HOA FINANCIAL DATA ANALYSIS

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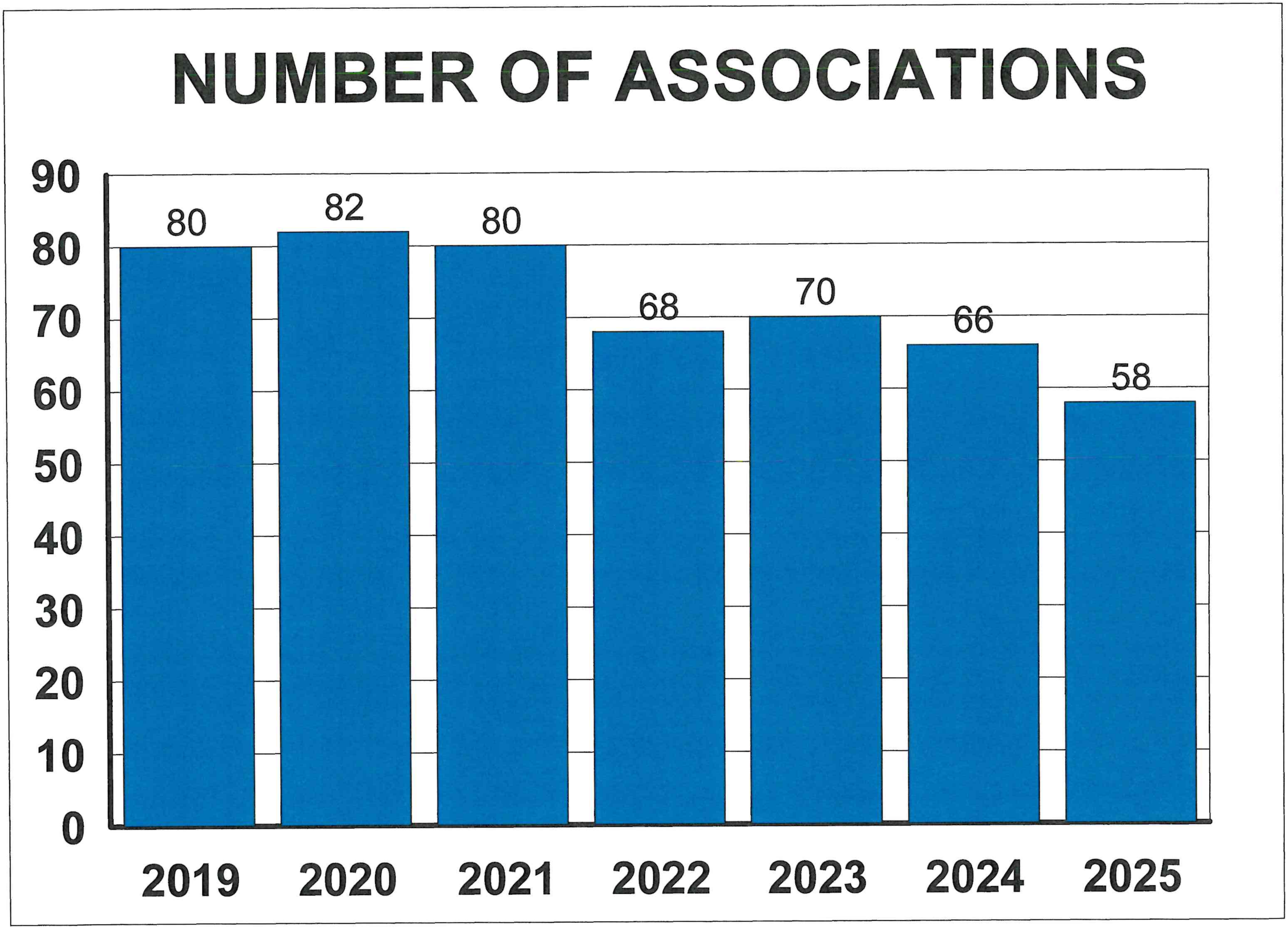
BACKGROUND

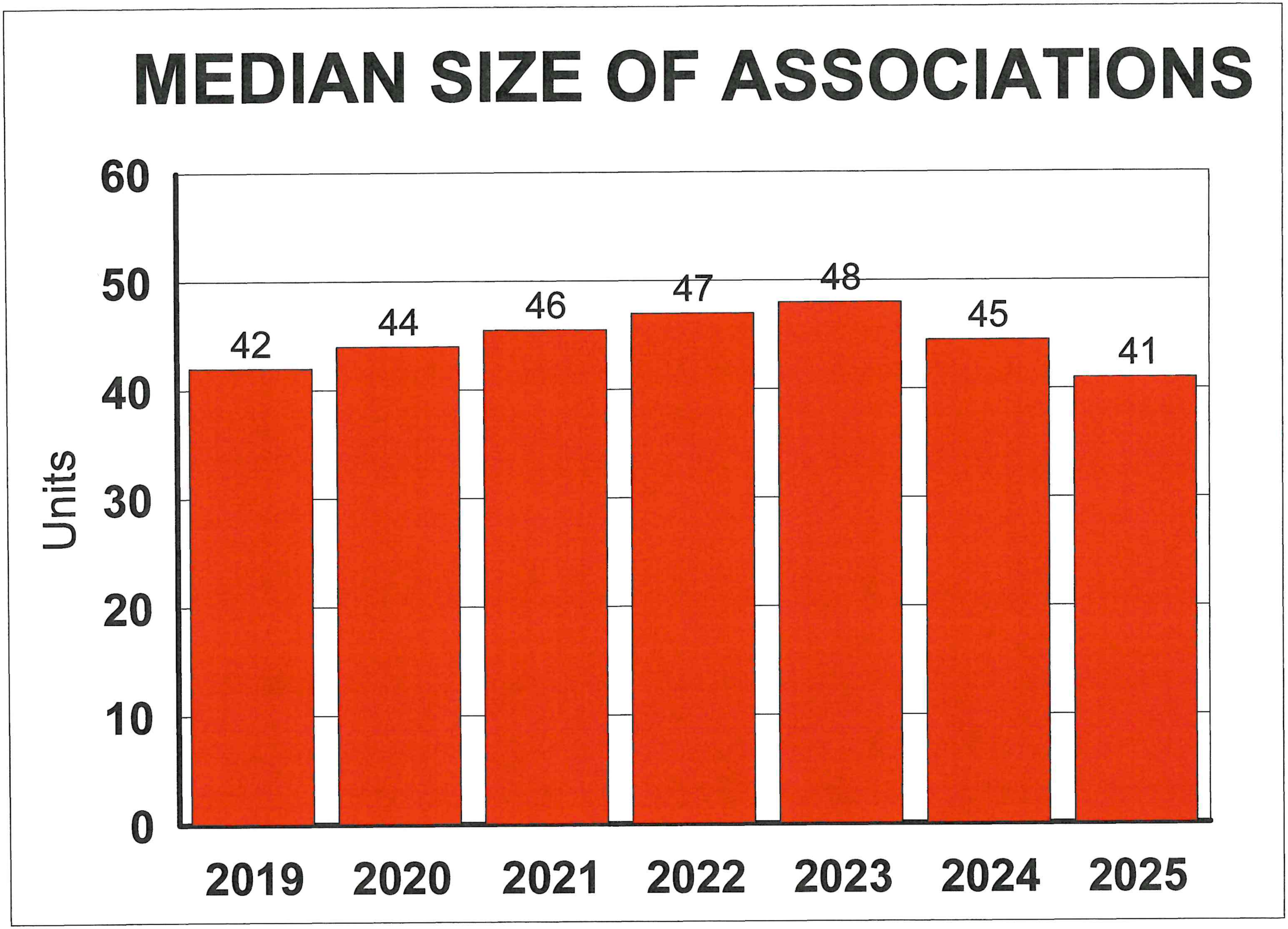
I HAVE BEEN TRACKING AND ACCUMULATING NUMEROUS PIECES OF FINANCIAL DATA FOR ASSOCIATIONS FOR WHICH I PREPARE ANNUAL FINANCIAL REVIEW STATEMENTS REQUIRED BY THE CALIFORNIA CIVIL CODE. STARTING IN 2005, THERE WERE 51 HOAs ON THE LIST AND THE NUMBER INCREASED STEADILY TO 82 IN THE 2019-20 YEAR. I AM STARTING TO REDUCE MY ACCOUNTING PRACTICE (SLOWLY) AND IN THE 2024-25 YEAR, THERE ARE CURRENTLY 58. I HAVE BEEN A CPA FOR 46 YEARS AND IT IS SIMPLY TIME TO DO LESS WORK.

OVER THE YEARS, I HAVE PRODUCED FINANCIAL COMPARISON DATA FOR MY HOA CLIENTS SO THEY CAN SEE HOW THEY COMPARE TO OTHER AREA HOAs. IN THE SAME VEIN, THE FOLLOWING CHARTS PROVIDE INTERESTING PERSPECTIVES ON HOW THESE HOA FINANCIAL METRICS HAVE CHANGED OVER RECENT YEARS.


NUMBER OF ASSOCIATIONS
90
80
70
60
50
40
30
20
10
0
80
82
80
68
70
66
58
2019
2020
2021
2022
2023
2024
2025

MEDIANS

MEDIAN AMOUNTS ARE CALCULATED BASED UPON THE HALFWAY POINT OF A LIST. IN THE CASE OF 58 NUMBERS, THE MEDIAN WILL BE THE AMOUNT BETWEEN THE 29TH AND 30TH NUMBER. HALF (29) WILL BE ABOVE THE MEDIAN AND THE OTHER HALF WILL BE BELOW THE MEDIAN. EACH ASSOCIATION, NO MATTER WHAT SIZE, CONTRIBUTES EQUALLY TO THE MEDIAN AMOUNTS COMPUTED. AVERAGES CAN SOMETIMES SKEW THE DATA IF THERE ARE A LOT OF VERY LOW OR VERY HIGH NUMBERS. MEDIANS CAN EVEN THINGS OUT A BIT. ALL OF THE DATA PRESENTED IS BASED UPON MEDIAN AMOUNTS.


MEDIAN SIZE OF ASSOCIATIONS
Units
60
50
40
30
20
10
0
42
44
46
47
48
45
41
2019
2020
2021
2022
2023
2024
2025

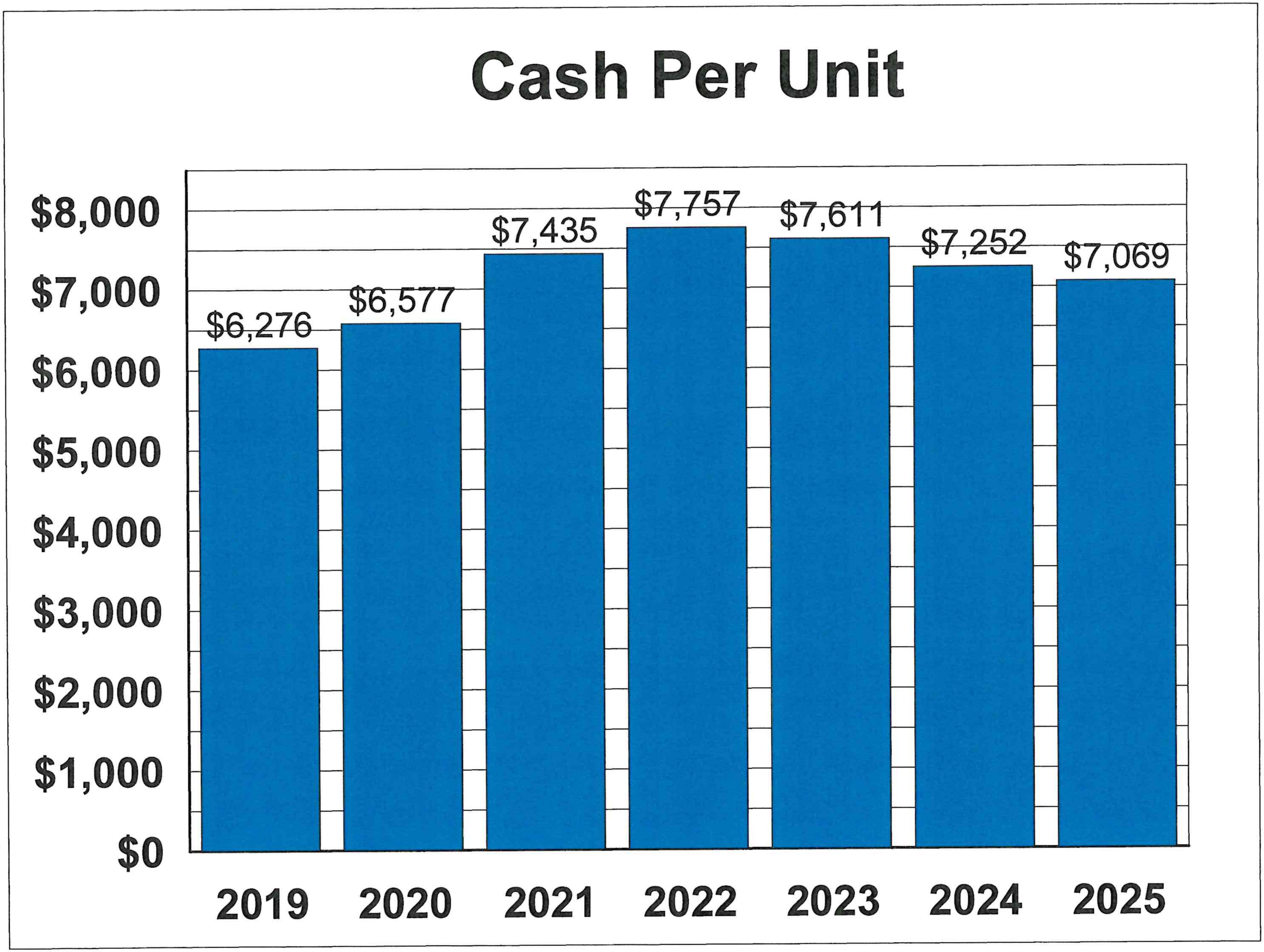
MEDIAN SIZE OF ASSOCIATIONS

ALL OF THE ASSOCIATIONS ARE IN SANTA BARBARA COUNTY AND ALL BUT ONE ARE IN THE SOUTH COUNTY. ALTHOUGH I HAVE LET SOME ASSOCIATIONS GO, A FEW SMALL ASSOCIATIONS "GRADUATED" TO HAVING A REVIEW REQUIRED (REVENUE GREATER THAN $75,000/YEAR) FROM ONLY NEEDING A TAX RETURN PREPARED PREVIOUSLY.

THE YEAR 2025, FOR EXAMPLE, REPRESENTS ASSOCIATIONS WITH YEAR ENDS OF 12/31/24 AND FISCAL YEARS ENDING IN 2025. THESE ARE THE ONES JUST COMPLETED THIS YEAR.

SMALLEST HOA – 5 UNITS

LARGEST HOA – 230 UNITS

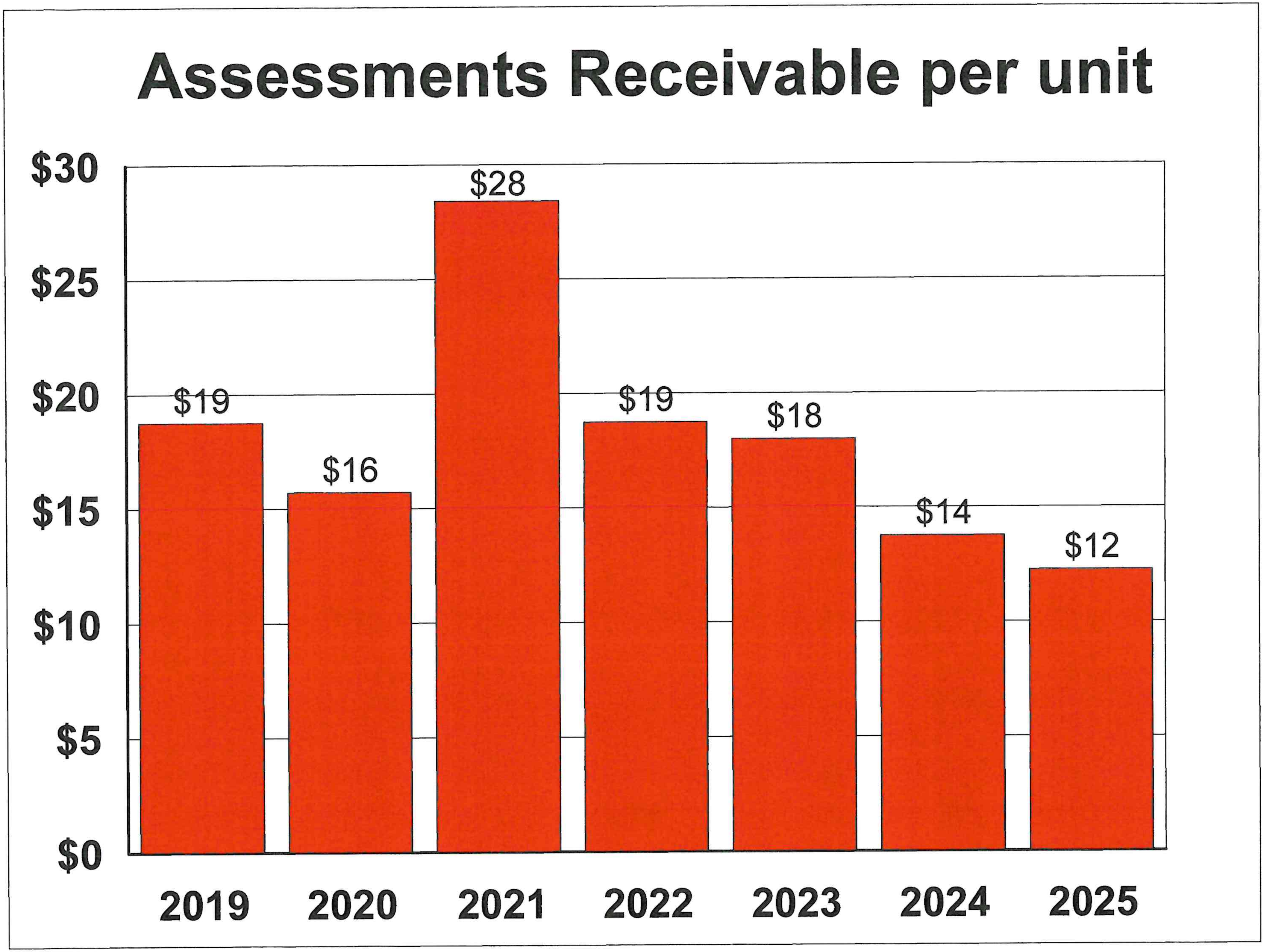

Cash Per Unit
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$6,276
$6,577
$7,435
$7,757
$7,611
$7,252
$7,069
2019
2020
2021
2022
2023
2024
2025

CASH PER UNIT

CASH INCLUDES OPERATING CASH (CHECKING ACCOUNT), RESERVE ACCOUNTS SUCH AS SAVINGS, MONEY MARKET AND CERTIFICATES OF DEPOSIT. IT CAN ALSO INCLUDE INVESTMENTS SUCH AS TREASURY BILLS AND MUTUAL FUNDS.

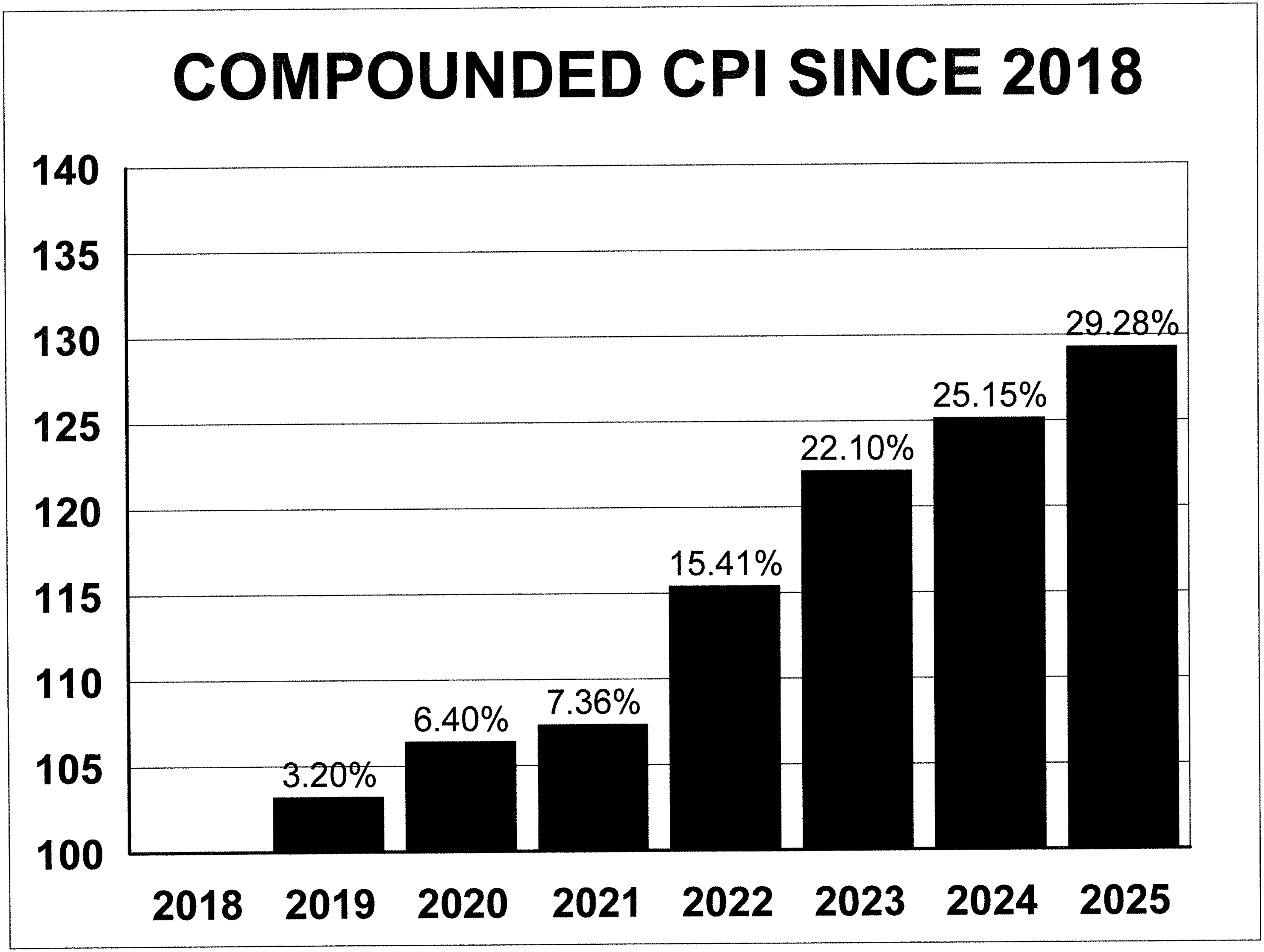
FOR EXAMPLE, A MEDIAN ASSOCIATION OF 41 UNITS HAVING A MEDIAN AMOUNT OF CASH IN 2025 ($7,069) WOULD HAVE $290,000 IN CASH/INVESTMENTS.

CASH BALANCES INCREASED IN THE EARLY YEARS PERHAPS DUE TO THE PANDEMIC WHEN A NUMBER OF MAJOR REPAIR PROJECTS WERE DEFERRED BUT FUNDS WERE COLLECTED. SEE EXPENSE CHARTS FOLLOWING.


Assessments Receivable per unit
$30
$25
$20
$15
$10
$5
$0
$19
$16
$28
$19
$18
$14
$12
2019
2020
2021
2022
2023
2024
2025

ASSESSMENTS RECEIVABLE PER UNIT

IN SANTA BARBARA COUNTY, THE COLLECTION OF ASSESSMENTS HAS BEEN RARELY A PROBLEM ON A LARGE SCALE. MOST OWNERS HAVE SUBSTANTIAL EQUITY IN THEIR UNITS AND DON'T WANT TO UNNECESSARILY RISK A LIEN OR FORECLOSURE. IN THE EARLY DAYS OF THE PANDEMIC THERE WAS A BUMP IN DELINQUENT ASSESSMENTS BUT THAT HAS SETTLED DOWN. A MEDIAN ASSOCIATION IN 2025 WOULD HAVE LESS THAN $500 IN DELINQUENT ASSESSMENTS AT YEAR END. AT THE LAST YEAR END, 24 ASSOCIATIONS (NEARLY HALF OF THE 58) HAD ZERO DELINQUENT RECEIVABLES.


COMPOUNDED CPI SINCE 2018
140
135
130
125
120
115
110
105
100
3.20%
6.40%
7.36%
15.41%
22.10%
25.15%
29.28%
2018
2019
2020
2021
2022
2023
2024
2025

CONSUMERS PRICE INDEX (CPI)

THE CPI IS CALCULATED MONTHLY BY THE US BUREAU OF LABOR STASTITICS. IT IS DONE FOR A NUMBER OF REGIONS THROUGHOUT THE US. I CHOSE THE LOS ANGELES/LONG BEACH INDEX. USING A BASELINE OF 100 AT 2018, IT HAD INCREASED TO 129.28 IN 2025, AN INCREASE OF 29.28%.

INFLATION WAS SUBSTANTIAL IN 2022 AND 2023 BUT HAS SETTLED DOWN RECENTLY BUT HAS NOT DECLINED.

ASSOCIATIONS HAVE A DIFFERENT BUNDLE OF SERVICES COMPARED TO THE ITEMS TRACKED BY THE CPI. HOWEVER, KEEP THE 29.28% INCREASE IN MIND WHEN REVIEWING THE FOLLOWING CHARTS.

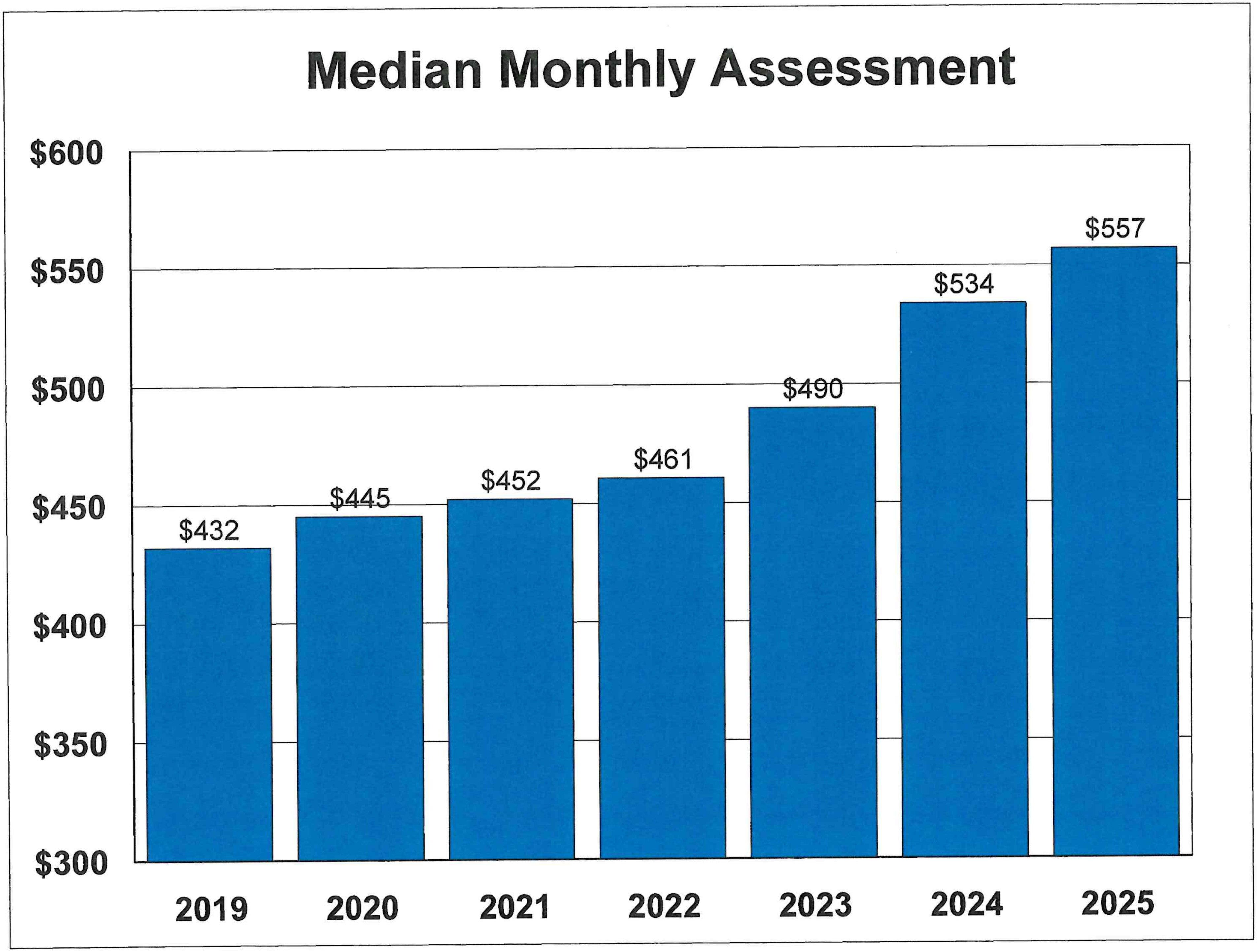
AS PROVIDED BY CHRIS ANDREWS, RESERVE ANALYST, STONE MOUNTAIN CORPORATION OF SANTA BARBARA, THERE IS A CONSTRUCTION COST INDEX (CCCI) TRACKED BY THE STATE OF CALIFORNIA, DEPARTMENT OF GENERAL SERVICES. IT CAN BE ACCESSED AT THE FOLLOWING SITE:

https://www.dgs.ca.gov/RESD/Resources/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI

PER MR. ANDREWS:

"The California Construction Cost Index is often very different (higher) than the national CPI (Consumer Price Index). For example, from 2018, the California Construction Cost Index shows a 56% increase in California Construction Costs from Oct 2018 to Oct 2025. That is almost double the 29.28% CPI increase over the same period."

THIS IS A RESOURCE USED BY MR. ANDREWS IN THE PREPARATION OF HIS RESERVE STUDIES.


Median Monthly Assessment
$600
$550
$500
$450
$400
$350
$300
$432
$445
$452
$461
$490
$534
$557
2019
2020
2021
2022
2023
2024
2025

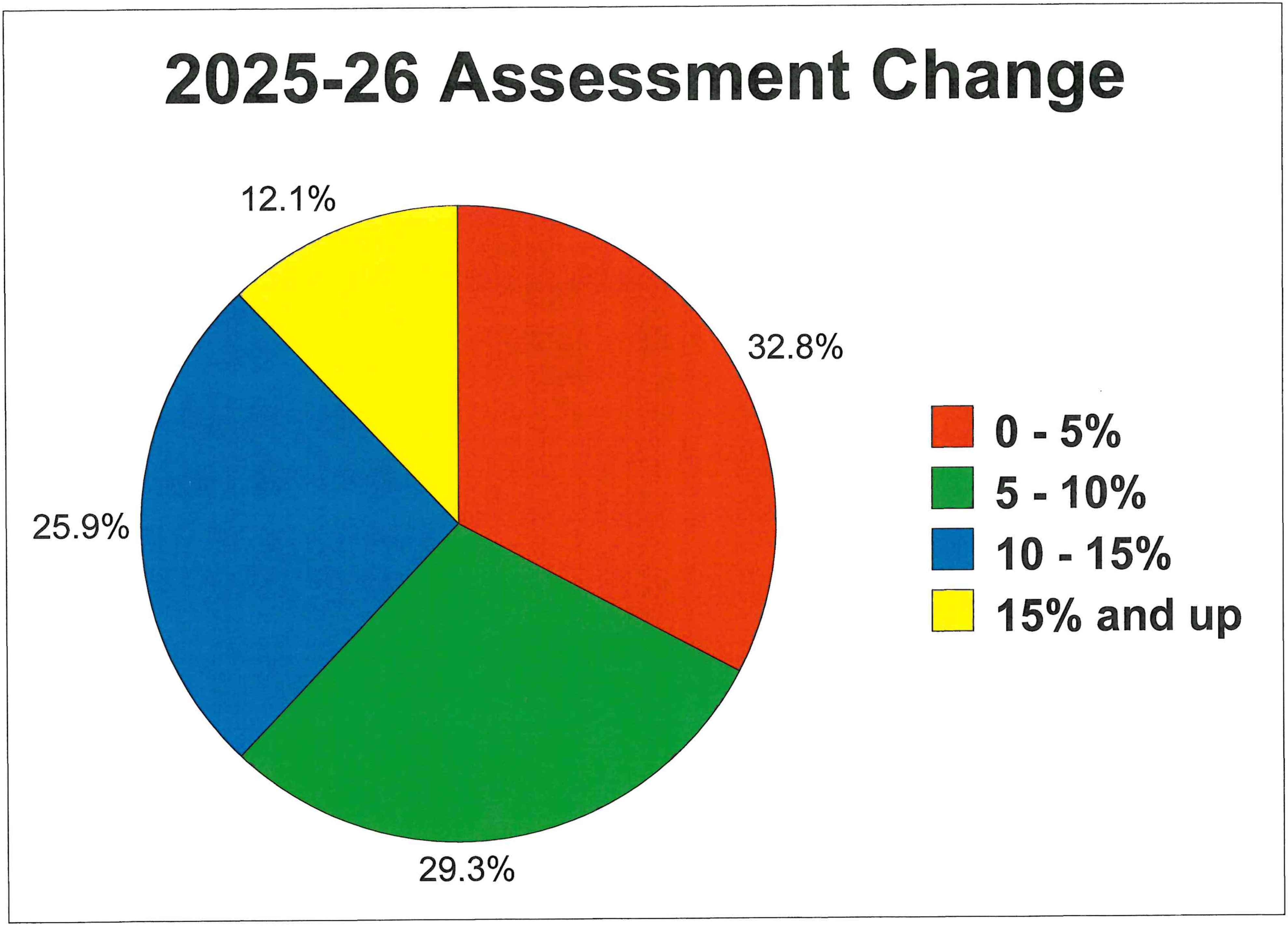
MEDIAN MONTHLY ASSESSMENT

THIS MAY BE THE MOST REQUESTED ANALYTIC IN MY DATABASE. IT INCREASED FROM $432 PER UNIT PER MONTH IN 2019 TO $557 IN 2025. - $125 – 29%.

THE RANGE OF MONTHLY ASSESSMENTS WAS $242 TO $1,795 PER UNIT PER MONTH.

THERE WERE 10 SPECIAL ASSESSMENTS DURING THE YEAR RANGING FROM $201 TO $23,100 PER UNIT.

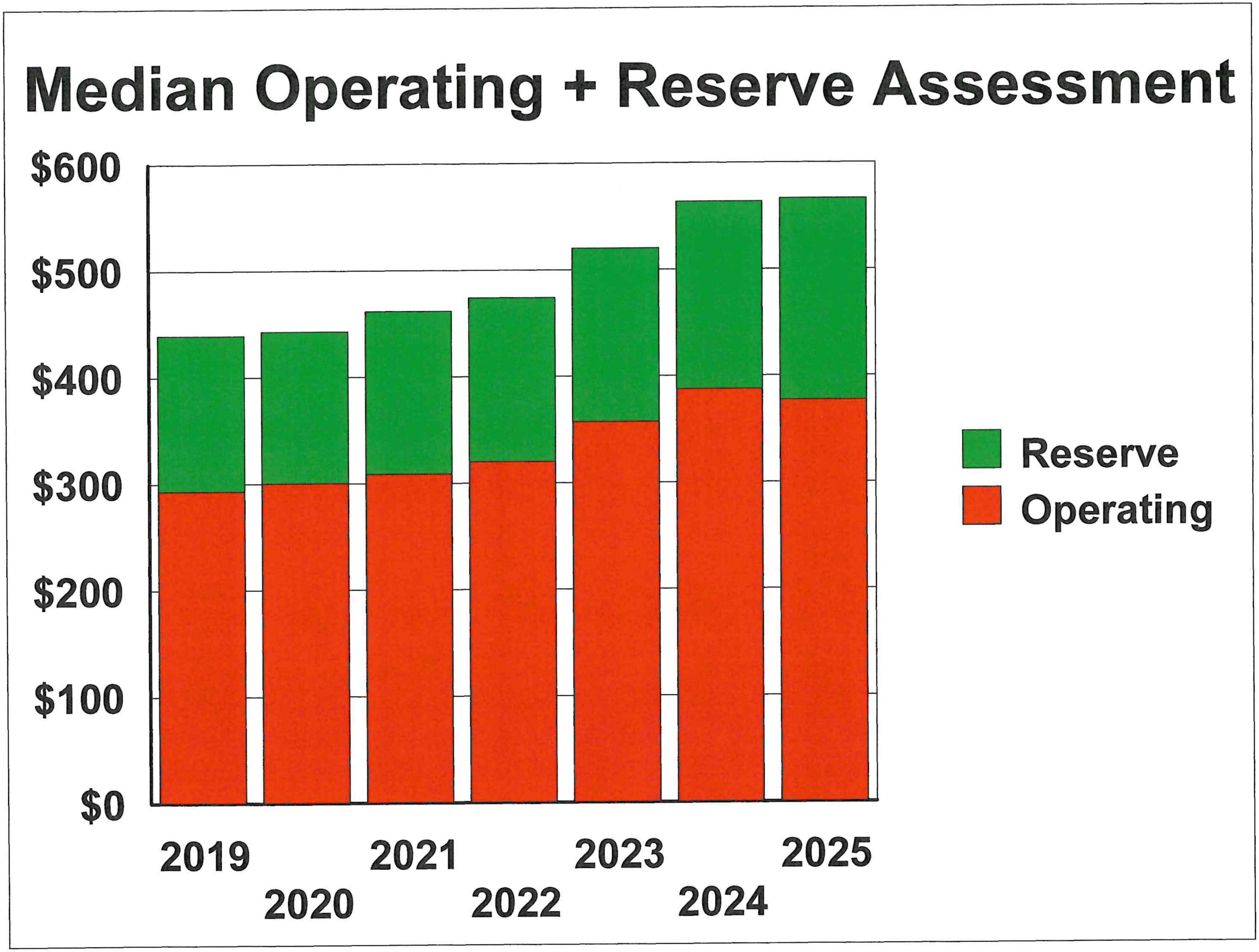
ANOTHER ANALYTIC I TRACK IS WHAT NEXT YEAR'S ASSESSMENT IS BUDGETED. THIS IS FOR CALENDAR YEAR 2025 AND FISCAL YEARS ENDING IN 2026. MEDIAN MONTHLY ASSESSMENT - $622.–11.7% INCREASE.


2025-26 Assessment Change
12.1%
32.8%
25.9%
29.3%
0 - 5%
5 - 10%
10 - 15%
15% and up

2025-2026 ASSESSMENT CHANGE

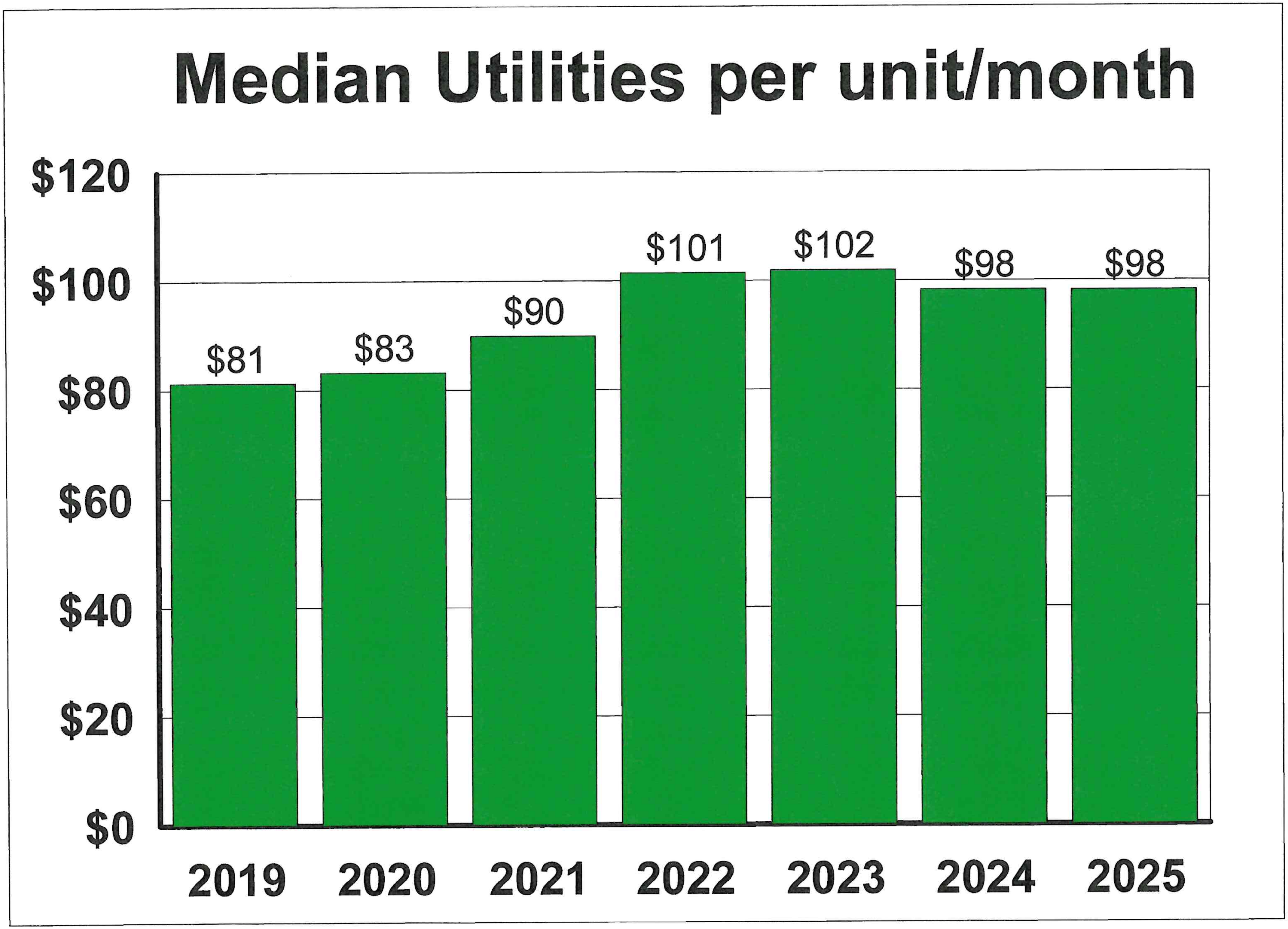
NEARLY 40% OF THE ASSOCIATIONS HAD TO BUDGET AN INCREASE OF 10% OR MORE IN THEIR 2025/2025-26 BUDGETS. ASSOCIATIONS WITH SUBSTANTIAL INSURANCE RESPONSIBILITIES HAD MAJOR INCREASES. THE CPI FOR THE PAST 2 YEARS WAS ONLY 3% SO INCREASES ARE NOT IN STEP WITH CPI. RESERVE FUNDING TO KEEP PACE WITH RISING CONSTRUCTION COSTS ARE ANOTHER FACTOR. AS NOTED ON THE PREVIOUS SLIDE, THE MEDIAN INCREASED FROM $557 TO $622 PER MONTH - $65 OR 11.7%.

ONE CAN ONLY SPECULATE WHAT THE IMPACT OF THE LOS ANGELES FIRES OF JANUARY 2025 WILL HAVE ON ASSESSMENTS.


Median Operating + Reserve Assessment
$600
$500
$400
$300
$200
$100
$0
2019
2020
2021
2022
2023
2024
2025
Reserve
Operating

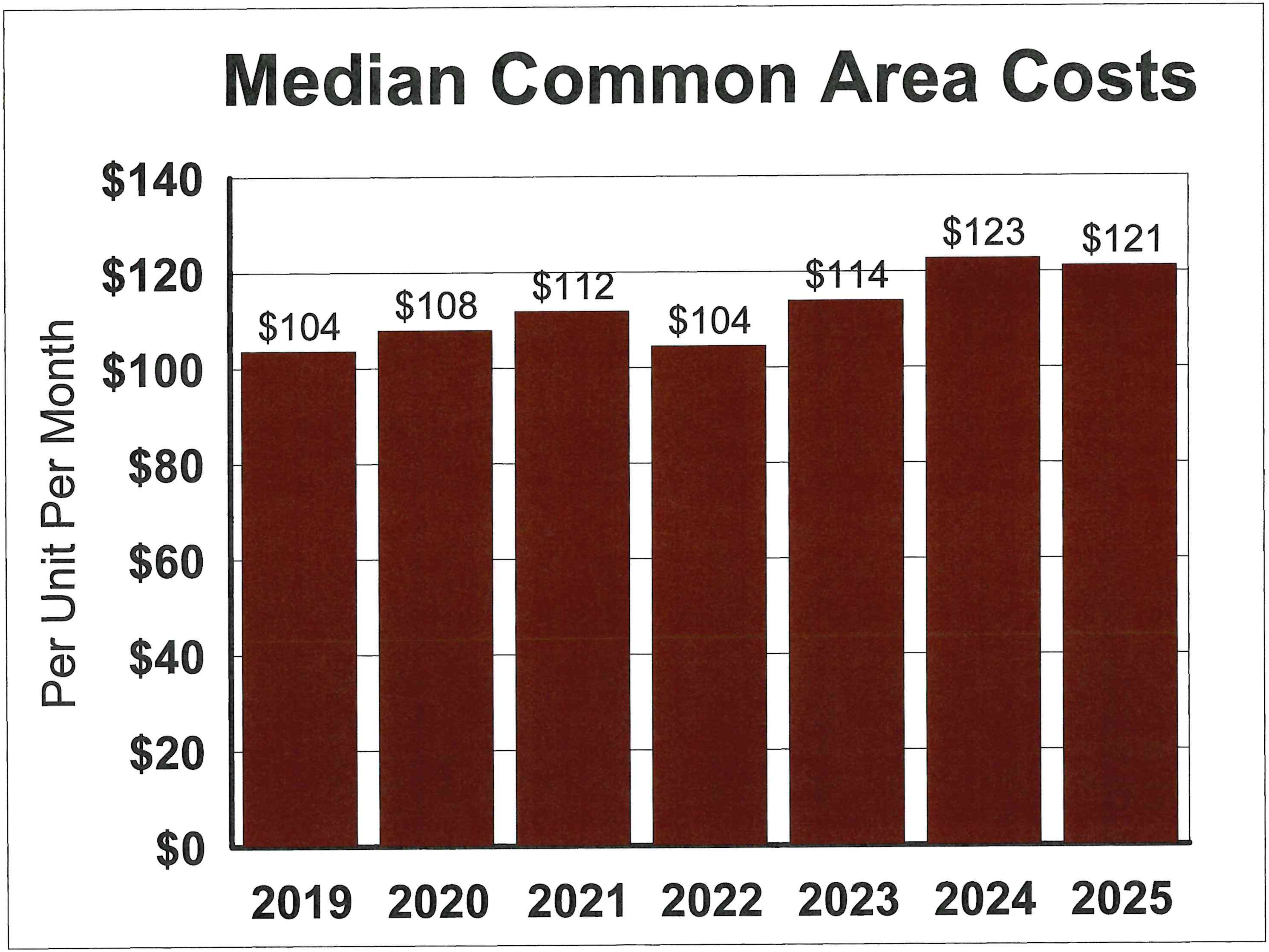
MEDIAN OPERATING V. RESERVE ASSESSMENT ALLOCATION

THE ALLOCATION BETWEEN OPERATING ASSESSMENTS AND RESERVE FUNDING HAS STAYED RELATIVELY CONSTANT DURING THE PAST 7 YEARS. RESERVE FUNDING HAS RANGED BETWEEN 29.6 AND 31.9% OF THE TOTAL ASSESSMENT. FOR 2025, THE MEDIAN AMOUNT IS 30.3%. RESERVE FUNDING REQUIREMENTS CAN VARY WIDELY FROM LESS THAN 10% OF THE TOTAL ASSESSMENT TO OVER HALF OF THE TOTAL MONTHLY ASSESSMENT. 3 ASSOCIATIONS PLACE MORE THAN HALF OF THE MONTHLY ASSESSMENT INTO THE RESERVE ACCOUNT.


Median Utilities per unit/month
$120
$100
$80
$60
$40
$20
$0
$81
$83
$90
$101
$102
$98
$98
2019
2020
2021
2022
2023
2024
2025

MEDIAN UTILITY COSTS

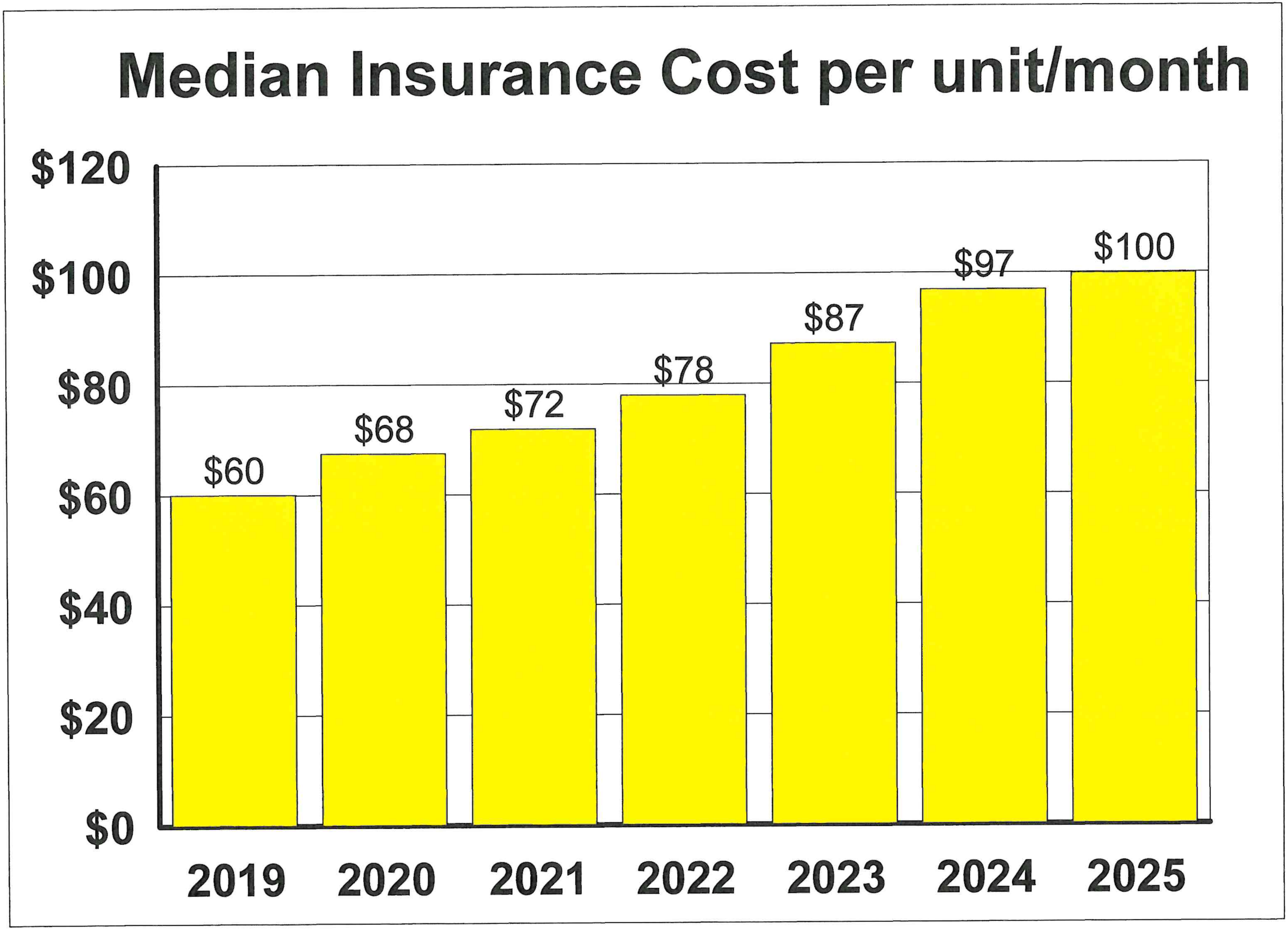
THE MEDIAN UTILITY COSTS HAVE STAYED FLAT OVER THE PAST FOUR YEARS. UTILITY COSTS VARY WIDELY AMONG ASSOCIATIONS. SOME PAY VERY LITTLE (LOWEST IS $5 PER UNIT PER MONTH) WHERE THE RESIDENTS PAY FOR ALL UTILITIES. SOME ASSOCIATIONS HAVE MASTER METERED WATER AND HOT WATER WHERE THE ASSOCIATION PAYS FOR INTERIOR UTILITIES. 14 OF THE 58 ASSOCIATIONS IN THE SAMPLE HAVE UTILITY COSTS GREATER THAN $150 PER UNIT PER MONTH. A FEW EVEN PAY FOR THE INTERIOR ELECTRIC COSTS OF THE RESIDENTS. OVER THE YEARS, MORE OF THE UTILITY COSTS HAVE BEEN BORNE BY THE RESIDENTS.


Median Common Area Costs
Per Unit Per Month
$140
$120
$100
$80
$60
$40
$20
$0
$104
$108
$112
$104
$114
$123
$121
2019
2020
2021
2022
2023
2024
2025

COMMON AREA COSTS

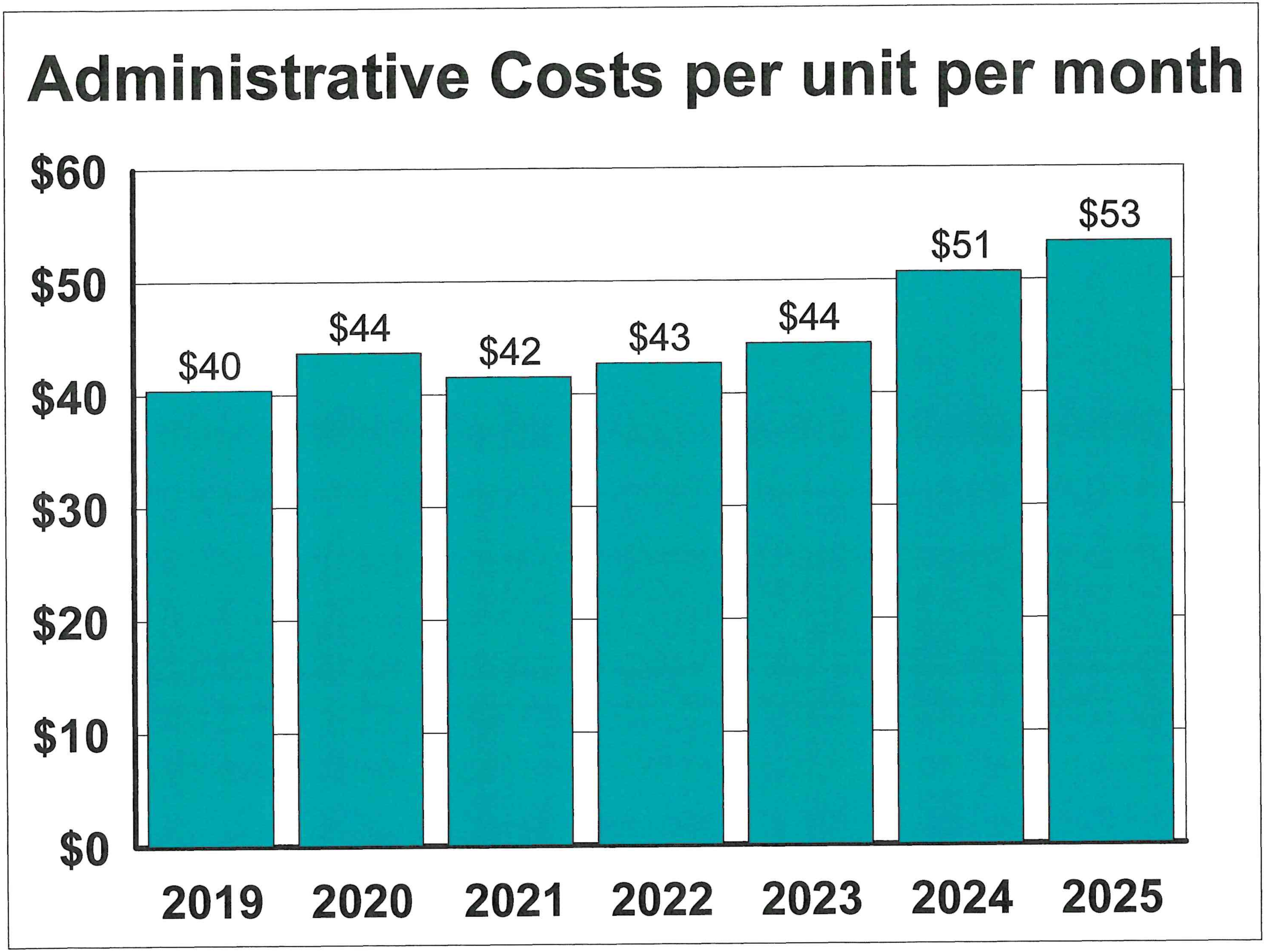
THESE ARE COSTS NOT CHARGEABLE TO THE RESERVE FUND. MANY ARE MAINTENANCE EXPENSES SUCH AS LANDSCAPING, MINOR BUILDING REPAIRS, POOL AND CLEANING SERVICES AND REPAIRS, PEST CONTROL AND EVEN ELEVATOR SERVICE CONTRACTS. IT CAN ALSO INCLUDE SECURITY SERVICES AND FOR A FEW OF THE LARGER ASSOCIATIONS, EMPLOYEE WAGES AND RELATED COSTS.

THE MEDIAN ONLY INCREASED 16% IN THE SEVEN YEAR PERIOD.


Median Insurance Cost per unit/month
$120
$100
$80
$60
$40
$20
$0
$60
$68
$72
$78
$87
$97
$100
2019
2020
2021
2022
2023
2024
2025

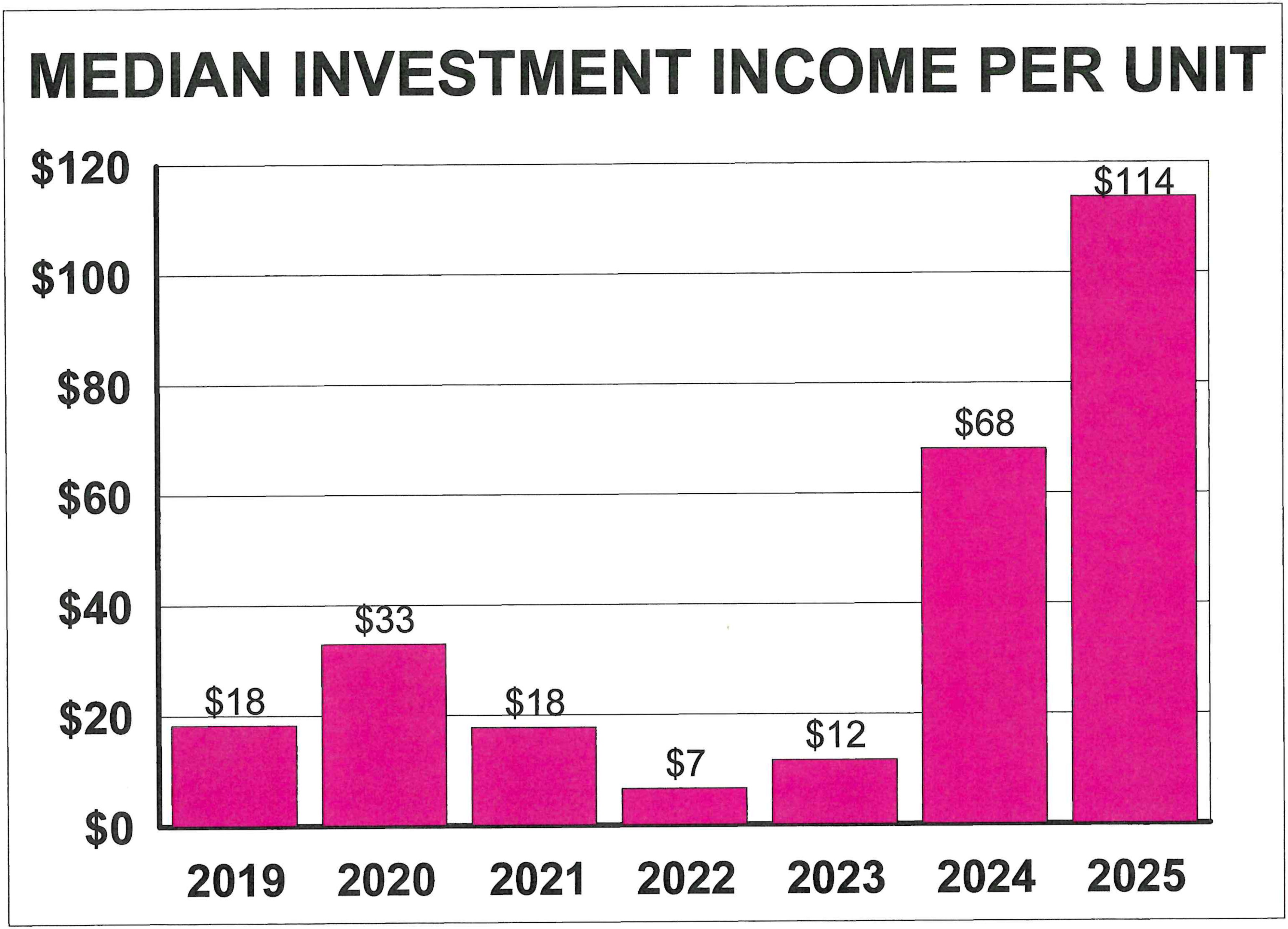
INSURANCE

IT'S NO SURPRISE THAT INSURANCE COST INCREASES FAR OUTPACE THE CPI, ESPECIALLY THOSE ASSOCIATIONS THAT ARE RESPONSIBLE FOR DWELLING COVERAGE. THE 7-YEAR MEDIAN INCREASE WAS 67% AND BASED UPON THE ASSESSMENT INCREASES NOTED EARLIER, THIS AMOUNT WILL BE MUCH HIGHER NEXT YEAR. SOME ASSOCIATIONS HAVE HAD THEIR POLICIES CANCELED AND REPLACEMENT COVERAGE IS LESSER COVERAGE FOR A MUCH HIGHER PREMIUM. A FEW ASSOCIATIONS HAVE CANCELED THEIR EARTHQUAKE INSURANCE. THE CURRENT MEDIAN IS $100 PER UNIT PER MONTH. NINE ASSOCIATIONS HAVE INSURANCE COSTS GREATER THAN $3,000 PER YEAR PER UNIT/HOME.


Administrative Costs per unit per month
$60
$50
$40
$30
$20
$10
$0
$40
$44
$42
$43
$44
$51
$53
2019
2020
2021
2022
2023
2024
2025

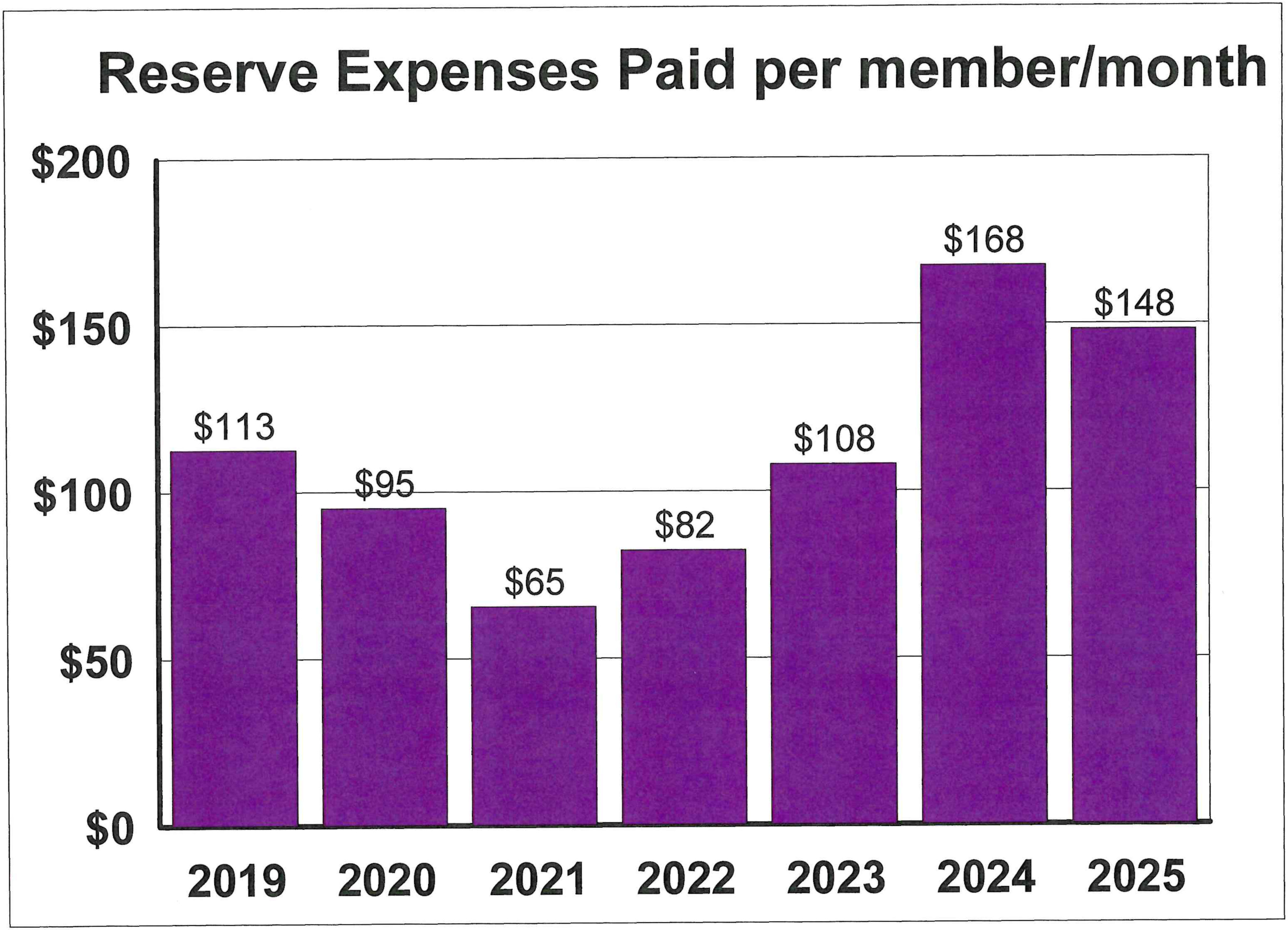
ADMINISTRATIVE COSTS

THE MEDIAN AMOUNT OF ADMINISTRATIVE COSTS IS UP 32% OVER 7 YEARS. PART OF THAT INCREASE CAN BE DUE TO SMALLER ASSOCIATIONS IN THE DATABASE. THOSE ASSOCIATIONS CAN ONLY SPREAD COSTS SUCH AS MANAGEMENT AND PROFESSIONAL FEES OVER A SMALLER NUMBER OF UNITS.


MEDIAN INVESTMENT INCOME PER UNIT
$120
$100
$80
$60
$40
$20
$0
$18
$33
$18
$7
$12
$68
$114
2019
2020
2021
2022
2023
2024
2025

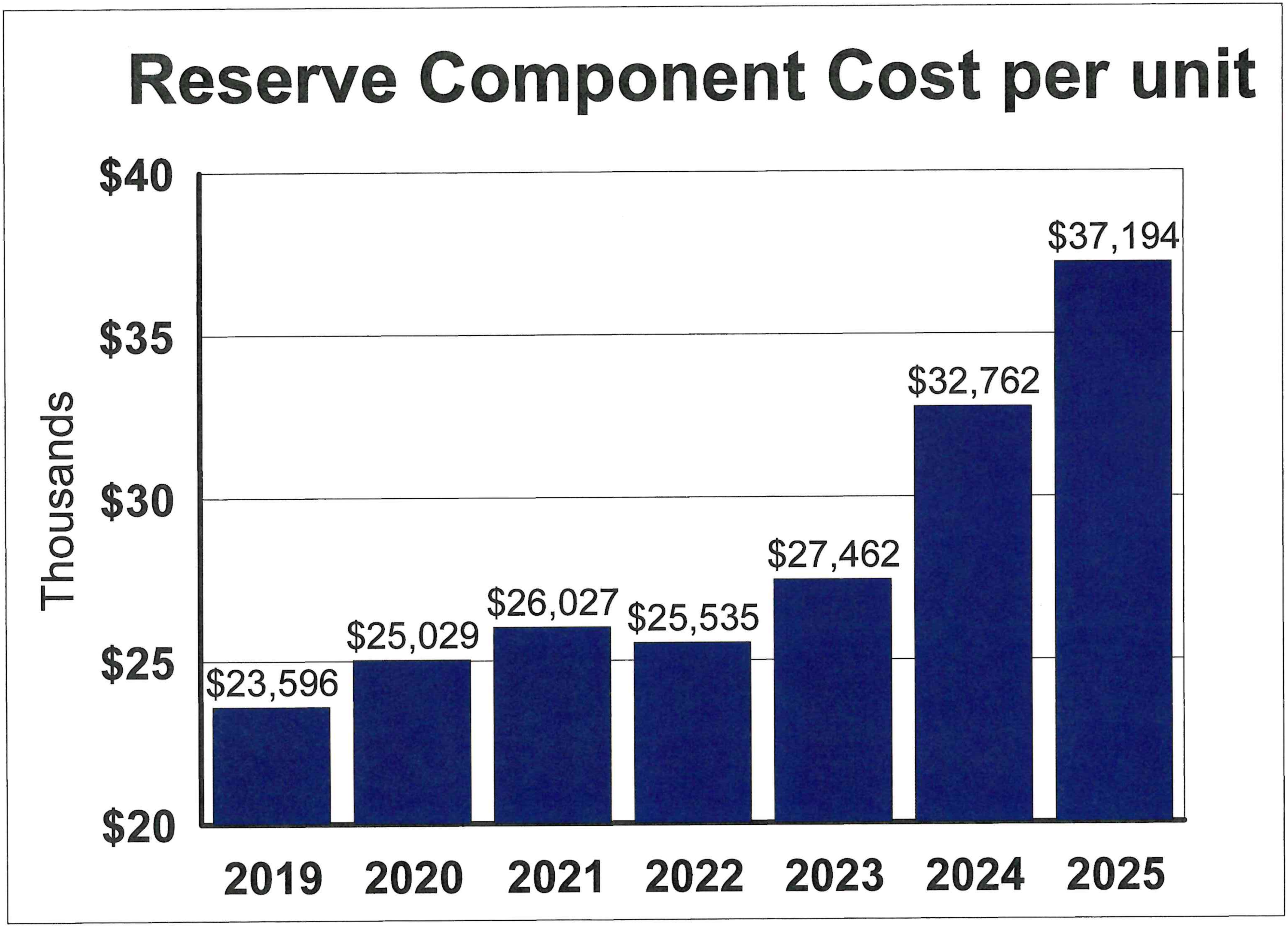
INVESTMENT INCOME PER UNIT

FOR MANY YEARS, ASSOCIATIONS COULD NOT EARN MUCH INCOME FROM RISK-FREE ACCOUNTS SUCH AS MONEY MARKET AND CERTIFICATES OF DEPOSIT (CDs). THAT CHANGED IN 2023 WITH THE FED INCREASING INTEREST RATES. RATES FOR SAVERS INCREASED TO OVER 5%. MORTGAGES AND OTHER LOANS UP TO 8%. RATES HAVE LOWERED TO 3.75-4%. MANY ASSOCIATIONS HAVE PLACED RESERVES IN ACCOUNTS OTHER THAN BANK MONEY MARKET ACCOUNTS WHICH STILL PAY NOTHING. IN 2022 THE MEDIAN (41) UNIT ASSOCIATION RECEIVING THE MEDIAN AMOUNT OF INTEREST ($7) = $288. IN 2025, $4,674.


Reserve Expenses Paid per member/month
$200
$150
$100
$50
$0
$113
$95
$65
$82
$108
$168
$148
2019
2020
2021
2022
2023
2024
2025

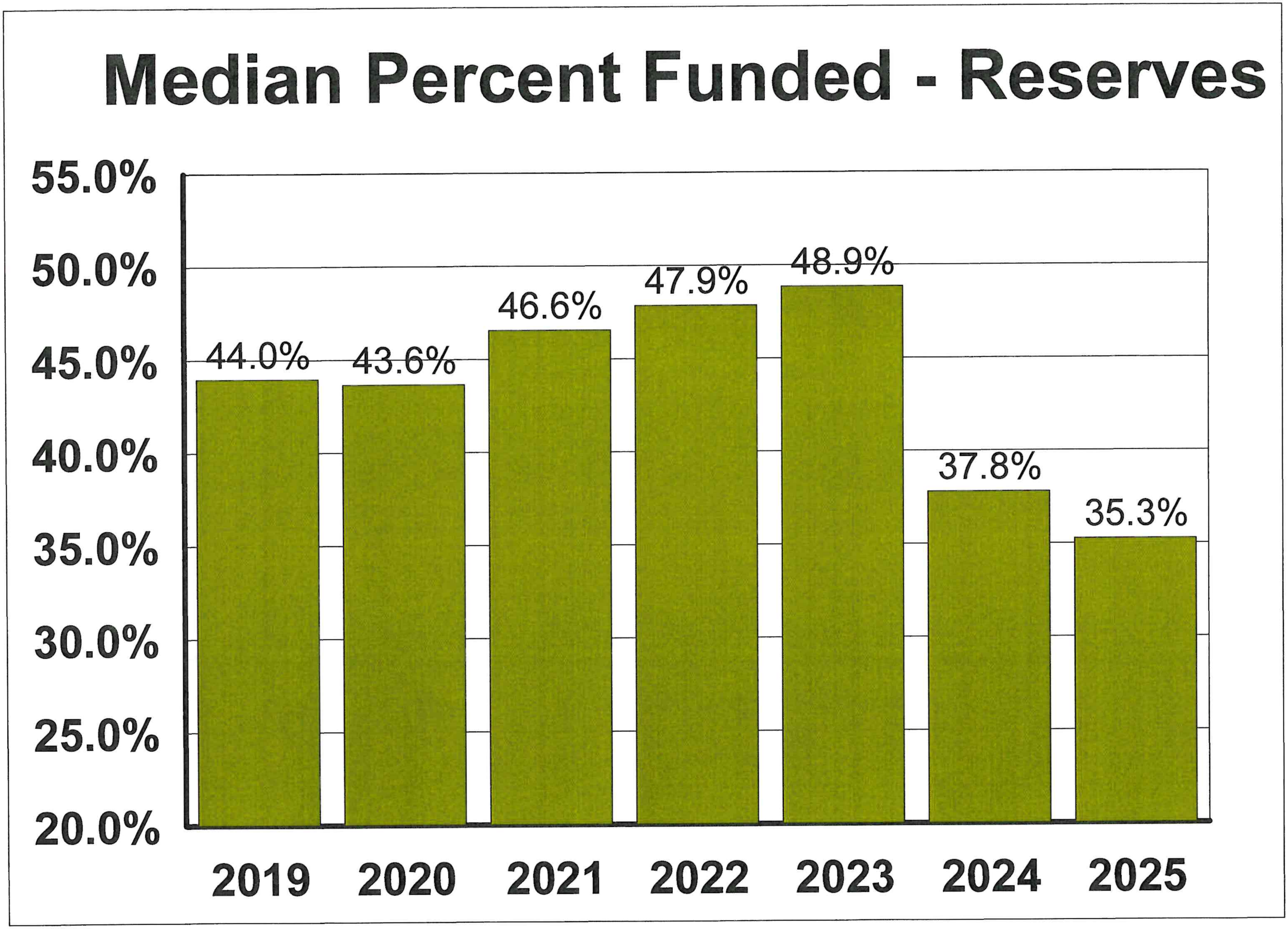
RESERVE EXPENSES PAID PER MEMBER PER MONTH

AMOUNTS PAID FROM RESERVES CAN VARY WIDELY FROM ONE YEAR TO THE NEXT. IN 2020-22, RESERVE EXPENSES WERE DOWN SIGNIFICANTLY DURING THE EARLY STAGES OF THE PANDEMIC. NOTE THAT THE CASH PER UNIT CHART AT THE FRONT OF THIS ANALYSIS SHOWED CASH PER UNIT INCREASING DURING THE SAME PERIOD. THE PAST TWO YEARS SHOW A MARKED INCREASE IN RESERVE EXPENSES PAID – A COMBINATION OF MORE PROJECTS AND HIGHER CONSTRUCTION COSTS.


Reserve Component Cost per unit
Thousands
$40
$35
$30
$25
$20
$23,596
$25,029
$26,027
$25,535
$27,462
$32,762
$37,194
2019
2020
2021
2022
2023
2024
2025

RESERVE COMPONENT COST PER UNIT

WHEN YOU RECEIVE YOUR RESERVE STUDY, THERE WILL BE A SCHEDULE SHOWING A MAJOR COMPONENT AND ITS ESTIMATED COST. SOME ITEMS SUCH AS ROOFING MAY ONLY BE DONE ONCE IN THE 30-YEAR FORECAST. OTHERS, SUCH AS TREE TRIMMING, WILL BE DONE SEVERAL TIMES. THIS ANALYSIS SIMPLY SHOWS THE MEDIAN COST PER UNIT IF EACH ITEM IN THE STUDY IS DONE ONE TIME. IN THE PAST TWO YEARS, THE INCREASE IN COST PER UNIT WAS 35%.


Median Percent Funded - Reserves
55.0%
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
44.0%
43.6%
46.6%
47.9%
48.9%
37.8%
35.3%
2019
2020
2021
2022
2023
2024
2025

MEDIAN PERCENT FUNDED – RESERVES

IN EVERY RESERVE STUDY, A PERCENT FUNDED IS CALCULATED. FOR EXAMPLE, IF THE ROOF IS EXPECTED TO COST $100,000 TO REPLACE AND IT HAS A 25-YEAR EXPECTED LIFE AND IS 20 YEARS OLD, THEN THE DEPRECIATED AMOUNT OF THE ROOF IS $80,000 CALCULATED AS FOLLOWS.

$100,000 DIVIDED BY 25 YEARS = $4,000 PER YEAR TIMES 20 YEARS EQUALS $80,000. IF CASH ON HAND IS $32,000, THEN THE RESERVE IS 40% FUNDED - $32,000 DIVIDED BY $80,000.

GIVEN THE INCREASED RESERVE EXPENDITURES OVER THE PAST 2 YEARS AND INCREASED CONSTRUCTION COSTS, THE MEDIAN PERCENT FUNDED HAS DECLINED FROM 48.9% TO 35.3% IN THE PAST TWO YEARS, A 28% DECREASE.