



# OUTDOOR RESORT

## PALM SPRINGS OWNERS ASSOC.

November 1<sup>st</sup>, 2014

Dear Owners:

Enclosed please find a restated budget for the Fiscal Year 2014-2015 which reflects an increase in HOA dues of \$21.00 per unit per month effective January 1, 2015, as recommended by the Finance committee and approved by the Board as its Regular Meeting on September 17, 2014.

This increase in HOA fees is necessary due to a cost increase in the contract for landscape maintenance services from a budgeted amount of \$824,961 (Valley Crest) to \$1,158,000/12 months (Vintage, Inc.). Vintage, Inc., took over landscape services on August 1, 2014, and the 11-month shortfall in the July 1, 2014 through June 30, 2015 fiscal year budget is \$305,000.

The need to terminate our contract with Valley Crest has been well communicated with the ownership and is a direct result of their very poor and unsatisfactory performance. Vintage, Inc., our new landscape service provider was selected following a competitive bidding process. They offered the best pricing proposal, expertise, and staffing levels, and received outstanding recommendations following extensive reference checks. We are off to a great start and Vintage, in just three months on the job, has brought lots back to acceptable standards, scalping has proceeded smoothly, reseeding has begun, and flowers are in the ground.

The \$305,000 budget shortfall equates to \$21.00 per month per lot. The earliest date an increase could be implemented due to procedural requirements for notification to the ownership was January 1, 2015 and will generate \$152,000 in revenue over six months. The remaining shortfall of \$153,000 will be covered from the Resort's Working Capital Account which has a balance of approximately \$420,000 as of August 2014. This action will reduce the Working Capital Account to less than the current policy that requires 17% to 25% of the Operating Budget. The Board, with recommendations from the Finance Committee and Management, will be working on revising the Operating Fund Working Capital Policy to a fiscally sound and sufficient level that meets the needs of the resort.

The \$300,000 promised savings from outsourcing was, first, overstated by almost \$150,000. Second, \$100,000 in tree-trimming costs, previously performed by our in-house staff and not covered under the landscape contract, was absorbed. Also, the in-house maintenance department added more staff to accomplish tasks, such as street sweeping, irrigation, etc., that were previously performed by our landscape crew, but were not included in the outsource contract. These additional expenses, coupled with unbudgeted administrative expenses due to General Manager turn-over in the amount of \$44,000, and \$50,000 when the rental operation ceased, ate up any savings realized and contributed to the need for a \$21 dues increase.

Please plan to attend the Town Hall Meeting on Friday, November 14, 2014, for more detail on the issues relating to outsourcing, the budget, and your HOA dues.

ORPS Board of Directors