

M70 Annual Meeting Financial Report & Updates

June 19, 2020

**Presentation Will Be Available On M70
Website By June 22nd**

How We Ended Up 2019

Operating Fund

- \$4,400 better than forecast for Ending Fund Balance but 2019 marked the 5th year in a row of a deficit in Revenue and 2nd yr. in a row of negative Ending Fund Balance
- Cash \$23,000 better than forecast
- Borrowings: Paid back \$70,000 to Reserve Fund

Reserve Fund

- Cash & Ending Fund Balance higher than forecast do to timing of major projects

2020

- **Moving to Stronger Health with our Strategic 5 Year Financial Planning (see Oct 2019 Town Hall Presentation)**

	Operating Fund	Reserve Fund
2019 Year End Audit		
Expenses	735,667	464,990
Excess /(deficit) to Revenue	(37,680)	71,260
Cash	115,057	902,695
Ending fund Balance	(54,299)	989,172
Borrowing from Reserve Fund	125,000	

M70 Financial Goals

(From October 2019 Town Hall Meeting)

To be considered healthy and to protect our home values, we need to address improvements in both **Operating & Reserve Funds**:

- **Operating Fund Goals:**

- Fiscal soundness requires no operating losses in any one year.
- Eliminate the current Deficit Ending Fund Balance caused by higher than expected expenses
- Repay the \$195,000 of Reserve Fund Borrowings to cover our cash shortfall from prior years
- Build Up Working Capital (Cash on Hand)-**MOD's standard** for well funded and performing Mutuals, defined by:
 - 2 months Working Capital (Operating Expenses **AND**
 - Cash on Hand to pay for Insurance Premiums

- **Reserve Fund Goals:**

- Achieve a favorable Helsing Audit Opinion
- Have sufficient income and cash to address rather than defer projects

M70 Operating Fund: May 31, 2020 Year to Date

	May YTD Actual	May YTD Budget	Variance
Operating Fund			
Revenue	388,521	387,345	176
Expenses	297,782	327,815	30,033
Excess / (Deficit)	89,738	59,530	30,208
Cash	123,528		
Borrowing from Reserve Fund	224,950		
Ending Fund Balance	35,440		

Comments:

- Some delay in maintenance work due to Shelter in Place order
- Utilities especially water will be increasing
- Borrowing:
 - \$99,950 for 2020 Insurance Premium + remaining \$125,000 in previous years
 - Target pay down min \$100,000
- Insurance Costs...more details in next slide

M70 Operating Fund Insurance Summary

- **2020 Budget based on 15% Increase**
- **Actual Increase 31.6%**
- **No Further Updates on Refunds for either 2020 or 2021**
- **Initial Guidance From GRF: 35% Increase for 2021 (estimated 2021 total insurance costs 344,704)**

	2019 Act	2020 Budget	2020 Act	2020 Act/Bud Var	% Var
Insurance (no MSD*)	169,304	194,064	255,336	61,272	31.6%
MSD	7,312	6,000	6,000	tbd	tbd
Total	176,616	200,064	261,336	61,272	30.6%
Refunds/Credits to date	-	-	18,729		

* Mutual Shared Deductible

Trash Fines

An Expense Item We Can Control

Month	Location	Amt	Fines based on	Ytd
Jan-Feb	none	-	none	-
Mar	Terra Granada Entry 8 S1	169.54	contaminated bins	169.54
April	Terra Granada Entry 5 S1	40.30	Over flow	209.84

- Some Examples of what our Trash Company fines us for:
 - Contaminated bins: placing non-compostable items in compost bins or non recyclable items in recycling bins
 - Overflowing trash bins-not breaking down cardboard boxes causing lids to not close
 - Placing items that are not allowed in trash bins:
 - Furniture
 - Electronic equipment
 - Hose reel
 - Dog cage
 - Cans of Paint / Solvents

M70 Reserve Fund: May 31, 2020 Year to Date

	May YTD	2020 Full
Reserve Fund	Actual	Year Budget
Revenue	235,521	563,472
Expenses	60,916	
Excess / (Deficit)	174,605	
Cash	946,820	
Ending Fund Balance	1,163,777	

- Projects placed on hold during Shelter in Place time period.
- Board with MOD have been reviewing projects to restart.
- **SB 326 Balconies et. al** cost estimates and timing being reviewed:
 - Covers Decks, landings, stairs & walkways
 - Jan 2025 deadline for first cycle of inspections
 - Then every 9 years thereafter
 - When to start first cycle of inspections in light of other **RF Projects**
- **Our Total Cash Position: OF +RF= \$1,070,348**

Reserve Fund

Large Upcoming Projects

Projects	Years 2020-2024	Years 2025-2029
Paint Stucco & Wood*	930,000	186,000
Patio & Balcony Deck Repairs & Recoating	495,000	495,000
Asphalt Replacement	316,000	316,000
Landscaping Renovations	172,500	172,500
Gutters & Downspouts	88,400	353,600
Roof Tile*	-	760,400
<i>Subtotal</i>	<i>2,001,900</i>	<i>2,283,500</i>
Other projects	861,665	441,960
SB326 Balconies inspections	Costs TBD	Costs TBD
<i>Total</i>	<i>2,863,565</i>	<i>2,725,460</i>
* Project extends beyond 2029		
<i>Garage Doors to be completed 2020</i>		

Coupon Comparisons of Comparable Mutuals (Building Types)

Comparable Mutuals	Units	2019	2020
A		1,017	1,075
M70	172	875	1,017
B		1,017	1,017
C		921	981
Total Units	332		
M70 % of total units	51.8%		
Average Coupon-all		958	1,023
Average Coupon w/o M70		985	1,024

**It's not just comparing numbers..
Need to know for other Mutuals:**

- Helsing Audit Opinion **and**
- Historical Ending Fund Balances of **OF & RF and**
- Historical Excess/Deficit to Revenue **OF & RF performance and**
- Any Interfund borrowings **and**
- Cash Position **and**
- Meet MOD Working Capital Standard **and**
- Any Special Assessments in last 3 years and what is their strategic financial plan?

Challenges for All Mutuals

Dramatically increasing insurance costs:

- Stress on Operating Fund Expenses & Operating Fund bottom line
- Stress on Cash to fund 2021 Insurance Premium upfront resulting in borrowings from Reserve Fund.

Many Mutuals working on strategies with complying and funding costs of new deck inspection regulation.

M70 Board will be addressing these challenges within the framework of the 5 year plan we placed into action last year.