

September 2016

Nepenthe Association



Large Association of the Year Northern California

THE NEPENTHE NEWS

Reserve Funds-What You Need to Know

First of all, conducting a reserve study is mandated by California Civil Code 5550. The specific text states, “(a) At least once every three years, the board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association’s reserve account for that period. The board shall review this study, or cause it to be reviewed, **annually** and shall consider and implement necessary adjustments to the board’s analysis of the reserve account requirements as a result of that review.

(b) The study required by this section shall at a minimum include:

Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.

Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association’s obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired.

(Continued on page 4)

Last Jazz By The Pool for 2016

September 25, 2016 5-7:30PM

Alan Ginter Trio with “Frank Sinatra”



**Tickets go on sale
September 12, 2016
at Nepenthe Office.**

Residents \$10

Guests \$15

Children FREE

**price includes one ticket redeemable
for a glass of wine**

To Bench... or Not to Bench

Last summer, the Board of Directors adopted a comprehensive Standards and Practices for the Locating, Design, Financing and Approving of Benches. The directors agreed that having benches on our grounds is desirable. Much thought was put into the Standards & Practices and they were published for the community to weigh in on before the Board adopted them.

Interested homeowners can read the Standards & Practices in the library at the Clubhouse or online at: <http://nepenthehoa.com/wp-content/uploads/2016/08/Approved-Standards-Benches.2015.pdf>.

The cost to purchase and install a bench is approximately \$2,000. The Board has created a reserve allocation to purchase two benches each year for a total of 19 benches. This small component increases the overall expenditures by a very small amount— perhaps equal to 2 cents per owner per month. Owners are also welcome to contribute a bench at their expense in accordance with the adopted standards.

Since adopting the standards, one homeowner has purchased a bench. It is the one at the clubhouse, entirely paid for by President Gennis.

This year is the first year that the allocation is available for Board implementation. Two sites from the standards were chosen— slightly northwest of 1236 Vanderbilt to take in the lovely greenbelt and one east of 1455 University. Due to a number of letters received against the 1455 University location, the Board has voted instead to place the second bench just west of 500 Dunbarton— the site of another lovely greenspace.

Depending upon the response of homeowners in that area, the Board will vote on October 5th to finalize that location.

Members can weigh in using the “contact us” form on the website or drop off letters at the Clubhouse. The deadline for comment is September 26th.

-Betsi Ledesma, General Manager



Approved Bench at Clubhouse

July Budget Report

Actual year-to-date income of \$1,892,092 versus year-to-date budgeted income of \$1,901,403 produced a negative variance of \$9,311.

Actual year-to-date operating expenses of \$555,564 versus year-to-date budgeted expenses of \$755,041 produced a positive expenses variance of \$199,477.

The two combined variances produced a positive year-to-date variance of \$190,165.

July Cash Flow Report

Sources / Uses	Operations	Reserves
Beginning Balance 1/1/2016	267,381	4,935,051
Prior year due to Ops from mgmt	91	
Plus Income	\$1,892,092	
Reserve Investment Income		\$21,655
Contributions to Reserve		\$1,146,362
Less Operating Expenses	(\$555,564)	
Reserve Funding	(\$1,146,362)	
Reserve Expenditures		(\$715,217)
Receivable from Management	(0)	
Ending Balance 07/31/2016	\$457,361	\$5,387,850

President's Letter

Hello, everyone:

Water concerns continue to dominate the issues being acted upon by the Board of Directors. The Board approved requesting the City of Sacramento to install individual water meters at each home, the same as in single family subdivisions. (This deals with domestic water supplied to each home and does not include common area irrigation, which will be a separate operation.) The alternative would be for the City to install master meters, which would require Nepenthe to install individual meters and get in the meter reading and billing business. The City website has a map of the *Accelerated Meter Program* which shows Nepenthe's area being scheduled for meter installation during 2016 and 2017.

The ad hoc irrigation committee is compiling cost data on the various components of conversion to drip irrigation so that we'll

have a better handle on costs as we go forward. The committee is also working with a grant specialist at the City to see if funding assistance can be obtained. Two grant programs may be available; one for drip conversion, and another for turf removal, sprinkler replacement and replacement with low water use plantings. Grant applications will require plans of the projects to be prepared.

Irrigation of trees is another major concern. Our highly drought-sensitive Redwood trees are receiving supplemental irrigation, both from volunteers and from temporary drip lines installed by our landscape contractor. A more sustainable solution will be required when water meters are installed since most supplemental irrigation is supplied from home faucets. This also brings into focus the status of Redwoods in our landscape. These magnificent trees are prized for their height and for the woody

atmosphere they bring, and they have been largely exempted from pruning and removal efforts. They make effective screens along Howe Avenue and along the American River levee. However, some of the downsides of Redwoods are these: a) they are very heavy water consumers, b) they grow huge root systems that damage infrastructure, and c) they drop heavy leaf litter throughout the year into patios and on walks and roofs. Some selective thinning of Redwoods close to structures may be in our future.

Irrigation of other tree species during the drought is also important, and will be addressed both in the drip conversion areas and by providing some type of supplemental irrigation in other areas. Volunteer cooperation in tree irrigation is gratifying, and is most appreciated.

Ivan Gennis, President

Update on University Lot

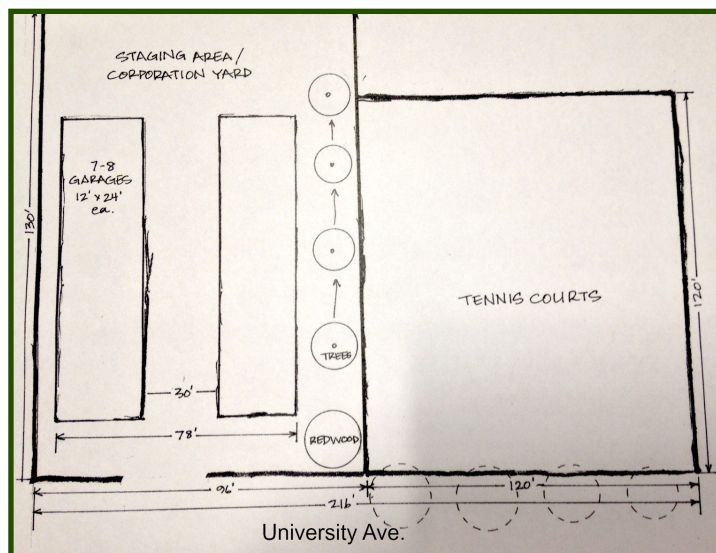
Some months ago, the Board of Directors appointed an ad hoc committee to look at the lot owned by the association that is located on University Avenue. This very large lot houses the tennis courts known as the Elmhurst Courts and the staging area for the siding contractor. The committee was asked to evaluate options for use and report to the Board including potential costs and benefits of each option.

Initially, the committee proceeded with the premise that the tennis courts were no longer used and that perhaps they could be put to better use. A drive through Nepenthe illustrates that there are many cars parked on our streets. The idea was lit upon to look at the University Lot as a possible overflow parking area.

The owners who live closest to the tennis courts spoke up regarding their concern over a possible change to a well-loved amenity. The committee and Board heard them and have determined to go forward

with any future recommendations without making any changes to the tennis courts.

Their efforts will focus on the portion of the lot that is currently a staging area for our siding contractor.



Preliminary site sketch showing possible garages and leaving the tennis courts as they are.

This area looks to be roomy enough to possibly build 14-16 single car garages behind an electric gate. These garages could be made available to residents for rent. Obviously, this is all very preliminary at this point. Much investigation is needed to determine whether this would be financially feasible for the association. There would be a number of administrative steps to go through with the City, but it's an interesting possible solution to an area that is generally underused. This proposed use also includes space in the back of the lot for continued use as a corporation yard.

Look for the Elmhurst Courts to be re-surfaced soon similar to the Commons Courts— fresh and new!

Reserve Study, Continued

(Continued from page 1)

Second, the reserve fund should be considered one of the homeowners' assets. A well-funded reserve account adds value to your home. It indicates to potential buyers that the association is proactive in its fiduciary duty. Any homeowner listing their home will want to make sure that the listing agent understands the value of the reserve fund and markets it accordingly. For Nepenthe, the current replacement cost of the components listed in the reserve study is \$32 million. The estimated future replacement cost is **\$45 million** after allowing for inflation. Without funding the reserves, how will the association pay these replacement costs?

Third, California Civil Code also requires that the association inform you of the health of the reserve funds annually. The annual disclosure must inform you of the following:

Deficiencies. Disclose any deficiencies in the reserves expressed on a per unit basis. (Civ. Code §5565(d).)

Deferrals. Disclose whether the board plans to defer repairs or replacement of any major component, including a justification for the deferral. (Civ. Code §5300(b)(4).)

Loans. Disclose whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired. (Civ. Code §5300(b)(8).)

Funding Plan. Prepare and distribute a funding plan that indicates how the board plans to fund the annual contribution to meet the association's obligation for the repair and replacement of all major components. The reserve funding plan must be adopted in an open meeting. (Civ. Code §5560.) Beginning January 1, 2009, boards must distribute their reserve funding plan to all members along with the association's annual operating budget, not less than 30 nor more than 90 days before the start of the association's fiscal year. (Civ. Code §5300.)

Assessments. If the board determines an assessment increase is required to fund the reserves, the assessment must be adopted in an open meeting and separately from the adoption of the funding plan. (Civ. Code §5550(b)(5).)

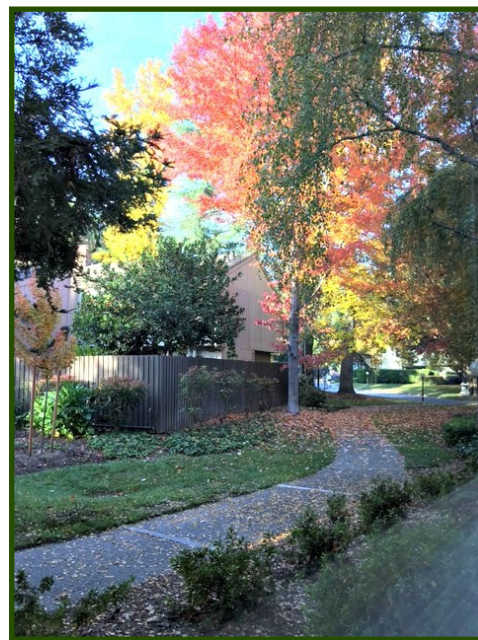
Form of Disclosures. Prepare and distribute specific reserve funding disclosures that comply with (Civ. Code §5570.)

Given all of the above, it should be a reassurance to know that the Nepenthe Board of Directors has obtained an annual update to the reserve study by Browning Reserve Group and has, in open ses-

sion in accordance with item 4 above, adopted the recommended funding plan which calls for a 3.6% increase in the contribution to the reserve fund. Currently the portion of each homeowner's monthly assessment that is put into the reserve fund is \$278. In 2017, this portion will increase to \$288. Browning recommends increasing this contribution by 3.6% each year so the association will have the funds necessary to cover the \$45 million needed for future replacement costs.

Now that the Board knows that an additional \$10 per owner per month is needed to adequately fund the reserves, they will turn their attention to the operating budget. The operating budget is just what it sounds like- the day to day operating expenses of running an association the size of Nepenthe. This budget pays the service vendors like the pool service, janitorial service, landscaper and management. This fund also pays for insurance, staff salaries, utilities, supplies, inspections and so forth. The Board is currently negotiating with the service contractors to determine what the needs will be in 2017 and prepare the budget accordingly. It is anticipated that the final increase to homeowners' monthly assessment will be approximately \$11-\$13 depending upon negotiations.

The Board is expected to adopt the budget at their next meeting on October 5th. The budget will be discussed further at the Finance Committee meeting on September 26th at 3:00 PM in the Dunbarton Cabana. Homeowners are always welcome to attend committee meetings. For more information about the finances of Nepenthe, owners may wish to visit the Finance Committee page on the website: <http://nepenthehoa.com/finance-committee/>.



-Bettsi Ledesma, General Manager

This beautiful photo from last Fall by Pam Livingston shows a number of the components in our Reserve Study:

Siding, Roofs, Fences, Walkways and the Private Streets.

Just a Reminder

The entire Nepenthe activities calendar for months ahead can be viewed on the website at www.nepenthehoa.com.

Guest parking permits are available in the office and can be retrieved during office hours (Monday-Friday 9-1/2-6, Saturday- Sunday 9-1 October-April and 12-4 May-September)

Please call Lyons Security at 916-844-2912 for all security concerns or if you were unable to obtain a guest parking permit during office hours.

If you have any questions or concerns you would like to share with the Board of Directors, please join us for the Board Meeting every first Wednesday at 5:30 pm. You will be allowed to speak during Homeowner Forum.

If you would like to receive the Newsletter and other association correspondence via email, please contact the office using the "Contact" form on the website or by phone at (916) 929-8380.

From Outreach Committee

There have been lots of activities happening. Hopefully you have joined an event or two.

In addition to the ongoing events – Coffee on Saturdays and Happy Hour on the second Thursday of the month – we had a Parking Lot Sale on August 27, and a wonderful Concert by the Pool on August 28.

We are working on having a Coffee with the Cops at the clubhouse. Date to be Determined– watch for details!

Resident Forum plans are in the works. This annual program is sponsored by the Board of Directors and the Outreach Committee. The format for this year has not been decided yet. We strive to bring relevant information to all residents at this program and will announce as soon as the plans are confirmed.

Here are some dates for your calendar----

September 15 – Fashion show at the Campus Commons Clubhouse. This is being sponsored by Chico's, and will start at 10:30 AM

September 23 – Art Open House at the Campus Commons Clubhouse. All artists, crafters, quilters, knitters, collectors, etc. are invited to participate. Call the Campus Commons Clubhouse to reserve your spot. Let them know if you need a table and, if so, what size. All others are invited to come and enjoy from 4-6 PM

September 25 – Jazz@the Pool. This is the last concert for this year. Don't miss it.

The next Outreach Committee meeting will be on September 21 at 5 PM in the Nepenthe Clubhouse library. Anyone is welcome to attend.

Kudos!

These homeowners were kind enough to give us permission to use their letter in the Nepenthe News.

Hi Bettsi,

This is a letter of appreciation to you, your staff and the Nepenthe Directors, current and past. Kira and I have enjoyed living in this community for more than two years and in that time we have observed that this is an extremely well-run association, with past and current boards making wise, well-considered decisions for the ongoing maintenance of our quality of life and the integrity of our infrastructure and landscaping.

As well, you and your team are incredibly responsive and positive – so much so that it often feels like we have our own five-star concierge service!

Not all associations are this well run however; let me explain.

Kira and I had the opportunity to visit my mom and brother in Boston recently. They each own condos managed by different HOAs that are about the same age as ours. Their experience is quite unlike ours here at Nepenthe: while they pay approximately the same monthly HOA fee as we do, their buildings are in a state of disrepair, and despite that they have experienced huge assessments. For example, my brother has paid over \$100,000 in additional assessments over the past twenty years (that's five zeros; not a typo). Much of that expense was due to poor construction, mismanagement and possible corruption. My mom will have additional assessments over

\$20,000 for her townhome over the next seven years; the buildings and drainage systems were improperly designed and require rebuilding. In addition, the paint is peeling off the sides of the buildings and decks down to the bare wood, and general maintenance is being deferred because HOA boards of the past in her association have kicked the can down the road and have not properly assessed the real cost of upkeep.

So, when we came back home we resolved to share the contrast of our experiences – and great appreciation - with you and our Nepenthe community.

Sincerely,

John and Kira



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1131 Commons Drive
Sacramento, CA 95825

Phone: 916.929.8380
Fax: 916.929.1773

E-mail: nepenthe@fsresidential.com

Office Hours:

Monday—Friday 9:00 AM to 6:00 PM
Closed for lunch, 1:00 to 2:00 PM
Saturday-Sunday (Winter) 9:00AM to 1:00 PM
Saturday—Sunday (Summer) 12:00 PM to 4:00 PM

We're on the Web!

NepentheHOA.com

Management Staff:

Bettsi Ledesma, General Manager, bettsi.ledesma@fsresidential.com

Crystle Rhine, Assistant Community Manager crystle.rhine@fsresidential.com

Roshuna Creswell, Administrative Assistant, roshuna.creswell@fsresidential.com

Roger Work, Facility Administrator, nepenthe@fsresidential.com

FirstService Residential Customer Care Center: 1-800-428-5588

PayLease (Auto pay assessments): 1-866-729-5327 or support@paylease.com

Other Important Contacts:

Lyons Security: 916-844-2912 or sacramentosecuritycompany.com

Power Outages: 1-888-456-SMUD

Nepenthe Insurance: Farmers Insurance, Ryan DeShong, 916-636-0115

Board of Directors:

Ivan Gennis, President, ivan.gennis@gmail.com, 916-564-3007

Steve Huffman, Vice-President, steve@huffmanstrategy.com, 916-214-4500

Will Vizzard, Treasurer, vizzardw@gmail.com, 916-923-9308

Linda Cook, Secretary, linda_cook@att.net, 916-847-8996

Joan Haradon, Member at Large, joanh3860@gmail.com, 916-923-2577

Committees of Nepenthe

Board of Directors - 5:30 PM, Clubhouse, 1st Wednesday of the month

Architectural Review—Ken Luttrell— 4:30 PM, Clubhouse, 2nd Monday of the month

Elections—Yvonne Del Biaggio, meets ad hoc

Finance—Ken Butler, 4:00 PM, Dunbarton Cabana, 4th Monday of the month

Grounds—Pamela Livingston, 3:00 PM, Dunbarton Cabana, 2nd Thursday of the month

Insurance, Legal & Safety—Bill Newbill, 5:00 PM, Dunbarton Cabana, 2nd Tuesday each month

Outreach/Social—Gerry Gelfand, 5:00 PM, Clubhouse, the 3rd Wednesday of the month

Dates and times may vary, check calendar on website

Parking Update

There seems to be much confusion and strong feeling around the issue of parking. This may be a good time to look at the history of parking in Nepenthe.

When first developed, it was made very clear to all homebuyers that the garage was the only place for owners to park their vehicles. Street parking was for guests. Period. Overnight parking on the two private streets, Elmhurst and Dunbarton or in the guest parking spots in the University alleys has always been for guests and only with a permit from the association.

As time went on, it became apparent that college students were regularly parking on University, Commons and Vanderbilt and walking to class. The homeowners applied to the City for some help and the J-Permits were instituted. The purpose of the J-Permit is to keep the streets clear for guest parking in the spirit of the original development. Homeowners can obtain parking permits from the City to reserve their guests' right to park in the development. It was never meant to usurp the original intent of the developer.

Over the years, the original intent and the language in the CC&Rs grew further apart until today there is great ambiguity in our governing documents on this subject. Because of this and other issues, the ad hoc committee on parking will soon be partnering with a professional facilitator whose purpose will be to help our community define the parking regulations that will carry Nepenthe into the next forty-five years.

Please stay tuned to see how you can provide input on this important topic. Begin asking yourself and your neighbors, "What do reasonable parking regulations look like?" and be prepared to see the issue from all sides.