

**The FHA Board is searching for an administrator to manage clubhouse rentals and carry out minor administrative tasks such as preparation for monthly board meetings and drafting minutes. Must be proficient in the use of Microsoft Word and Excel. Hours are flexible. Pay negotiable. Please contact Mark Watts at [markwattsappraiser@gmail.com](mailto:markwattsappraiser@gmail.com)**

## Garden Club Activities



### UP-COMING EVENTS in May:

Don't miss out on the President's Party with the Old Goat's ceremony. One of the most fun events of the year!

#### Monday, May 19 - Strawberry Social and Installation of Officers

1:00 PM -Forest Hill Clubhouse. Hosted by Kathe Farrell.  
Please RSVP by May 15<sup>th</sup> to Kathe Farrell [farrelwk@pacbel.net](mailto:farrelwk@pacbel.net) or 681-2876

#### Friday, May 30 - Presidents' Party

7:00 PM- Forest Hill Clubhouse. Hosted by the Board of Directors. Light supper and dessert at 9:00 P.M.

#### Please RSVP by May 23<sup>rd</sup> to

Lina Pritchard ([linap415@hotmail.com](mailto:linap415@hotmail.com)) or Anna Bolechowski (661-9820)

Volume 8, No. 2  
Second Quarter  
2014

381 Magellan Avenue  
San Francisco  
CA 94116

# Forest Hill ASSOCIATION



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## Board's Corner

### MESSAGE FROM THE PRESIDENT

*Dear Fellow Neighbors and Friends,*

*Thank you for your vote of confidence and giving me the honor to serve as the next President of the Forest Hill Association. I am looking forward to partnering with everyone to ensure we continue to enjoy the best neighborhood west of the Mississippi! I plan to continue the existing Board's agenda and welcome all neighbors to participate.*

*A strong part of what makes our neighborhood great is all the volunteers. Much of the work is done by committees and I invite everyone to sign up for a committee. It's a chance to help the neighborhood and make new friends. We welcome all neighbors.*

*A special thank you to Walt Farrell for his tireless service over the past decade and a warm welcome to Gus Guibert and Dena Williams, who have kindly agreed to take over as the West of Twin Peaks Liaisons. Here's to a successful year!*

*Sincerely,  
Mark Watts*

## Board of Directors

President: Mark Watts  
Vice President: TBD  
Treasurer: Eric Buonassisi  
Secretary: David Aldrich  
Directors: Tom Cooke  
Warren Krauss  
Diane Wara

## Committees

Activities: Dan McHugh (liaison & chair)  
Arch. Review: Mark Watts (liaison)  
Paul Cooper (chair)  
Communications: David Aldrich (liaison & chair)  
Finance: Eric Buonassisi (liaison),  
Christine Willemsen (chair)  
Infrastructure: Warren Krauss (liaison)  
Dan Kelly (chair)  
Legal: Warren Krauss (liaison & chair)  
Trees: Diane Wara (liaison & chair)

## Clubhouse Rental

Contact:  
Phone: 415-664-0542  
Email: [office@foresthill-sf.org](mailto:office@foresthill-sf.org)

Yen Bachmeier - Insight Consulting Corp.

**Forest Hill Association**  
381 Magellan Avenue  
San Francisco, CA 94116

Place  
Stamp  
Here

### BOARD OF DIRECTORS ELECTIONS RESULTS

The ballots submitted for the election of the Forest Hill Association Board were tallied at the Annual Meeting of the Association on April 14 and the results were announced. A quorum was achieved, and six Board members were elected, five of whom were re-elected. Paul Cooper and Dan McHugh declined to stand for re-election. A new member, Mark Watts, won election with the highest number of votes and became the new Board President. The new Forest Hill Association Board for 2014-2015 will include Mark Watts, Diane Wara, Eric Buonassisi, Tom Cooke, Warren Krause, and David Aldrich. A seventh member will be appointed by the Board at the next regular meeting on May 12, 2014, in accordance with FHA

By-Laws, Article VI. Any FHA member in good standing may be a candidate for this office by submitting a brief statement of interest and qualifications to the Board prior to 7:00 P.M. on May 12.

The Board would like to express profound appreciation to Paul Cooper and Dan McHugh for serving on the Board faithfully and without compensation. Paul was responsible for overseeing the extensive, ten-month renovation of the Clubhouse. Dan chaired the activities committee, which was responsible for a number of fine events, including the re-opening party and the Chinese New Year party. Both have made great contributions to our community and should be lauded for their efforts!

## IN-LAW UNITS LEGISLATION

Last week San Francisco Mayor Ed Lee signed in to law the ordinance put forth by supervisor David Chiu and approved by a majority of supervisors ( Supervisors Norman Yee and Katie Tang voted against) to roll out a legalization process of illegal in-laws in San Francisco.

This idea has been rolling around City Hall now for over 10 years and this particular legislation is the first attempt to legalize what is estimated to be 40,000 illegal in-law or granny units existing in San Francisco.

It is important to note the following regarding this new legislation.

1. It can only apply to units in existence as of Jan 1<sup>st</sup> 2013.
2. The city is loosening the requirements around parking, density and open space in order to accomplish this.
3. The City is not loosening requirements regarding ceiling heights, hall- way width, stairway width and ingress and egress.
4. For now, home owners can be prescreened to see if the existing in-law units can be legalized and if not they are not penalized, but this can change.
5. All costs of upgrading and legalizing the unit are carried by the landlord and cannot be passed on to the tenant.
6. Right now, single family homes are exempt from rent control but once the in-law is legalized, the property will be

subject to San Francisco's very strict rent control laws.

7. Once an in-law unit is converted, it may be difficult to be restored to its original single-family status which in some cases is the highest and best use for that property.
8. Areas like Forest Hill or St Francis Wood or Balboa Terrace or any of the areas, particularly West of Twin Peaks, that may have cc&rs or agreements governing and protecting the single-family status, density and parking issues are still supposed to be able to enforce their existing rules and agreements their members, however, the general consensus is that this needs to be tested.
9. Before anyone in single-family detached areas decides to legalize an existing in law unit, they should consider their neighborhood's enforceable rules and agreements and also the ramifications of having difficulty restoring their home to its original use and condition and creating a rent controlled property.
10. It is important to note that although some people in the neighborhood may see this as a way to be able to rent out a portion of their home and be able to stay in their homes longer, a wholesale application of this ordinance to our neighborhood and loosening our density requirements will only lead to added traffic, parking concerns and ultimately changing the character of our beautiful Forest Hill.

## RESPECT YOUR NEIGHBORS

Most dog owners are responsible and careful about their neighbors' property, but there are still complaints about some. We praise the majority who respect the rules of responsible dog ownership.

However, would you park in your neighbor's driveway? Dump your garbage on his/her lawn? Keep the neighborhood up till 4:00 a.m. with a loud party? Probably not, but some dog owners are not so considerate.

Dog feces and urine deface lawns and flower beds. An off-leash canine can tear up plants. Please remember that San Francisco has a leash law--for good reason! You should remain in control of your dog at all

times and not allow your pet/companion to mark up your neighbors' lawns and plantings. We are sure you wouldn't want to be the recipient of these liquid and solid deposits.



## EMAIL Get plugged in!

Do we have your current information?

Help us communicate with you easily and effectively by making sure we have your correct email address. It's the most reliable way to get the Association's attention quickly when you need a question answered or a service provided.

If you haven't done so already, please send your e-mail address to us at [fha@foresthill-sf.com](mailto:fha@foresthill-sf.com) and we'll make sure that you are on the notification list.

## Musical Days in Forest Hill August 21 - August 24, 2014

**Save the dates!** Musical Days in Forest Hill is returning this August, thanks to the generosity of Maestro Kent Nagano and pianist Mari Kodama Nagano. They have planned a stellar festival, presenting world acclaimed artists, performing on exquisite, rare instruments.

The theme this year is "*Poets of the Violin.*" They include virtuosic violinist Augustin Dumay, returning to Forest Hill for a second time; Cho-Liang Lin, who heads the La Jolla Chamber Music Festival; Andrei Baranov, 2012 winner of the Queen Elizabeth violin competition; and San Francisco's own exciting young talent, 19-year-old Kenneth Renshaw who won first prize in the 2012 Menuhin competition, along with numerous other awards. He will begin studies in 2014 at the Juilliard School as recipient of the prestigious Kovner Fellowship. All four have performed with highly



acclaimed artists and orchestras worldwide.

The violins will be joined by equally celebrated violist Igor Budin and cellist Matt Haimovitz, who is also

returning to Musical Days for a second time.

We will, of course, hear pianists Mari and Momo Kodama. And we'll hear Kent and Mari's daughter, Karin Kei Nagano, perform a Mozart piano concerto from her newly released CD, featured by KDFC as CD of the week during March.

Complete information about the programs and artists will be available on the website - [www.foresthill-sf.org/musicaldays](http://www.foresthill-sf.org/musicaldays) - within the next few weeks. Invitations will go out to Forest Hill residents in late May, and ticket sales will be open to the general public in June.

If you are interested in hosting a luncheon or dinner for the musicians, or assisting with the festival in any other way, please email Sally Kipper at [skipper@sbcglobal.net](mailto:skipper@sbcglobal.net).



**Donald Pippin's Pocket Opera** will again be using our Clubhouse for rehearsals this year. Forest Hill residents will have a chance to take a first peek at these final dress rehearsals.

**Free to Forest Hill members.** No reservation is required but seating is limited. Please come on time to avoid disrupting the performance.

Thursday, May 29  
7:00 PM

George Bizet's  
**The Pearl Fishers**

On the exotic island then called Ceylon, home of the pearl fishers, two equally passionate young men, closest of friends since childhood, simultaneously fall in love with a beautiful but seemingly inaccessible lady. Will their friendship survive? Or will rivalry tear the two apart? No question, the music is irresistible.



Thursday, July 10  
7:00 PM

Franz Lehar's  
**The Merry Widow**



Anna Glavari, the "*merry widow*", who has recently become the richest woman in Europe, takes Paris by storm in this waltz-strewn romantic comedy, most beloved of all operettas.

## Q2 Financial Report

(continued from page 5)

### 4 THE FY 2014-2015 BUDGET

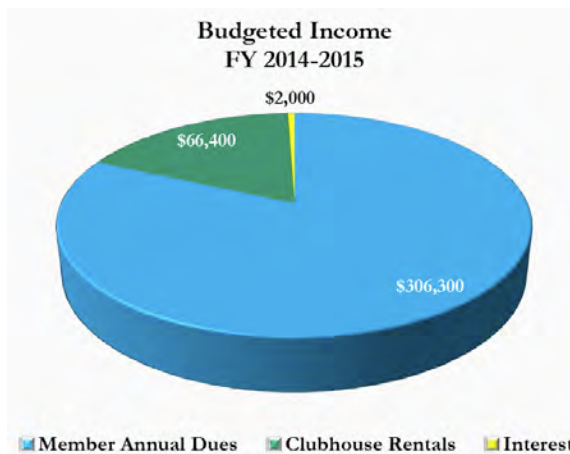
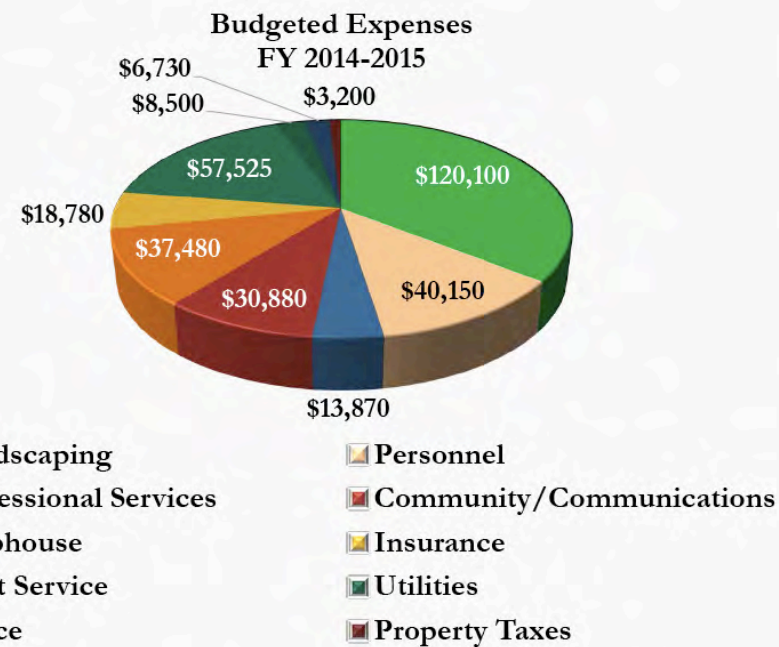
The chart below represents our best estimate of costs that lie ahead for the next fiscal year just underway on April 1. We are expecting a 15% increase in Landscaping expenses for tree care and removal as well as increased plantings and color throughout the neighborhood. This is our largest line item in the budget and it gets a great deal of scrutiny and attention. Insurance has already gone up 18% for the next year of liability coverage. The debt service goes from \$14,975 to \$57,525 as our loan starts principal and interest payments in a few months. With all other budget components flat compared to the past 5 years, the operating budget for FY 2015 will be \$337,215 and the increase over last year's low budget will be entirely spent on our \$50,000 plus debt service.

The revenue we need to balance the budget and to finish the year with our customary \$36,400 addition to the Surplus Reserve account must come from the same two sources - annual member assessment dues and fees from rental of the Clubhouse. We have been pleasantly surprised with the rental activity and revenue, particularly over the first quarter of this year. We missed 7 months of potential income during the Renovation and it took several months for the pipeline to start filling. We are forecasting that this year will be our best year by more than 30% and that rental revenues will exceed \$65K for the year. If we are correct, this added income will begin to pay the association back for the investment made over the past few years.

Even with Clubhouse rental revenues contributing 50% more to our top line income, we will need to raise member dues in 2015 by an estimated 25%. We not only need to pay the \$59K a year for the loan but also require that we plan for the next 5 years of doggedly increasing

costs as we spend more on landscaping, community events, and other maintenance costs for our new Clubhouse and older garages.

These are all projections that are subject to change as we gather more information on our Reserve requirements that are yet to be finalized in the upcoming Reserve Study Update which we have requested. Based on our current evaluation, this budget and projected dues increase for the next 5 years will keep your association on firm financial grounds and well positioned to pay off the 5% loan as rapidly as possible while maintaining an adequate Surplus Reserve account for emergencies and normal maintenance of the Clubhouse and our Landscape.



## Q2 Financial Report to Forest Hill Homeowners

### 1 LOOKING BACK AT FINANCIAL EVENTS IN FY 2013-2014 - IT WAS A YEAR OF ACCOMPLISHMENT AND INVESTMENT IN THE FUTURE

It is time to reflect on what happened last fiscal year and where the money came from to get it all done, mostly on time and within the 2013 Capital Budget that we established. Besides our investment in the improvements for the Clubhouse, we also had our regular operating budget to carry on the work of the FHA - keeping up with the landscaping maintenance, attending weekly meetings with the contractor, responding to members for help with a variety of issues, and managing the rental of the Clubhouse for a very-much-shortened 5-month rental season after the Renovation was completed.

Last year at this time, we set out a Plan for managing our Capital Investment Renovation of the Clubhouse and a Budget for normal operations for the year. We finished the fiscal year March 31, 2014 spending \$2,672 more than the Capital Budget of \$653,000 - a small miss to satisfy the last minute demands of the building inspector. Our \$240,683 operating budget for last fiscal year was just \$2500 higher than the lowest yearly expenditure over the past 5-year period. We exceeded that planned budget by \$12,187 or 5.1%. The Budget vs. Actual comparison table below explains where we were over and under budgeted expenses. Notwithstanding the over budget expenses, we finished the year with a \$35,745 surplus because revenues from dues, bank interest, and Clubhouse Rentals exceeded operating expenses. This added to our Surplus Reserve account which is now \$370,401 as of March 31, 2014.

REVENUE	Budget FY 2013-2014	Actual Results FY 2013-14
Member Annual Dues	\$262,000	\$259,067
Clubhouse Rentals	\$32,800	\$28,550
Interest	\$1,000	\$998
<b>Total</b>	<b>\$306,105</b>	<b>\$288,615</b>
<b>EXPENDITURES</b>		
Landscaping	\$111,916	\$104,019
Personnel	\$43,700	\$39,896
Professional Services	\$2,900	\$6,505
Community/Communications	\$26,400	\$31,344
Clubhouse	\$10,508	\$23,173
Insurance	\$14,888	\$15,710
Debt Service	\$14,585	\$14,976
Utilities	\$7,624	\$6,911
Office	\$5,325	\$7,220
Property Taxes	\$2,837	\$3,118
<b>Total</b>	<b>\$240,683</b>	<b>\$252,872</b>
<b>Operating Surplus</b>	<b>\$65,422</b>	<b>\$35,743</b>

The two line items that were significantly over our budget plan were the Clubhouse expenses (over by \$12,664) and Community/Communications expenses (over by \$4,945). Even after all the work that went into the Clubhouse Renovation, there were still several unplanned expenses to get it ready for occupancy. We all enjoyed the Clubhouse Reopening Party and deserved to celebrate the event. This was not a budgeted event but was well worth the added expense.

### Thank You!

to all the homeowners who have already paid their 2014 assessments.

If you haven't done so, please make your payment now.

## Q2 Financial Report

(continued from page 3)

### 2 THE CAPITAL BUDGET FOR FY 2013-2014 WAS ON TARGET

At this time last year, we estimated that it would take \$650,000 to complete the Clubhouse Renovation with the minimum add-ons to be satisfied with the project which had been under planning for more than two years. As we described in last year's Newsletter (Vol 7, No 1 2<sup>nd</sup> Quarter 2013), First Bank loaned us \$500,000 to get started with an interest-only NRLOC that was drawn down as we received invoices from our contractor, Plath & Co.

The \$14,585 debt service in the operating budget for last year represents all of that interest expense to borrow the \$500,000. The remaining \$153,000 was transferred to the capital checking account from our Reserve Account. These two sources supplied all the funds we needed to complete the job and the details of where it all went are summarized in the final Capital Budget Report below.

The account was closed in February and the additional assets will be added to our balance sheet after our tax return is prepared by Levy Erlanger CPAs.

#### CLUBHOUSE RENOVATION PROJECT BUDGET 2013-2014

April 2014 - Final Capital Budget Report

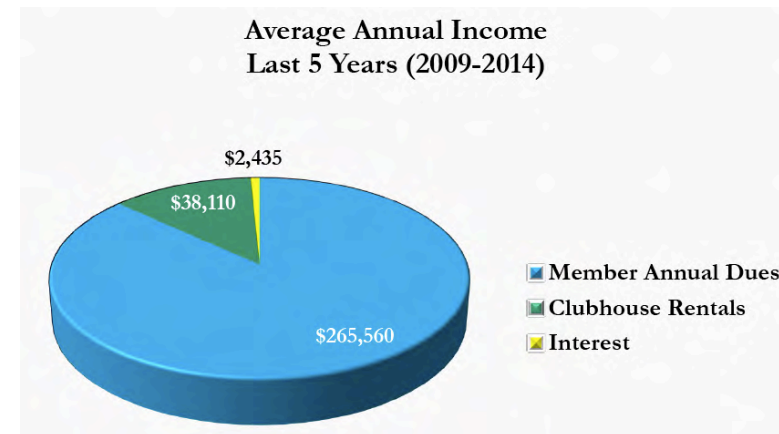
	<u>Budget</u>	<u>Actual</u>
<b>Sources of Capital</b>		
Forest Hill Association Reserve	\$150,000	\$153,000
First Bank NRLOC (5% int)	\$500,000	\$500,000
<b>Total Capital Provided</b>	<b>\$650,000</b>	<b>\$653,000</b>
<b>Expenditures</b>		
<b>Project Related Expenditures</b>		
Permit Fees	-	\$12,213
First Bank Loan Origination Fee	\$5,000	\$5,000
Legal Fees - Opinion Letter	-	\$6,565
Insurance - Construction Policies	-	\$2,067
Electronic Security - Bay Alarm Install	-	\$3,072
Architectural Fees - Carey & Co.	\$48,730	\$48,492
Inspections, Environmental Reports	-	\$3,843
Storage & Misc.	-	\$670
Subtotal - Related Expenditures	\$53,730	\$81,921
<b>Construction Costs</b>		
Plath & Co. Contract (incl adds)	\$536,108	\$536,108
Plath & Co. Contract (Change Orders)	\$35,131	\$34,643
Subtotal - Plath & Co. Contract	\$571,239	\$570,751
<b>Total Project Expenditures</b>	<b>\$650,000</b>	<b>\$652,672</b>
Expenditures (Over)/Under Budgeted Capital		(\$2,672)

## Q2 Financial Report

(continued from page 4)

### 3 OPERATING INCOME AND EXPENSE TRENDS - 2009 TO 2014

As we do every year at this time, the Board looks back at our history of expenses to provide a starting places for budgeting expenditures for the next year. This year is the end of our fifth year during which the annual assessment dues paid by each homeowner has remained unchanged. The dues statements that will be sent out this coming December for the year 2015 need to anticipate fundamental changes that are taking place on our operating costs, including inflation costs and broader services that are now required. There are favorable changes, to be sure, in expected rental revenues from the newly renovated Clubhouse which adds to useful income that can help pay for more community services in the budget. Looking back over the past five years, we can see several significant trends. On the income side, the Clubhouse average contribution to support the annual budget has been about \$38,110 each year or 12% of average revenues. Member dues make up the rest at 87% with bank interest barely noticeable at 1% (see Income Chart below).



A similar averaging of expense categories over this 5-year period is revealing in what has remained constant and what is increasing. The top three consumers of the annual budget are Landscaping, Personnel, and Professional Services making up two-thirds (66%) of the budget for the past 5 years. Of the remaining 33% of the budget, only the debt

service, property taxes and insurance will experience significant inflationary pressure. The investment in our Clubhouse will have some impact on taxes - we just won't know until the next bill in October. We are asking for exemption for ADA investments and the like, but the property taxes will likely increase. Insurance rates have been flat for 5 years but premiums are already up 17% for FY 2015. And our debt-service contributions will increase fourfold when we start the amortization payments of principal and interest in June 2014.

The Board realizes that the largest added expense to our operating budget is the carrying cost for the loan from Union Bank. We are not required to pay it off until 2024; however, the annual interest cost will continue at the 5% rate until we pay the loan down with sizeable draws from our Reserve Funds. The loan document requires a certain minimum Reserve Balance and contribution before we can pay off the loan before maturity in 2020. There is no prepayment penalty, so we are confident that some portion can be prepaid in the next few years to reduce our borrowing costs. Our money-market rate on savings is less than 1% so it makes sense for us to pay it off as quickly as feasible.

