



Welcome

Shadow Brook Board & General Meeting

November 12, 2019
Bret Harte Middle School

Agenda

- Open & Welcome
- Finance Update
- 2020 Dues
- Pool Chlorine Incident
- ACC Reminder & Davis-Stirling Review
- Board Member & ACC Recruitment
- Open Forum/Q&A
- Close Meeting

Shadow Brook Profile

- **We are registered as a Planned Community Development/CID with CA**
 - **Governed by CCR's, By-Laws, Policies, and Davis-Stirling Act**
- **Corporation, Non Profit 501 c**
 - Taxes – Federal Return and State Return prepared by CPA firm**
 - Registered with the Sec of State of California as an HOA**
- **318 Homeowners and 125 Assoc Members**
- **Annual Operating Budget of over \$256k**
- **Annual Income/Revenue averages \$279k+**
- **Annual average of \$4834 into Workman's Compensation Plan for State of California**
- **We interview, hire, manage and pay 38+ seasonal employees a year**
- **Among the annual filings – State Corporations, Taxes etc.**
- **Insurance Coverage – Liability/Property and Directors & Officers**
- **No Property Manager, Business Manager or Agent**



FINANCE UPDATE

Accrual Basis

Shadow Brook Swim Club
Profit & Loss
January through September 2019

	<u>Jan - Sep 19</u>
Ordinary Income/Expense	
Income	
Dues Income	
Homeowners Dues	160,625.00
Associate Member Dues	<u>88,765.47</u>
Total Dues Income	249,390.47
Swim Lessons	
Swim Lesson Fees - Group	40,190.00
Swim Lessons - Private	<u>6,344.00</u>
Total Swim Lessons	46,534.00
Other Income	
Party & Guest Fees	2,307.69
Riptides Pool Rental	10,800.00
Wait List Fee	620.00
Transfer Fee Income	1,700.00
4580 - Collection Fees	50.00
4582 - Late Fees	<u>1,610.00</u>
Total Other Income	17,087.69
Non-Operating Income	
Late Fees	<u>1,600.00</u>
Total Non-Operating Income	1,600.00
Swim Team Income	
Swim Team Registration Fees	28,235.00
Swim Team Apparel Sales	1,560.00
Swim Team Activities	2,899.23
Swim Team Fundraisers	<u>1,400.00</u>
Total Swim Team Income	<u>34,094.23</u>
Total Income	<u>348,706.39</u>
Gross Profit	348,706.39
Expense	
Wages	
Gate Guard	142.99
Payroll Taxes-Employer	18,997.98
Wages - Other	<u>85,323.70</u>
Total Wages	104,464.67
Maintenance	
Facility Maintenance	5,779.34
Pool Maintenance	
Recurring Pool Maintenance	10,623.00
Pool Chemicals	937.62
Non-Recurring Pool Maint	2,617.50
5127 - Pool Supplies	13,047.28
Pool Maintenance - Other	<u>1,512.58</u>
Total Pool Maintenance	28,737.98

No CPA provides any assurance on these financial statements

Shadow Brook Swim Club
Profit & Loss
January through September 2019

	<u>Jan - Sep 19</u>
Landscape Maintenance	
Recurring Landscape Maint	6,500.00
Non-Recurring Landscape Maint	1,620.97
Landscape Maintenance - Other	<u>1,820.00</u>
Total Landscape Maintenance	9,940.97
Equipment Expense	1,600.00
Maintenance - Other	<u>100.00</u>
Total Maintenance	46,158.29
Insurance	
Hazard Liability Insurance - Atain Speciaty	5,275.27
D&O Insurance - CNA	2,887.00
Crime Insurance Travelers	646.00
Broker Fee - Dan Davis	350.00
Workers Comp. Insurance - ADP	1,265.80
Umbrella Insurance - Evanston Insurance	2,314.00
Pool Chlorine Accident	<u>37,656.65</u>
Total Insurance	50,394.72
Utilities	
Gas & Electric	24,341.78
Water	6,398.41
Garbage	2,610.60
Telephone	
Telephone	1,776.53
Internet	<u>420.00</u>
Total Telephone	2,196.53
Total Utilities	35,547.32
Outside Services	
ADP Payroll Fees	1,262.75
Bank Fees	48.00
5480 - Mailings	298.50
Other Professional Services	<u>45.00</u>
Total Outside Services	1,654.25
Supplies	
Cleaning & Other Supplies	5,138.85
Office Supplies/Postage	1,293.85
5658 - Computers	4,784.34
Supplies - Other	<u>425.00</u>
Total Supplies	11,642.04
Other Expenses	40.25
5730 - Meals and Entertainment	1,085.78
Social Committee Expenses	6,969.98
Swim Team Expense	
Swim Team Activities	2,998.75
Swim Team Apparel	7,004.76

Accrual Basis

Shadow Brook Swim Club
Profit & Loss
January through September 2019

	Jan - Sep 19
Swim Team Supplies	3,158.14
Snack Shack Expenses	1,919.65
Champs Expenses	3,180.62
Total Swim Team Expense	18,261.92
Taxes & Licenses	
Property Tax	7,303.94
Total Taxes & Licenses	7,303.94
Miscellaneous Expenses	0.00
Total Expense	283,523.16
Net Ordinary Income	65,183.23
Other Income/Expense	
Other Income	
4586 · - Fine	1,000.00
Total Other Income	1,000.00
Other Expense	
8999 · Uncategorized Expense	1,117.46
Total Other Expense	1,117.46
Net Other Income	(117.46)
Net Income	65,065.77

Shadow Brook Swim Club
Balance Sheet
As of September 30, 2019

	Sep 30, 19
ASSETS	
Current Assets	
Checking/Savings	
SB Swim Club Checking	35,886.26
Total Checking/Savings	35,886.26
Accounts Receivable	
Accounts Receivable	24,200.00
Total Accounts Receivable	24,200.00
Other Current Assets	
Other Receivables	25,000.00
Prepaid Expenses	28,687.23
Total Other Current Assets	53,687.23
Total Current Assets	113,773.49
Fixed Assets	
Land	30,000.00
Building & Structures	
Building & Structures-Cost	161,104.73
A/D-Buildings & Structures	(123,693.38)
Total Building & Structures	37,411.35
Furniture & Fixtures	
Furniture & Fixtures-Cost	33,363.07
A/D-Furniture & Fixtures	(13,341.07)
Total Furniture & Fixtures	20,022.00
Machinery & Equipment	
Machinery & Equipment-Cost	80,117.24
A/D-Machinery & Equipment	(80,117.24)
Total Machinery & Equipment	0.00
1550 · Parking Lot	48,061.00
1555 · A/D - Parking Lot	(7,476.00)
1560 · Pool Deck Improvements	242,019.00
1565 · A/D-Pool Deck Improve	(5,221.00)
Expensed Assets	
Expensed Equipment - Cost	6,404.52
Expensed Improvements - Cost	26,930.00
Expensed Equipment - Expense	(6,404.52)
Expensed Improvements - Expen	(26,930.00)
Total Expensed Assets	0.00
Total Fixed Assets	364,816.35
TOTAL ASSETS	478,589.84

Accrual Basis

Shadow Brook Swim Club
Balance Sheet
As of September 30, 2019

LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	6,661.66
Total Accounts Payable	6,661.66
Total Current Liabilities	6,661.66
Total Liabilities	6,661.66
Equity	
Retained Earnings	406,862.41
Net Income	65,065.77
Total Equity	471,928.18
TOTAL LIABILITIES & EQUITY	478,589.84

2020 DUES

2020 Dues Increase

- Shadow Brook has been fortunate to have dedicated and skilled volunteers – saving money and keeping dues ‘artificially’ low
- Homeowner Dues Increase is needed due to
 - Outsourcing of duties/functions in 2020 – Estimate of \$30k
 - Bookkeeping
 - ACC & Other Duties
 - Legal: Review and Rewrite of By Laws and other Policies – Estimate of \$25k
 - Increase in ongoing costs
- Historical Dues
 - 2005: \$300 > \$325
 - 2009: \$325 > \$340
 - 2014: \$340 > \$365
 - 2017: \$365 > \$400
 - 2019: \$400 > \$500
 - 2020: \$500 > \$650
- Propose Assoc Member Dues increase \$525 > \$550 [\$68k]
- Combined 2019 Dues Increases will net approximately \$53k

Motion

- Motion: Move to increase 2020 Homeowner Dues to \$650
- Motion: Move to increase Associate Member Dues to \$550

JUNE 14, 2018 POOL INCIDENT

Timeline

■ June

- Pool accident on June 14
- Counsel retained
- SB opens Workers Comp Claim
- Begin tracking all related expenses/costs
- Multiple inspections and investigations begin
- Facility cleared to open

■ July

- All Employees are reimbursed for ambulance, hosp & medical
- Non Employees working directly with Esbro on reimbursement
- Criminal charges filed by DA against Esbro and employee

Timeline Con't

■ October

- SB Insurance Carrier inspects facility [not related to incident]
- Esbro Chemical & individuals convicted by plea of misdemeanor violation of Health and Safety Code 42400.1 – negligent emission of an air contaminant
- Multiple Court Hearings

■ December

- Probation Report and Sentencing for criminal case
- Work with counsel on leveraging criminal case and next steps
- Multiple Court Hearings

Timeline Con't

- February - 2019
 - Court Hearing
 - Ongoing negotiations
- March-August - 2019
 - Multiple Court Hearings, Delays, Ongoing negotiations
- November - 2019
 - Court Restitution Hearing
 - Ruling Obtained – Shadow Brook will recover costs from incident

ACC REMINDER

Shadow Brook Profile

- We are registered as a Planned Community Development/CID with CA
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The Davis-Stirling Common Interest Development Act is the popular name of the portion of the [California Civil Code](#) beginning with section 4000, which governs [condominium](#), [cooperative](#), and [planned unit development](#) communities in California. It was authored by Assemblyman [Lawrence W. "Larry" Stirling](#) and enacted in 1985 by the [California State Legislature](#). In 2012, the Act was comprehensively reorganized and recodified by Assembly Bill 805.

Homeowner Association

Under Davis-Stirling, a developer of a [common interest development](#) is able to create a homeowner association (HOA) to govern the development. As part of creating the HOA, the developer records a document known as the Declaration of Covenants, Conditions, and Restrictions ([CC&Rs](#)) against the units or parcels within the HOA with the county recorder.

Even though it is not a governmental entity, the HOA operates like one in some respects. As recognized by the [Supreme Court of California](#), the Declaration of CC&Rs is the constitution of the HOA and is legally binding upon residents to the extent that it does not conflict with state or federal law. CC&Rs, once properly recorded, are presumed valid until proven otherwise.

The HOA's board may enact rules which are legally binding upon residents as long as they do not conflict with the CC&Rs or state or federal law. Board meetings, like the boards of government agencies, are generally open to HOA members, with some exceptions. As with government agencies, courts generally defer to the broad discretion HOAs enjoy in discharging their duties.

The HOA is also allowed to charge regular fees to homeowners within the development (comparable to taxes). These are used for functions like paying for security guards (including, for gated communities, the operation of a gatehouse) and maintaining common areas like corridors, walkways, parking, landscaping, swimming pools, fitness centers, tennis courts, and so on. The HOA can levy fines or sue homeowners for damages and/or injunctive relief to enforce the HOA's rules and CC&Rs.

Davis-Stirling Definition of Rules

"**Operating Rules**" are broadly defined as any rule or regulation that applies to the management and operation of a common interest development or the conduct of its business and affairs. (Civ. Code §4340.) As provided for in Civil Code §4355(a), "Operating Rules" are specifically defined as a rule or regulation that applies to:

1. Use of the common area or of an exclusive use common area.
2. Use of a separate interest, including any aesthetic or architectural standards that govern alteration of a separate interest.
3. Member discipline, including any schedule of monetary penalties for violation of the governing documents and any procedure for the imposition of penalties.
4. Delinquent assessment payment plans.
5. Resolution of assessment disputes.
6. Reviewing and approving or disapproving a proposed physical change to a member's separate interest or to the common area.

HOA & Swim Club Governing Documents

[Second Amendment to Restatement of By Laws Shadow Brook](#)

For Title Transfers, Please allow up to 10 days for processing. Email president@shadowbrook.org to begin the process.

[ACC Related Rules](#) — [ACC Request Form](#)

[Shadow Brook Evidence Certificate](#)

[Approved Roofing Materials \(update June 2019\)](#)

[Articles of Incorporation](#) (pdf)

[Bylaws](#) (pdf)

[CC & R's](#)(pdf)

[Communications Policies](#) (pdf)

[Remodel Rule](#) (pdf)

[Fees & Liens](#)

[Shadow Brook Swim Club Unlawful Harassment Discrimination and Retaliation Policy](#)

[Shadow Brook Davis Stirling Insurance Disclosure](#)

Financial Statements:

2019 ([P&L Balance Sheet](#))

2019 ([P&L Balance Sheet](#))

2018 ([P&L Balance Sheet](#))

2017([P&L Balance Sheet](#))

2016: ([P&L Balance Sheet](#))

2015: ([P&L Balance Sheet](#))

2014: ([P & L Balance Sheet](#))

2013: ([P & L Balance Sheet](#))

2012: ([P & L Balance Sheet](#))

[2011 2010 2009 2008 2007](#)

[Shadow Brook Fine Policy](#)

[Drought Landscaping Rule](#)

BOARD MEMBER & ACC RECRUITMENT

Homeowner Recruitment

- Background
 - Since the inception of Shadow Brook 50 years ago, there has been a steady pipeline of volunteers
 - The last 5 years has been a challenge to find volunteers despite recruitment attempts and announcements
- Board of Directors
 - Open position for 3+ years
 - Several Board Members will be leaving the Board next year
 - Immediate need for Board Members
- ACC
 - Several ACC Members will step down in January/Feb
 - Immediate need for ACC Members
- If interested, email president@shadowbrook.org or contact a Board Member

Additional Opportunities

- Pool/Facility Projects
 - Planting/Landscaping, pool 'gate' coordination/installation, entry gate to pool
- 2020 Dues Mailing
 - Need 5-7 Volunteers for printing, collating and mailing
- If interested, email president@shadowbrook.org or contact a Board Member

POOL/FACILITY UPDATE

Upgrades to Facility

- Extensive Tree Trimming
- Gazebos Installed
- Electrical/Lighting work completed
 - New electrical outlets throughout facility
 - 15+ Outdoor lights added for additional lighting and security
 - New Camera System installed
- New main lawn [irrigation, border, sod] **TBD**

ADU Discussion

Assembly Bill No.670 Summary

Assembly Bill No. 670

CHAPTER 178

An act to add Section 4751 to the Civil Code, relating to common interest developments.

[Approved by Governor August 30, 2019. Filed with Secretary of State August 30, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

AB 670, Friedman. Common interest developments: accessory dwelling units.

The Planning and Zoning Law authorizes a local agency to provide for the creation of accessory dwelling units in single-family and multifamily residential zones by ordinance, and sets forth standards the ordinance is required to impose with respect to certain matters, including, among others, maximum unit size, parking, and height standards. Existing law authorizes a local agency to provide by ordinance for the creation of junior accessory dwelling units, as defined, in single-family residential zones and requires the ordinance to include, among other things, standards for the creation of a junior accessory dwelling unit, required deed restrictions, and occupancy requirements.

Existing law, the Davis-Stirling Common Interest Development Act, governs the management and operation of common interest developments. Existing law prohibits the governing document of a common interest development from prohibiting the rental or leasing of any separate interest in the common interest development, unless that governing document was effective prior to the date the owner acquired title to their separate interest.

This bill would make void and unenforceable any covenant, restriction, or condition contained in any deed, contract, security instrument, or other instrument affecting the transfer or sale of any interest in a planned development, and any provision of a governing document, that effectively prohibits or unreasonably restricts the construction or use of an accessory dwelling unit or junior accessory dwelling unit on a lot zoned for single-family residential use that meets the above-described minimum standards established for those units. However, the bill would permit reasonable restrictions that do not unreasonably increase the cost to construct, effectively prohibit the construction of, or extinguish the ability to otherwise construct, an accessory dwelling unit or junior accessory dwelling unit consistent with those aforementioned minimum standards provisions.

General Concerns About AB No. 670

- Existing setbacks that protect neighbors privacy get overturned
 - Cars and structures could be situated **very** close to neighboring homes
 - ADUs will push parking to the streets
- Allows owners to build an attached ADU (e.g. “Junior” ADU such as a garage conversion) AND a detached ADU, with the goal of creating as many low income rentals as possible.
- Emergency services, utilities and aging infrastructure will be impacted with increased density throughout the area.
- **Increased density = less neighborhood appeal = lower home values**

Accessory Dwelling Units (ADUs)

- Current CC&R's prohibit attached or detached ADU's and room rentals:

Section 4.a. "Each Lot shall be used as a single-family residence and for no other purpose. No dwelling designed for occupancy by a single family shall be occupied by more than one family. No structure of a temporary character, trailer, tent, garage, or outbuilding shall be used on any Lot at any time as a residence either temporarily or permanently."

- The Remodel Rule limits Lot coverage to 33% to provide buffer space for preserving the privacy of neighboring homes.
- With the recent passage of AB No. 670 by the Governor of California, HOA's may impose reasonable restrictions on the construction of ADUs. This law is to take effect on January 1, 2020.
- The ACC Process will apply. In other words, Homeowners will need to consult, submit and seek ACC approval of any ADU's.
- The Board has engaged legal counsel to research AB No. 670 and its implications on the Shadow Book CC&R's, Policies & Rules.
- May get constitutionally challenged in court

Accessory Dwelling Units (ADUs) Con't

Among the areas/items HOA's can place restrictions

- Appearance
- Color
- Height
- Materials
- Maximum size of 1000 sq ft
- Windows
- Landscaping
- Independent Access
- Must have its own bathroom and kitchen and bedroom
- No exposed utilities
- Noise restrictions
- Effect on neighbor, such as no windows directly across from neighbor's window
- What can be seen from the street
- Usual nuisance restrictions
- Cannot be separately sold
- Limit to first floor
- Restrict use of common area

Q&A / DISCUSSION

CLOSE OF MEETING