How Will the Increased Assessment Revenue Be Spent?

As you may remember, lot owners defaulting on their assessment payments have resulted in a deficit of $13.8 million in revenue over the last 6 years. This continues to grow at a rate of at least $3 million per year. For this reason an assessment increase has been proposed to replace this lost revenue.

How the additional assessment revenue is intended to be spent is important for all to understand.

In evaluating planned expenditures over the next few years, POA management has identified the most critical priorities:

1. Replenishing cash reserves;
2. Addressing waste water treatment issues;
3. Catching up on deferred maintenance; and,
4. Reducing the backlog of capital needs.

In business, as in our personal lives, spending fluctuates from month to month. It is important that cash is available to cover day-to-day variations in expenses and unpredictable expenses such as storm damage or water main breaks. Finally, cash must be saved to pay for future major capital expenditures.

In the 2015 budget, if the assessment increase passes, cash reserves increase from $4.2 million to $6.2 million, putting us in a much stronger financial position to address long term capital and emergency needs.

Our most crucial deferred expense is maintaining our water distribution and waste water systems. This is most acute in the older sections of the Village. Continuing waste water plant overflows will result in severe failures and steep penalties from the environmental agencies.

In the 2015 budget maintenance for water and sewer increases from $368,000 to $795,000. Catch-up maintenance costs are expected to be even higher in 2016 and 2017.

In order to preserve the above priorities, expenses will need to be cut in other areas if the assessment increase does not pass. Specifically, $711,000 in road/culvert maintenance will continue to be deferred during 2015-2017. Additionally, POA employees’ pay may need to be frozen for two years at 2015 levels.

If the assessment increase does not pass, funds available for capital expenditures remain at about $3.5-$4.0 million per year – about half of which is designated for replacing rolling stock such as police/emergency/sanitation vehicles, and maintenance
equipment and vehicles. The remainder will be used to continue the expensive process of repairing things as they break.

If the increase passes, another $1.9 million per year becomes available to stop the deterioration of our key assets.

The 2015 Budget lists 272 capital items adding up to over $22 million in capital purchase/projects in need of funding over the next six years. This includes the Desoto and Balboa Clubs, the waste water treatment plants, gate security upgrades, Balboa course irrigation and cart paths, pickleball facilities, a fire engine, tennis court lighting, Coronado Center renovations, and the Woodlands HVAC and lighting.

Our Board continuously wrestles with the priority of these backlogged items. Everyone has their own opinion of what should be funded first, second, and last. The priorities will change as we have unexpected failures and uncontrollable events such as ice storms or environmental regulation changes occur.

One thing is clear: No new amenities will be funded from this assessment increase.

Even with the assessment increase, there are millions of dollars of capital projects that have been identified but are still under review. The key to funding these projects relies on Village growth initiatives – another part of the three-prong plan. Our growth is dependent upon a solid financial footing, which the assessment increase will assure.

To review the detailed budget and capital plans for 2015-2019, visit www hsvpoa org then click Governance, then Financials.

For detailed information about the assessment increase proposal, visit www hsvpoa org and click the link at the top of the page.