	11	2004	5,500	2,475
Lights	Replace	1986	20	2006	1	2004	7,200	6,840

(end)

TOTAL ALL COMPONENTS								\$ 374,162
RESERVE FUND CASH AS OF MAY 31, 2005							\$ 208,901	
RESERVE PORTION OF DUES JUNE THRU AUGUST 2005							\$ 19,620	
AMOUNT OWED TO RESERVES FROM OPERATING FUND AS OF 5/31/05							\$ 17,744	
PROJECTED AMOUNT REMAINING UNREIMBURSED AS OF 8/31/05							\$ (15,449)	
RESERVE FUND AT END OF FISCAL 2004/5 (PROJECTED)								\$ 230,816

RESERVES PERCENT FUNDED

62%

### **ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY.**

1. The current Reserve assessment per unit is \$109 per month.
2. The board of directors has approved an increase for the 2005/6 fiscal year of \$5 per unit per month bringing the new Reserve assessment to \$114 per unit per month (see items #3 and #4 below).
3. Based upon the most recent reserve study and other information available to the board of directors, currently projected reserve account balances will **not** be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years.
4. The Board has not determined or anticipated that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves; the board intends to use annual increases in the reserve portion of the dues as the mechanism by which the board of directors will fund reserves to repair or replace major components.
5. All major components included in the reserve study are included in the existing reserve funding.
6. As of the last reserve study or update (financial statement for period ending May 31, 2005), the current balance in the reserve fund is \$208,901. Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Civil Code, the required amount in the reserve fund is \$374,162. (See attached table.) For the purpose of this summary the amount of reserves needed to be accumulated for a component at a given time is computed as the current cost of replacement or repair, multiplied by the number of years the component has been in service, divided by the useful life of the component.

**NOTE: The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.**

### **NOTICE OF AVAILABILITY OF MINUTES OF MEETINGS OF THE BOARD OF DIRECTORS.**

All members of the association have the right to copies of the minutes of the meetings of the board of directors within 30 days of the meeting. Draft copies of the minutes are posted on the association's web site. Printed copies of the minutes may also be obtained from our management company for a small cost.