HOA FINANCIAL DATA ANALYSIS

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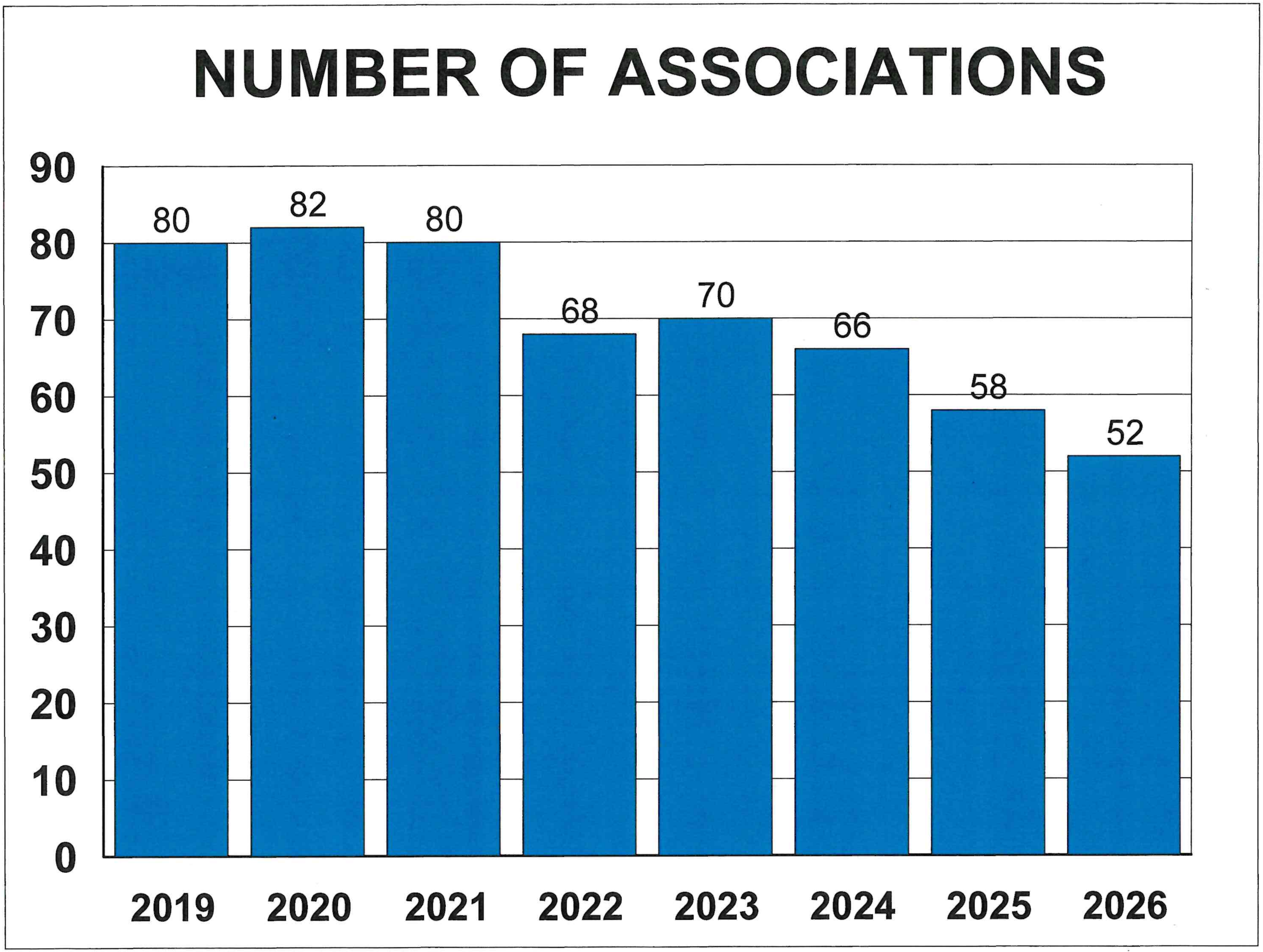
SEPTEMBER 2026

BACKGROUND

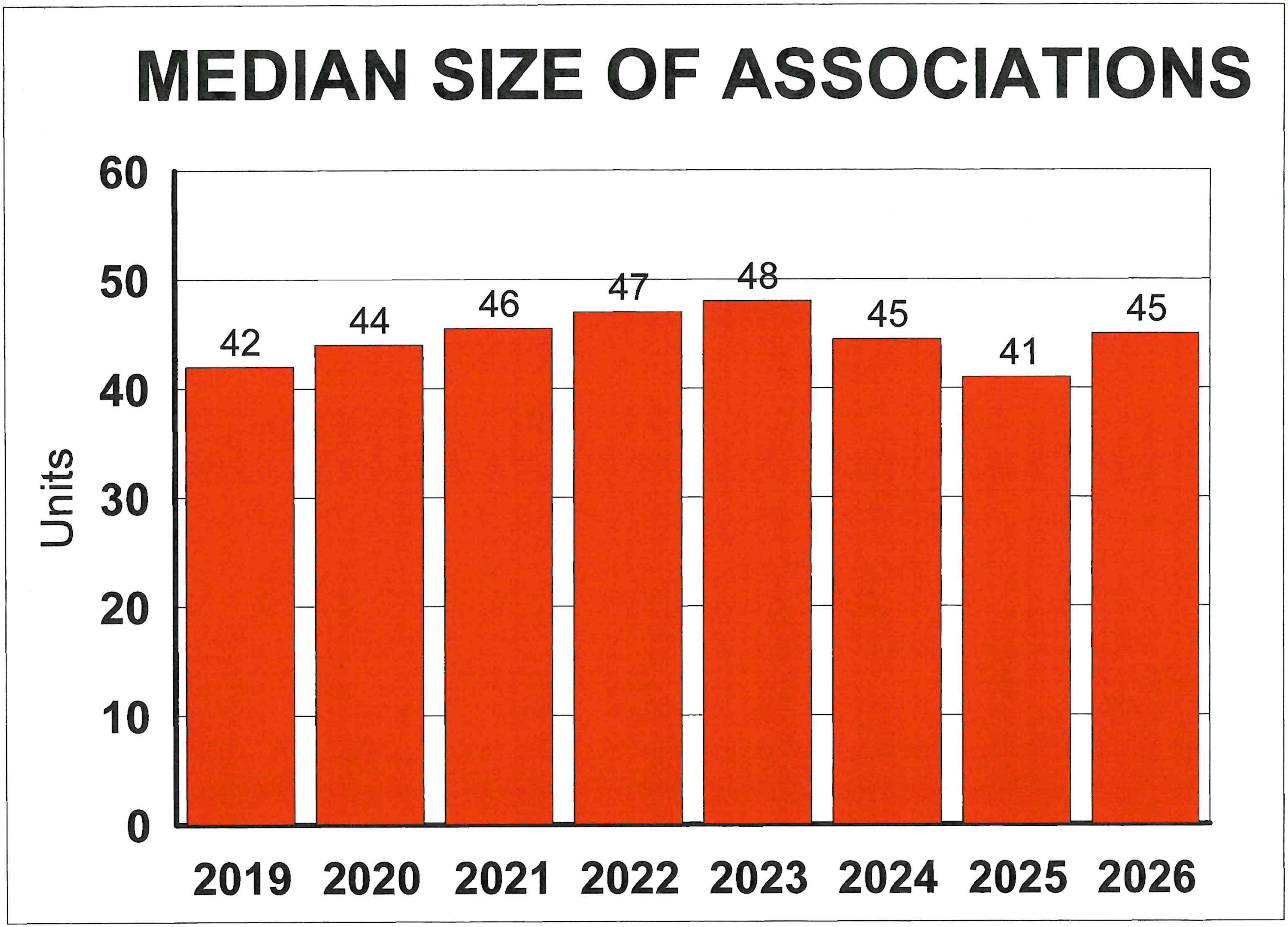
I HAVE BEEN TRACKING AND ACCUMULATING FINANCIAL DATA FOR ASSOCIATIONS FOR WHICH I PREPARE ANNUAL FINANCIAL REVIEW STATEMENTS REQUIRED BY THE CALIFORNIA CIVIL CODE. STARTING IN 2005, THERE WERE 51 ASSOCIATIONS ON THE LIST AND THE NUMBER INCREASED STEADILY TO 82 IN THE 2019-2020 YEAR. I AM SLOWLY REDUCING MY WORKLOAD AND IN 2025-2026, THERE ARE CURRENTLY 52. I HAVE ENTERED BY 50TH YEAR IN ACCOUNTING AND ITS IS SIMPLY TIME TO DO LESS WORK.

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


NUMBER OF ASSOCIATIONS
90
80
70
60
50
40
30
20
10
0
80
82
80
68
70
66
58
52
2019
2020
2021
2022
2023
2024
2025
2026

MEDIANS

MEDIAN AMOUNTS ARE CALUCLATED BASED UPON THE HALFWAY POINT ON A LIST. IN THE CASE OF 52 NUMBERS, THE MEDIAN WILL BE THE AMOUNT BETWEEN THE 26TH AND 27TH NUMBER. HALF (26) WILL BE ABOVE THE MEDIAN WHILE THE OTHER HALF WILL BE BELOW THE MEDIAN. EACH ASSOCIATION, NO MATTER WHAT SIZE, CONTRIBUTES EQUALLY TO THE MEDIAN AMOUNTS COMPUTED. AVERAGES CAN SOMETIME SKEW THE DATA IF THERE ARE A LOT OF VERY LOW OR VERY HIGH NUMBERS. MEDIANS CAN EVEN THINGS OUT A BIT. THE GRAPHS WILL SHOW TRENDS IN CHANGES IN MEDIAN AMOUNTS OVER THE PAST SEVERAL YEARS. 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
45
2019
2020
2021
2022
2023
2024
2025
2026

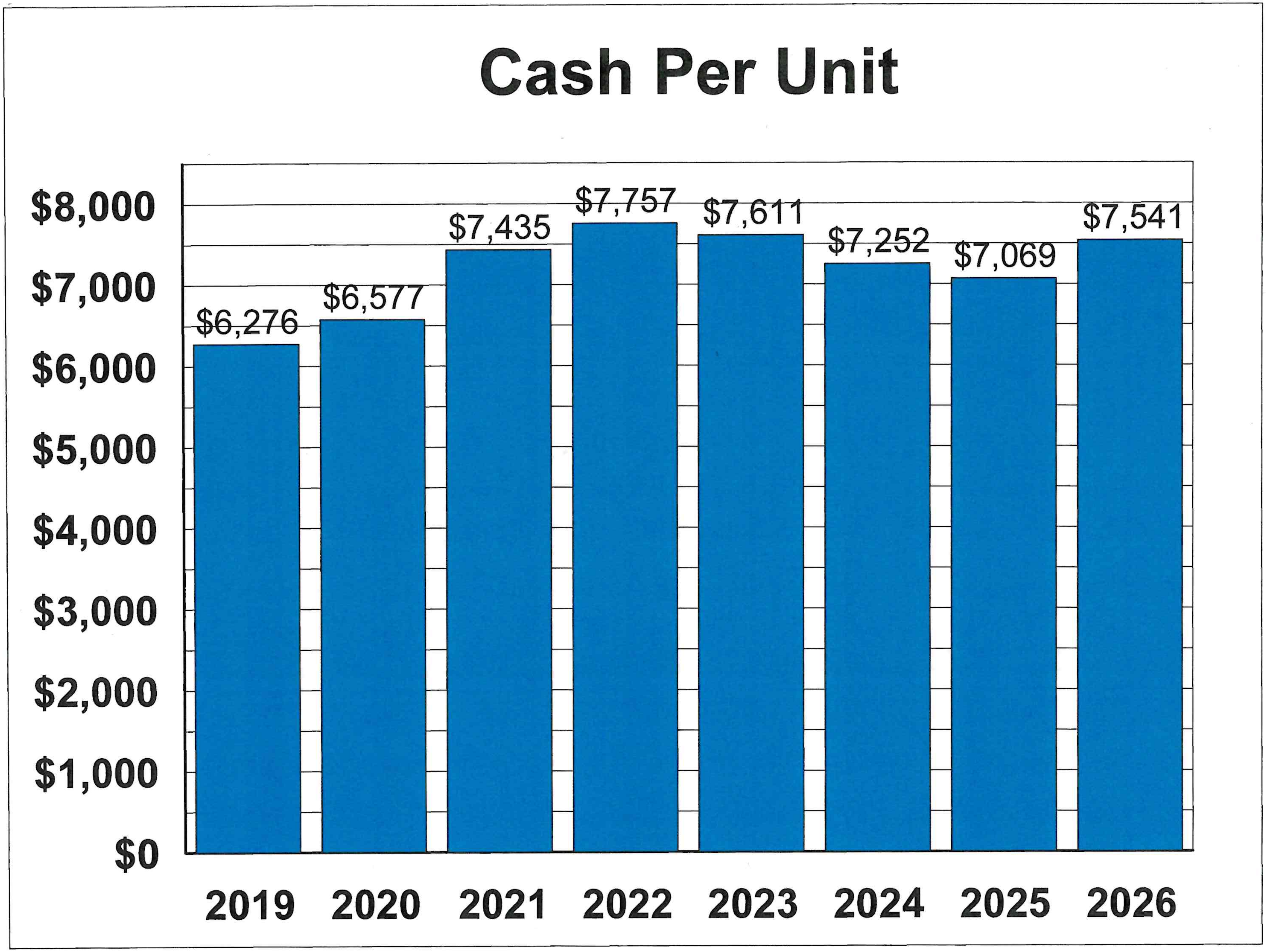
MEDIAN SIZE OF ASSOCIATIONS

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

THE YEAR 2026 REPRESENTS ASSOCIATIONS WITH YEARS ENDS OF 12/31/25 AND FISCAL YEARS ENDING IN 2026. SOME FISCAL YEAR WORK REMAINS TO BE DONE.

LARGEST ASSOCIATION – 230 UNITS

SMALLEST ASSOCIATION – 5 UNITS

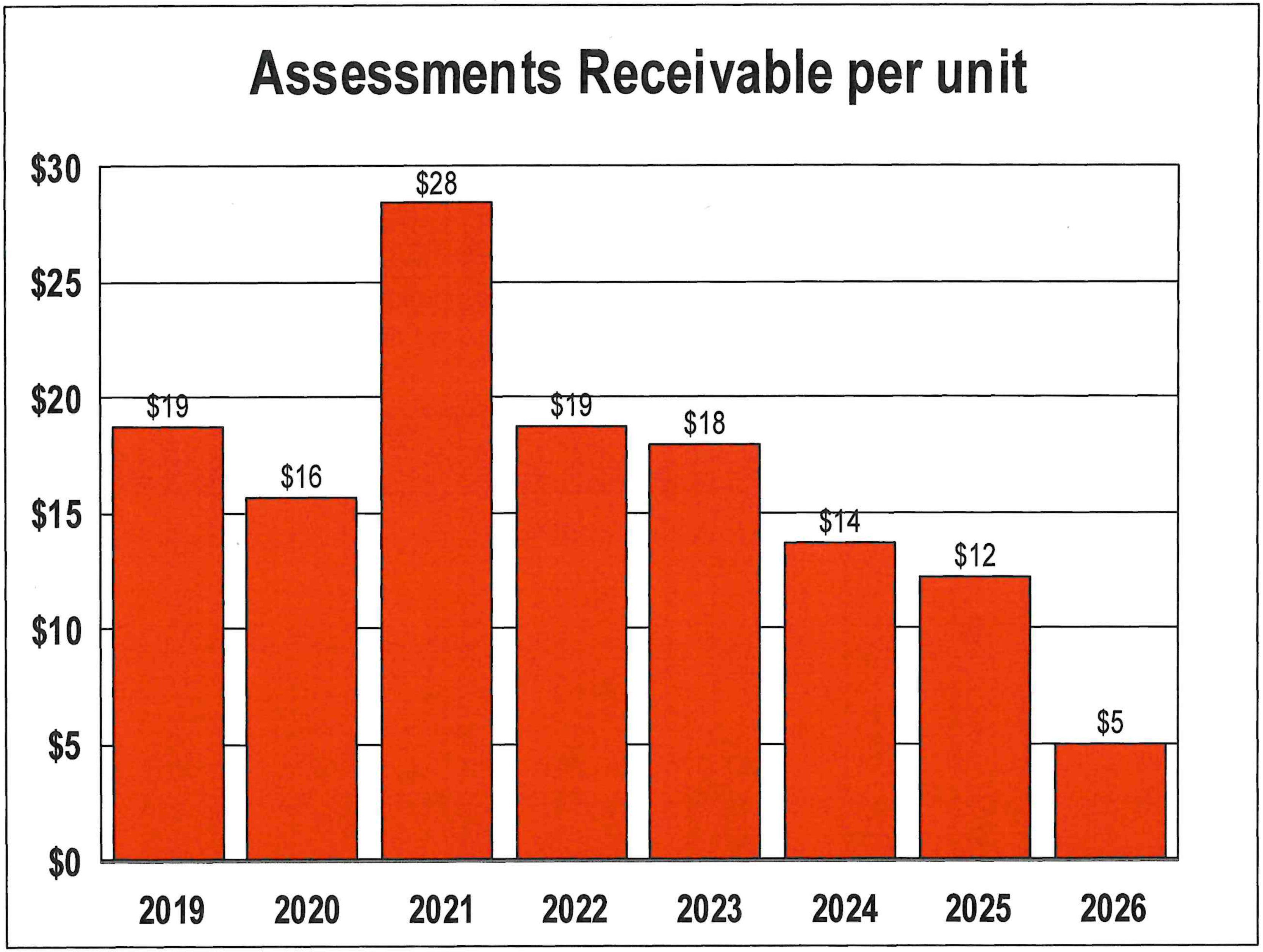

Cash Per Unit
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$6,276
$6,577
$7,435
$7,757
$7,611
$7,252
$7,069
$7,541
2019
2020
2021
2022
2023
2024
2025
2026

CASH PER UNIT

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

FOR EXAMPLE, A MEDIAN SIZED ASSOCIATION OF 45 UNITS HAVING A MEDIAN AMOUNT OF CASH ($7,541) WOULD HAVE $339,000 IN CASH/INVESTMENTS.

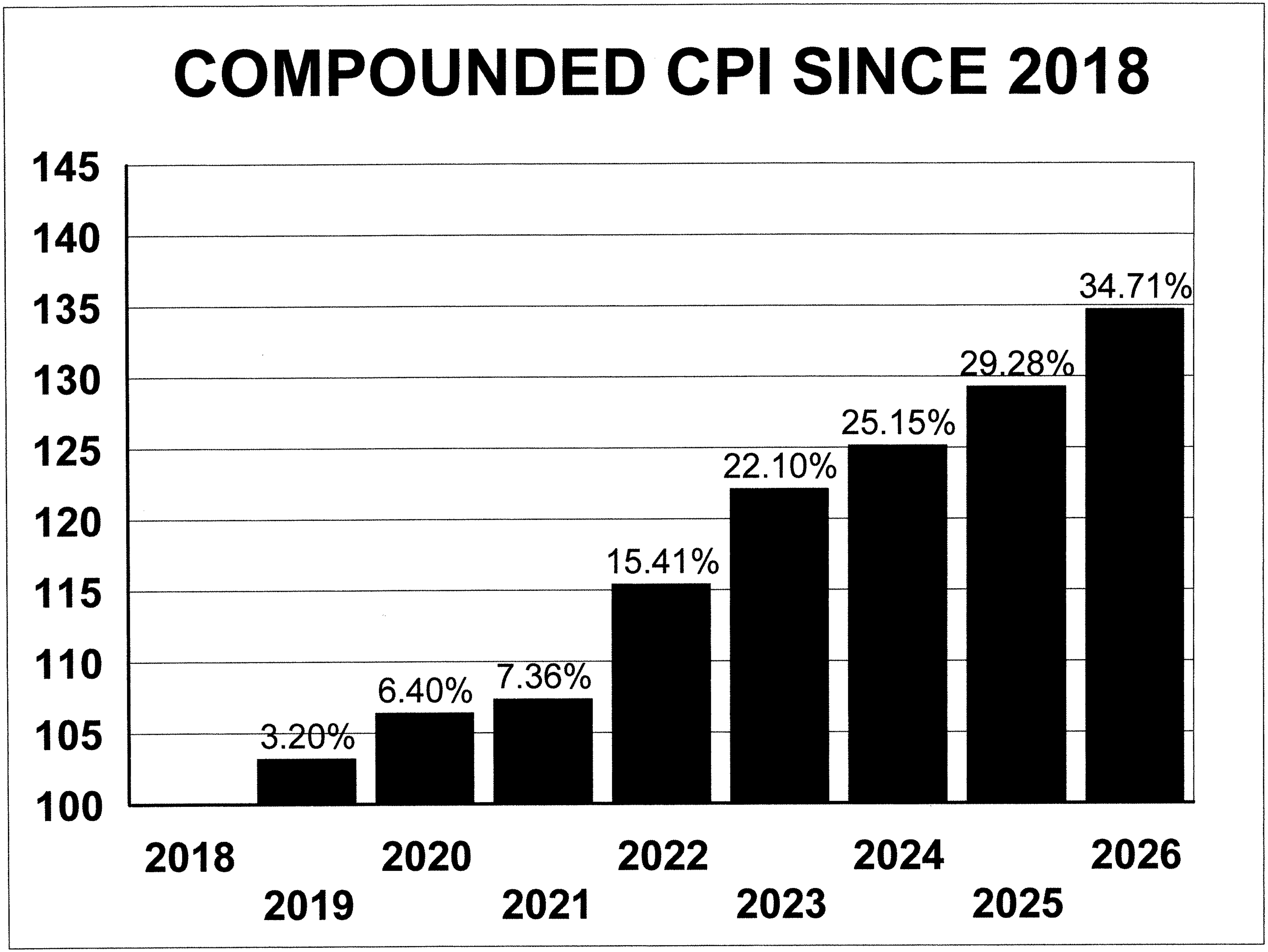
CASH BALANCES INCREASED IN 2020-22 PERHAPS DUE TO THE PANDEMIC WHEN MAJOR MAINTENANCE PROJECTS WERE DEFERRED BUT FUNDS WERE COLLECTED. SEE EXPENSE CHARTS LATER.



Assessments Receivable per unit
$30
$25
$20
$15
$10
$5
$0
$19
$16
$28
$19
$18
$14
$12
$5
2019
2020
2021
2022
2023
2024
2025
2026

ASSESSMENTS RECEIVABLE PER UNIT

IN SOUTH SANTA BARBARA COUNTY, THE COLLECTION OF ASSESSMENTS HAS RARELY BEEN A PROBLEM ON A LARGE SCALE. MANY OWNERS HAVE SUBSTANTIAL EQUITY IN THEIR UNITS AND DON'T WANT TO UNNECESSARILY RISK A LEIN OR FORECLOSURE BY THE ASSOCIATION FOR UNPAID ASSESSMENTS. IN THE EARLY DAYS OF THE PANDEMIC, THERE WAS A BUMP IN DELINQUENT ASSESSMENTS. IT IS NOW QUITE LOW AS MOST ASSOCIATIONS CAN COLLECT ASSESSMENTS VIA BILLPAY OR ACH. A MEDIAN SIZED ASSOCIATION IN 2026 WOULD HAVE LESS THAN $250 IN DELINQUENT ASSESSMENTS AT YEAR END. AT THE LAST YEAR END, 23 ASSOCIATIONS OUT OF 51 HAD ZERO DELINQUENT ASSESSMENTS.


COMPOUNDED CPI SINCE 2018
145
140
135
130
125
120
115
110
105
100
3.20%
6.40%
7.36%
15.41%
22.10%
25.15%
29.28%
34.71%
2018
2019
2020
2021
2022
2023
2024
2025
2026

CONSUMERS PRICE INDEX (CPI)

THE CPI IS CALCULATED MONTHLY BY THE US BUREAU OF LABOR STATISTICS. IT IS DONE FOR A NUMBER OF REGIONS IN THE US. I CHOSE THE LOS ANGELES/LONG BEACH INDEX. USING A BASELINE OF 100 AT 2018, IT HAD INCREASED TO 134.71 IN 2026, AN INCREASE OF 34.71%.

AS YOU WILL SEE, ASSOCIATIONS HAVE A DIFFERENT BUNDLE OF SERVICES COMPARED TO ITEMS TRACKED BY THE CPI.

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 July 2018 to July 2026, the California Construction Cost Index shows a 60.8% increase in California Construction Costs. That is almost double the 32.5% CPI increase over the same period. Because the results of Reserve Studies are highly dependent upon Construction Cost Inflation, the resulting reserve funding recommendations have been increasing at a much higher rate than the CPI."

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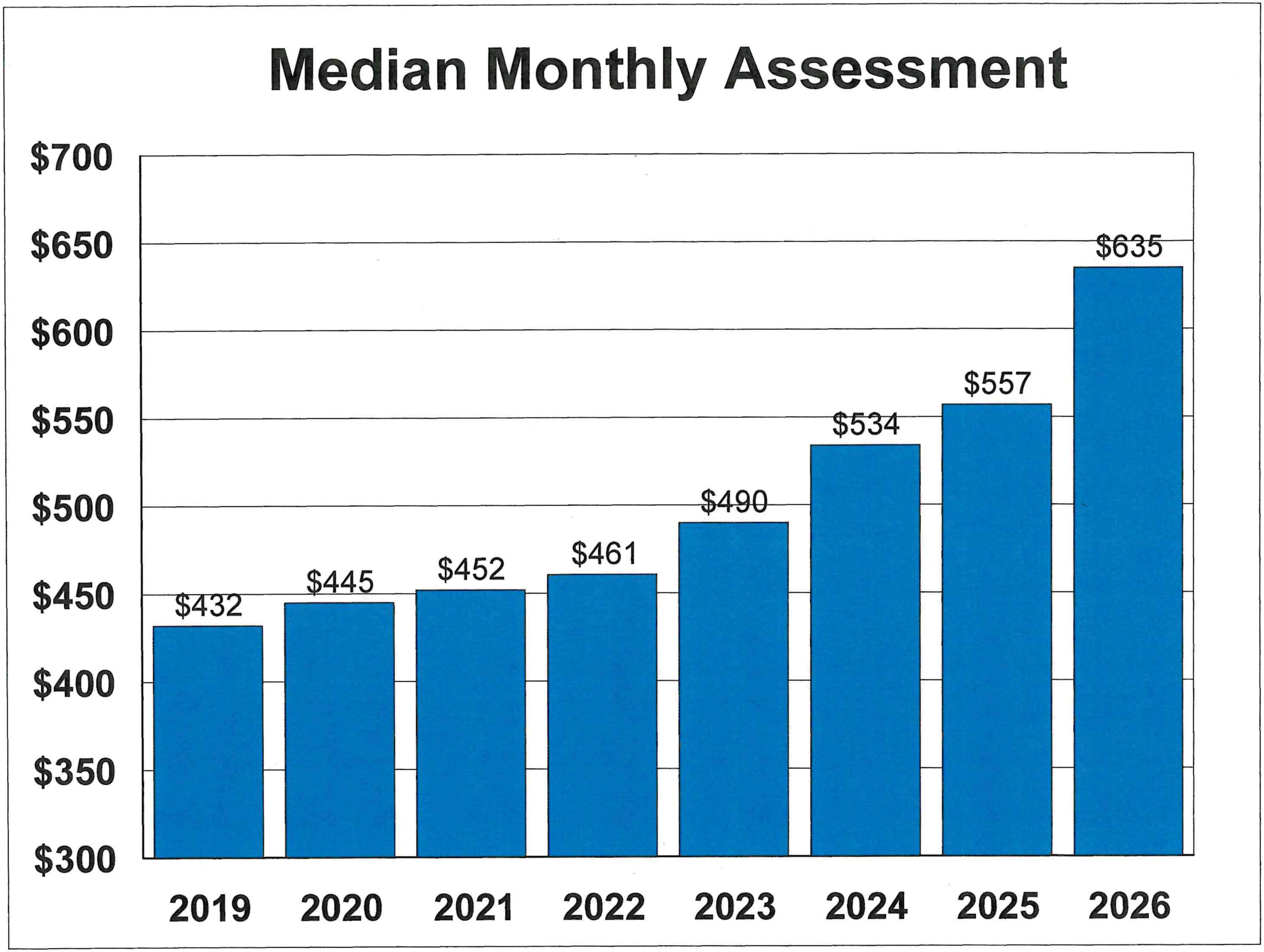

Median Monthly Assessment
$700
$650
$600
$550
$500
$450
$400
$350
$300
$432
$445
$452
$461
$490
$534
$557
$635
2019
2020
2021
2022
2023
2024
2025
2026

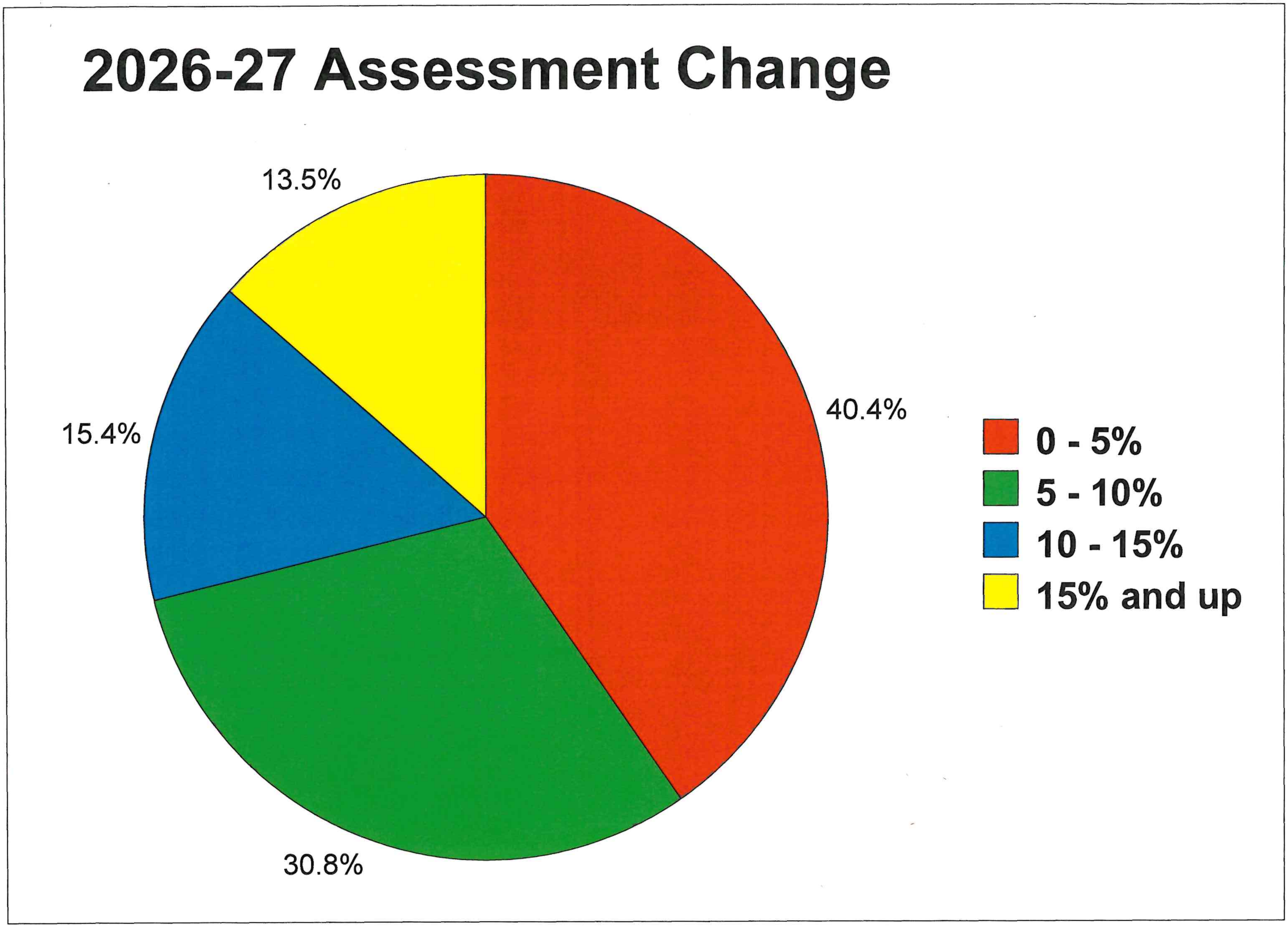
MEDIAN MONTHLY ASSESSMENT

THIS MAY BE THE MOST REQUESTED ANALYTIC IN MY DATABASE. THE MEDIAN MONTHLY ASSESSMENT INCREASED FROM $432 IN 2019 TO $635 IN 2026, AN INCREASE OF $203. – 47%.

THE RANGE OF MONTHLY ASSESSMENTS WAS $163 TO $1,925 PER UNIT PER MONTH.

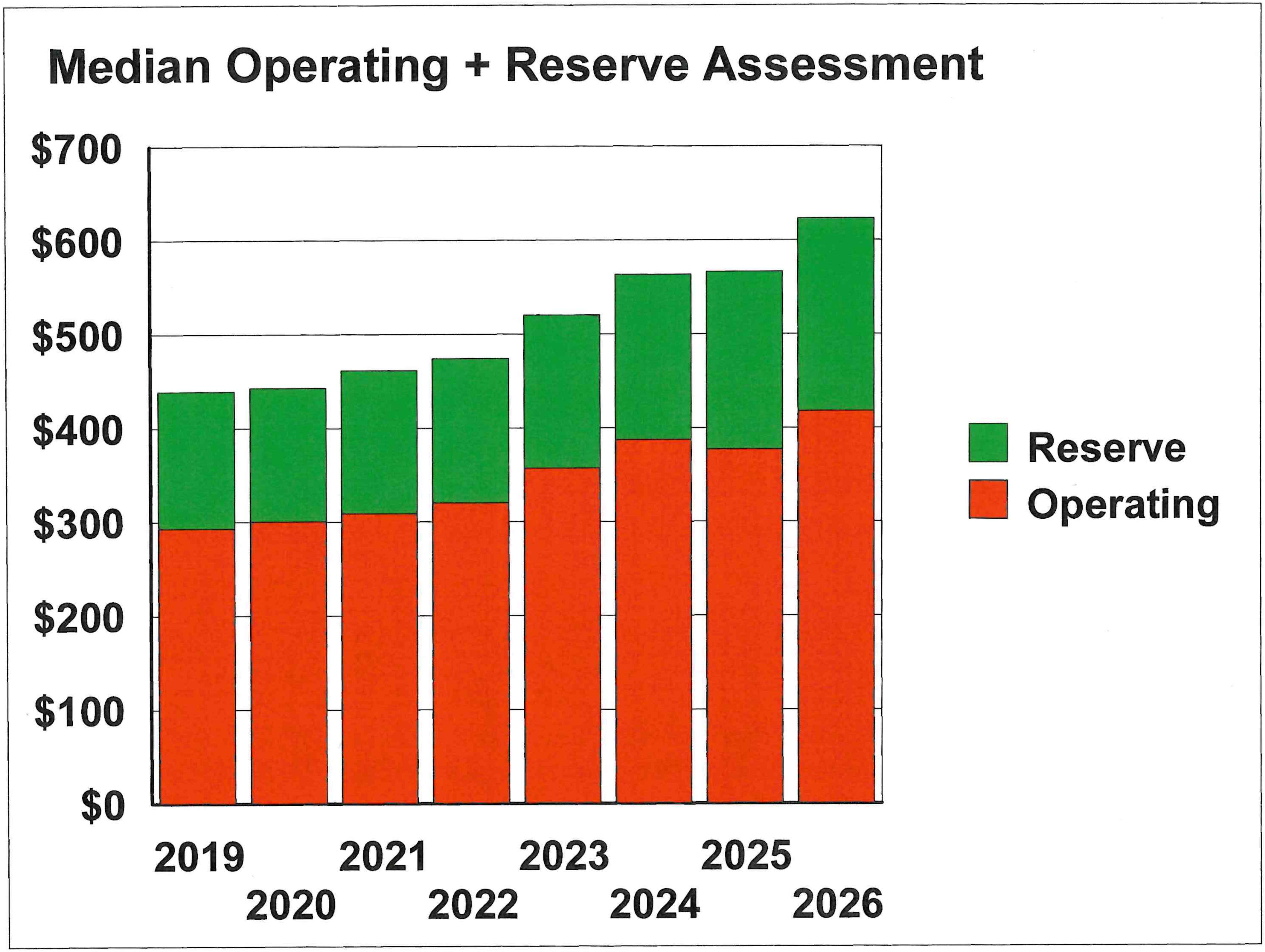
THERE WERE 14 SPECIAL ASSESSMENTS (27%) DURING THE YEAR RANGING FROM $561 PER UNIT TO $26,880 PER UNIT.

ANOTHER ANALYTIC I TRACK IS WHAT NEXT YEAR'S ASSESSMENT IS BUDGETED. THIS IS FOR CALENDAR 2026 AND FISCAL YEARS ENDING IN 2027. MEDIAN MONTHLY ASSESSMENT - $683, AN INCREASE OF 7.5%.


2026-27 Assessment Change
13.5%
40.4%
15.4%
30.8%
0 - 5%
5 - 10%
10 - 15%
15% and up

2026-2027 ASSESSMENT CHANGE

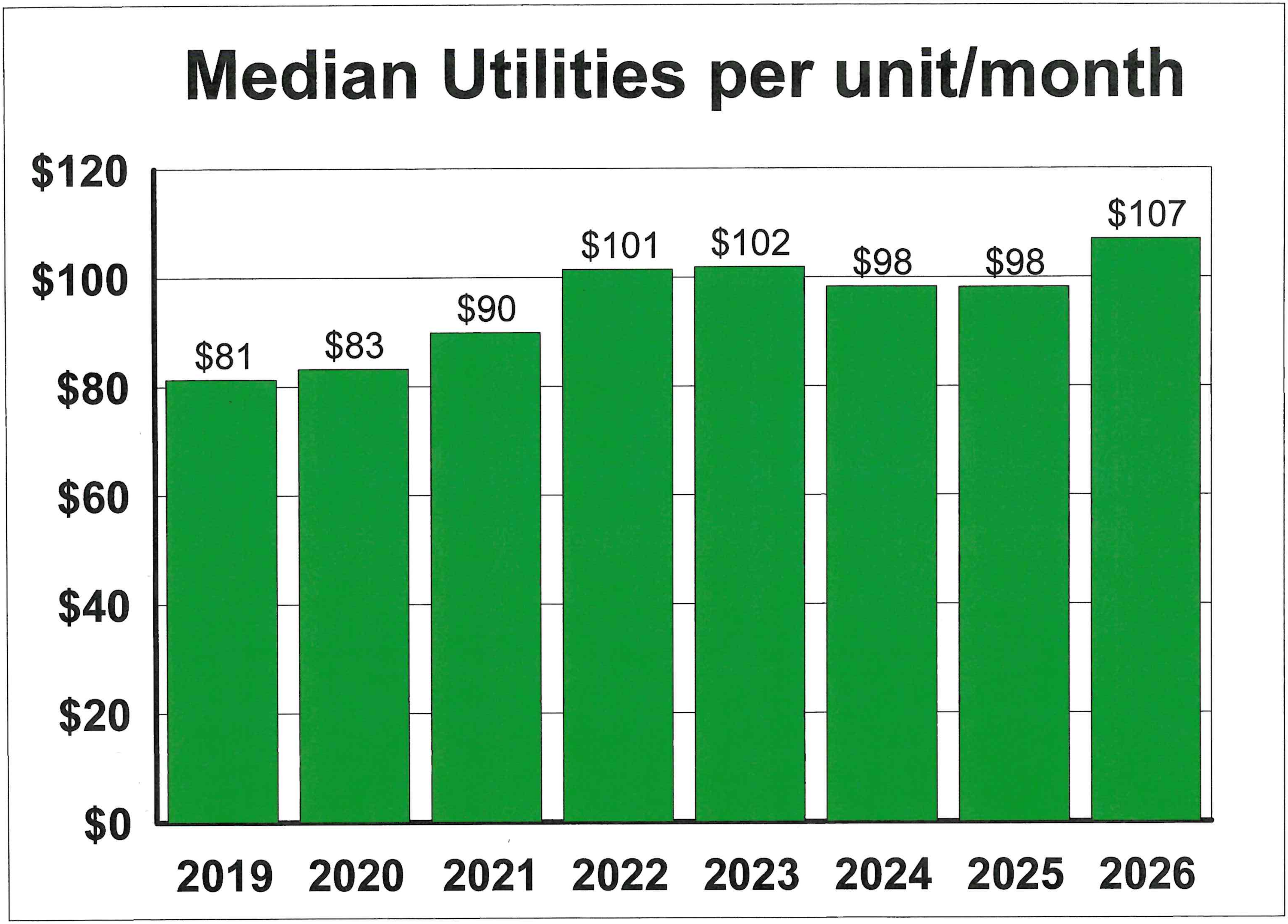
NEARLY 30% OF THE ASSOCIATIONS HAD TO BUDGET AN INCREASE OF 10% OR MORE IN THEIR 2026/2027 BUDGETS (COMPARED TO NEARLY 40% IN 2025-26). ASSOCIATIONS WITH SUBSTANTIAL INSURANCE RESPONSIBILITIES SEE MAJOR INCREASES. ASSESSMENT CHANGES IN RECENT YEARS ARE NOT IN STEP WITH THE CPI. RESERVE FUNDING TO KEEP PACE WITH AGING INFRASTRUCTURE AND RISING CONSTRUCTION COSTS ARE ANOTHER FACTOR. THE MEDIAN ASSESSMENT FOR 2026 AND 2026-2027 HAS INCREASED 7.5%.



Median Operating + Reserve Assessment
$700
$600
$500
$400
$300
$200
$100
$0
2019
2020
2021
2022
2023
2024
2025
2026
Reserve
Operating

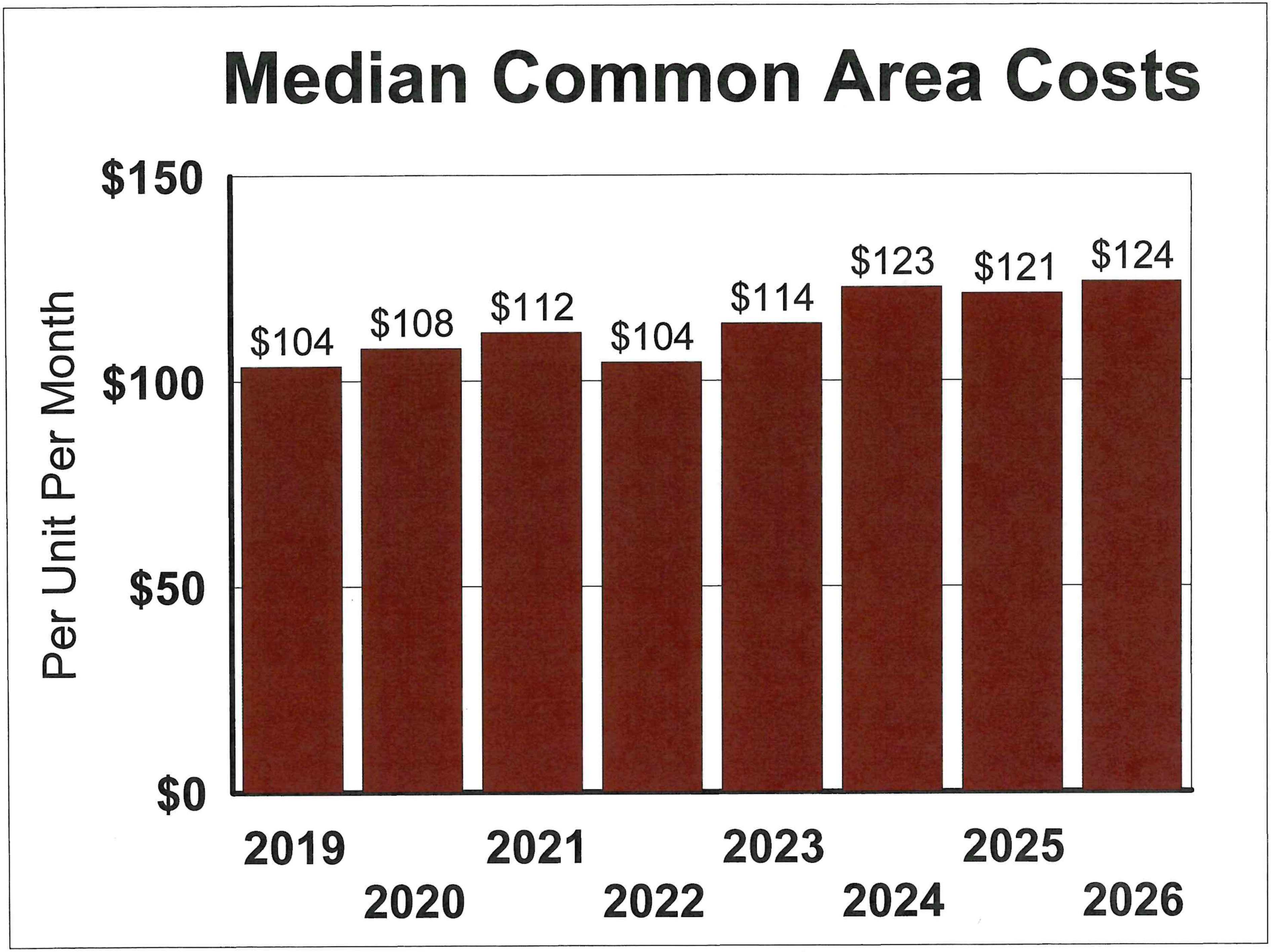
MEDIAN OPERATING V. RESERVE ASSESSMENT ALLOCATION

THE ALLOCATION BETWEEN OPERATING ASSESSMENTS AND RESERVE FUNDING HAS STAYED RELATIVELY CONSTANT DURING THE PAST 8 YEARS. RESERVE FUNDING HAS RANGED BETWEEN 29.6 AND 31.9% OF THE TOTAL ASSESSMENT. FOR 2026, THE MEDIAN AMOUNT IS 29.8%. RESERVE FUNDING REQUIREMENTS CAN VARY WIDELY FROM LESS THAN 10% OF THE TOTAL ASSESSMENT TO OVER HALF OF THE TOTAL MONTHLY ASSESSMENT. SOME ASSOCIATIONS HAVE LITTLE COMMON AREA RESPONSIBILITIES WHILE OTHERS HAVE SUBSTANTIAL REQUIREMENTS. ONE SIZE DOES NOT FIT ALL.


Median Utilities per unit/month
$120
$100
$80
$60
$40
$20
$0
$81
$83
$90
$101
$102
$98
$98
$107
2019
2020
2021
2022
2023
2024
2025
2026

MEDIAN UTILITY COSTS

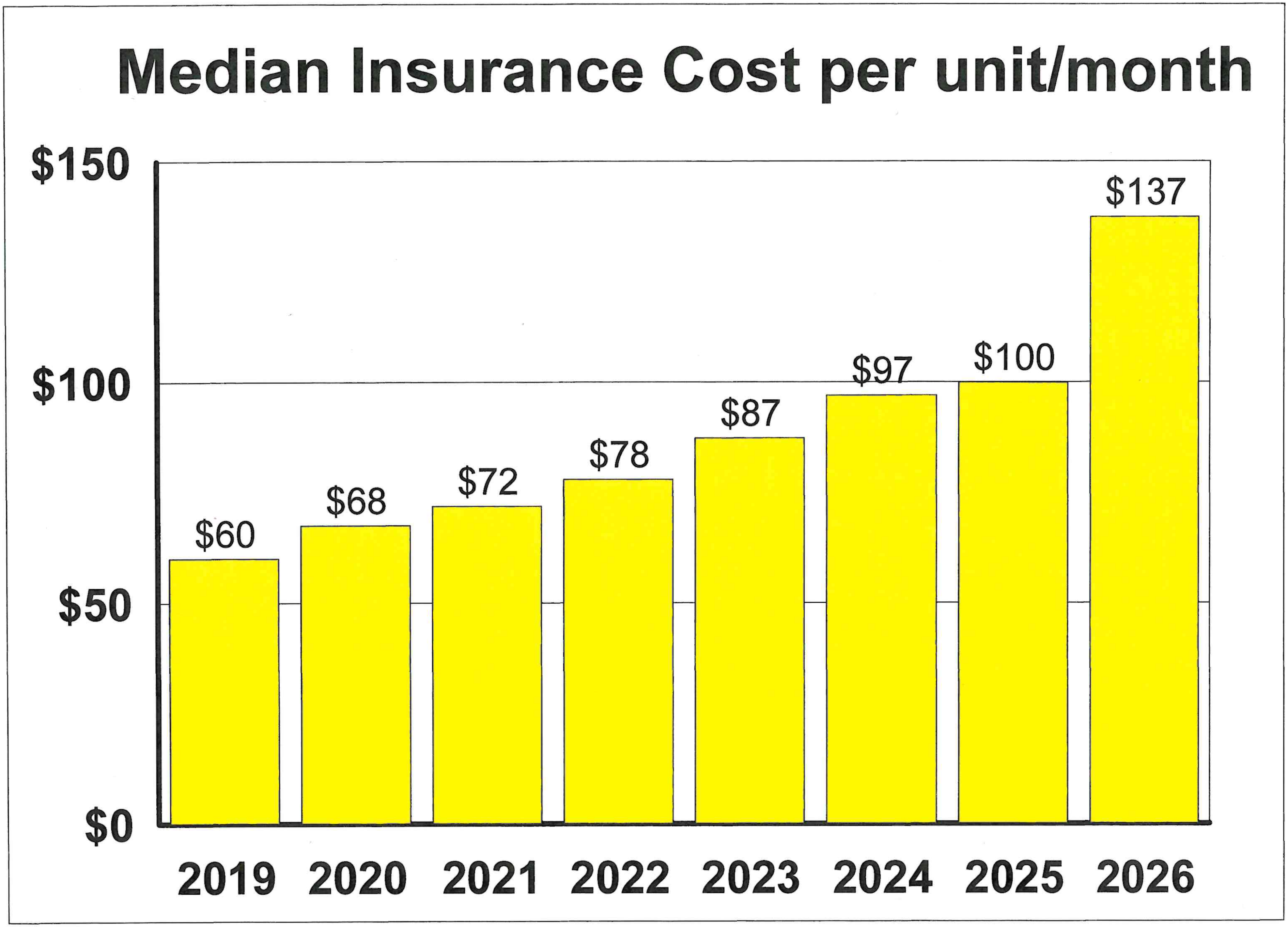
MEDIAN UTILITY COSTS HAVE REMAINED RELATIVELY FLAT OVER THE PAST SEVERAL YEARS. UTILITY COSTS VARY WIDELY AMONG ASSOCIATIONS. SOME PAY VERY LITTLE (LOWEST IS $28 PER UNIT PER MONTH) WHERE THE RESIDNETS PAY FOR ALL UTILITIES. SOME ASSOCIATIONS, ESPECIALLY OLDER ASSOCIATIONS, HAVE MASTER METERED WATER AND HOT WATER WHERE THE ASSOCIATION PAYS FOR THOSE COSTS. 15 OF THE 52 ASSOCIATIONS IN THE DATABASE HAVE UTILITY COSTS GREATER THAN $150 PER UNIT PER MONTH. A FEW ASSOCIATIONS EVEN PAY FOR INTERIOR ELECTRICITY COSTS FOR THE RESIDENTS.


Median Common Area Costs
Per Unit Per Month
$150
$100
$50
$0
$104
$108
$112
$104
$114
$123
$121
$124
2019
2020
2021
2022
2023
2024
2025
2026

COMMON AREA MAINTENANCE AND SERVICES

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 ELEVATOR CONTRACTS. IT CAN ALSO INCLUDE SECURITY SERVICES AND FOR A FEW OF THE LARGER ASSOCIATIONS, EMPLOYEE WAGES AND RELATED COSTS.

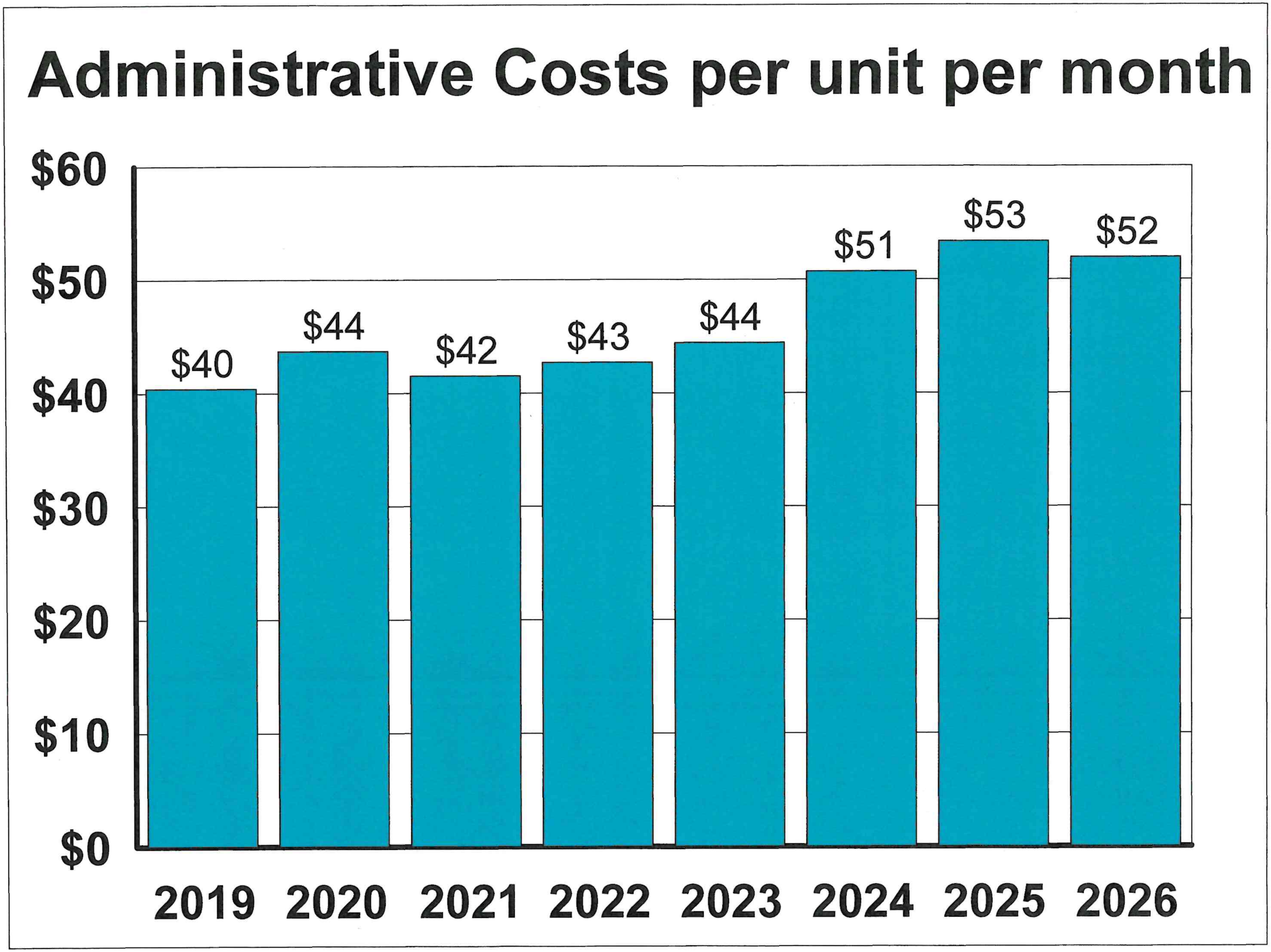
THE MEDIAN ONLY INCREASED 19% OVER THE PAST SEVEN YEARS.


Median Insurance Cost per unit/month
$150
$100
$50
$0
$60
$68
$72
$78
$87
$97
$100
$137
2019
2020
2021
2022
2023
2024
2025
2026

INSURANCE

INSURANCE COSTS HAVE SKYROCKETED IN RECENT YEARS, ESPECIALLY FOR THOSE ASSOCIATIONS RESPONSIBLE FOR DWELLING COVERAGE. THE 8-YEAR MEDIAN INCREASE IN PREMIUMS WAS 128%. PREMIUMS ARE CONTINUING TO INCREASE AND IN SOME CASES, FOR LESS COVERAGE. SOME ASSOCIATIONS CANCELED THEIR EARTHQUAKE INSURANCE TO REDUCE COSTS.

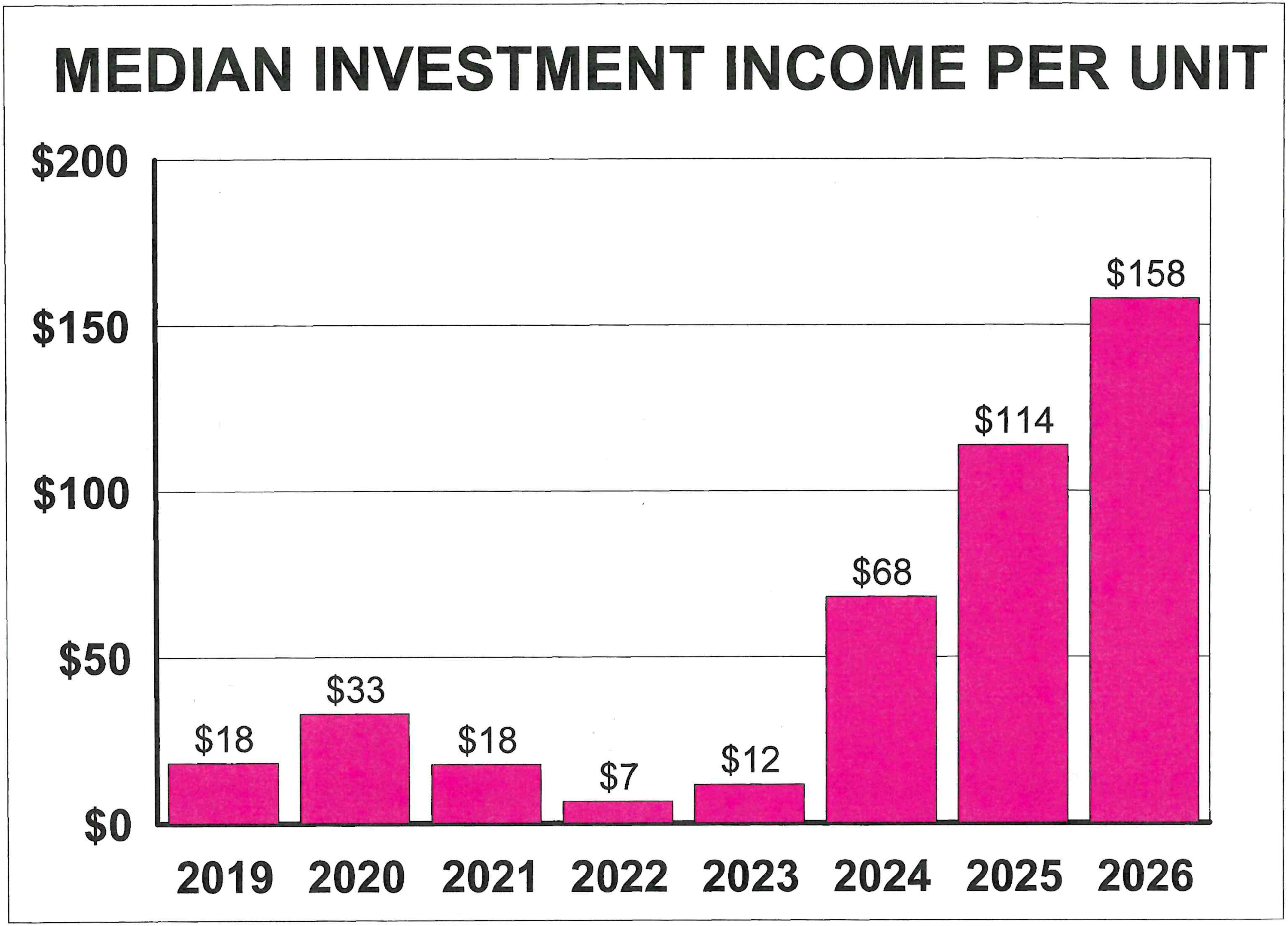
NINE ASSOCIATIONS HAVE INSURANCE COSTS GREATER THAN $3,000 PER YEAR PER UNIT/HOME.



Administrative Costs per unit per month
$60
$50
$40
$30
$20
$10
$0
$40
$44
$42
$43
$44
$51
$53
$52
2019
2020
2021
2022
2023
2024
2025
2026

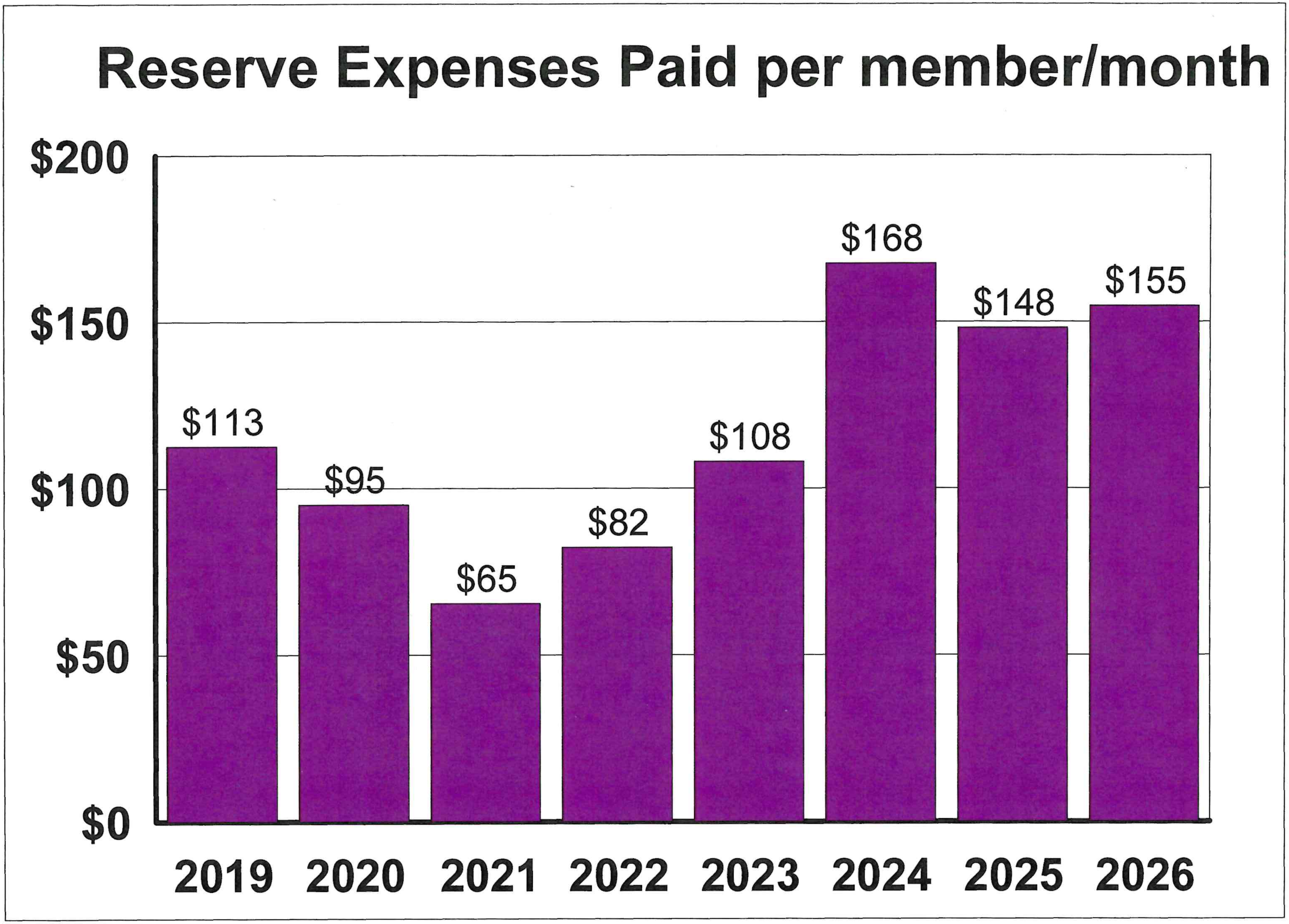
ADMINISTRATIVE COSTS

THE MEDIAN AMOUNT OF ADMINISTRATIVE COSTS IS UP 30% SINCE 2019. ADMINISTRATIVE COSTS INCLUDE MANAGEMENT SERVICES, ACCOUNTING, LEGAL AND OTHER PROFESSIONAL EXPENSES. IT ALSO INCLUDES OFFICE EXPENSE AND SOFTWARE COSTS. SMALLER ASSOCIATIONS PAY MORE FOR THESE SERVICES AS THEY HAVE A LOWER NUMBER OF UNITS TO SPREAD COSTS, SOME OF WHICH ARE FIXED OR THE SAME NO MATTER HOW MANY UNITS ARE IN THE ASSOCIATION.


MEDIAN INVESTMENT INCOME PER UNIT
$200
$150
$100
$50
$0
$18
$33
$18
$7
$12
$68
$114
$158
2019
2020
2021
2022
2023
2024
2025
2026

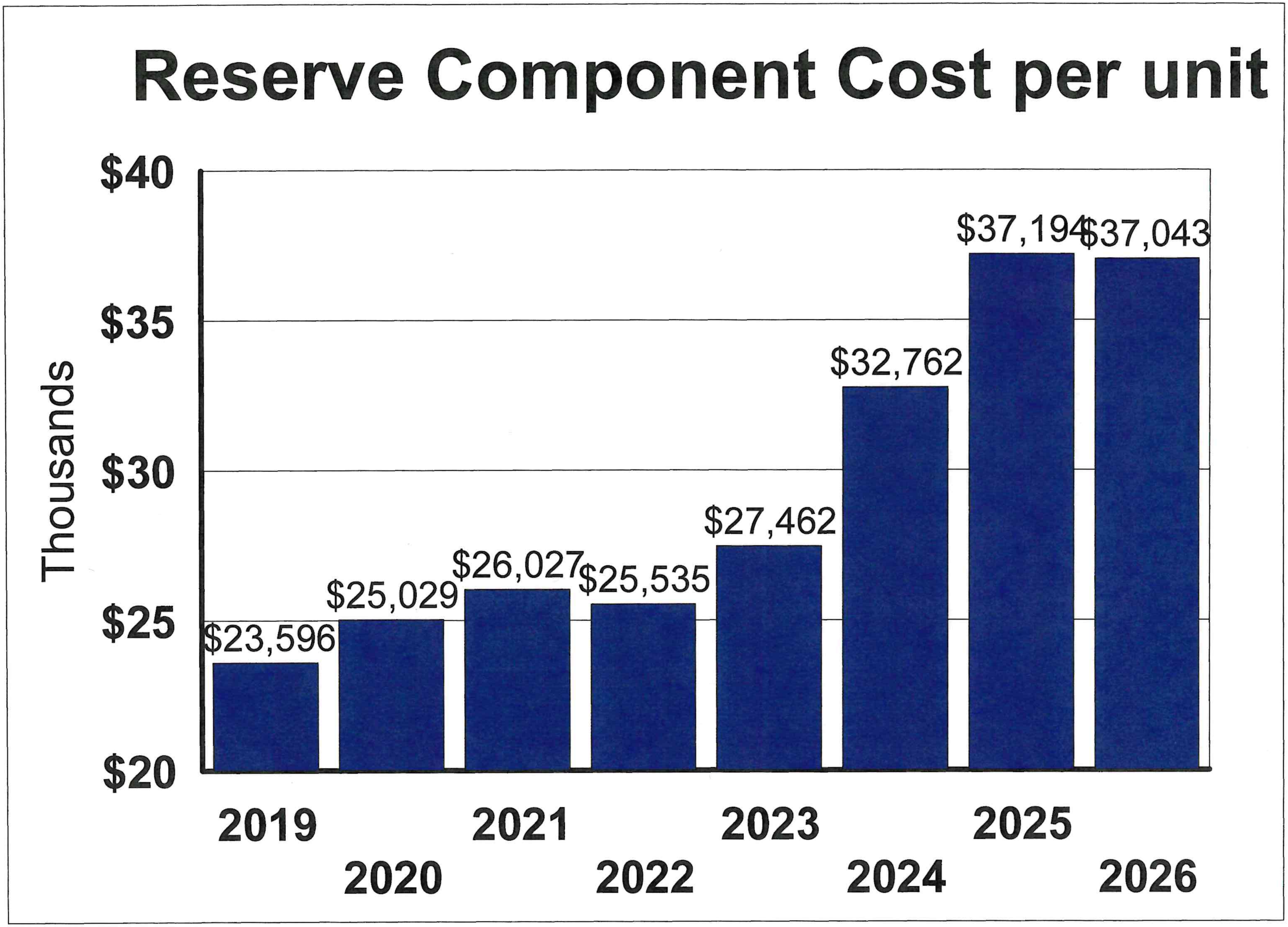
INVESTMENT INCOME PER UNIT

FOR MANY YEARS, ASSOCIATIONS COULD NOT EARN MUCH INCOME FROM RISK-FREE ACCOUNTS SUCH AS MONEY MARKET ACCOUNTS AND CERTIFICATES OF DEPOSIT (CDs). THAT CHANGED WITH THE FEDERAL RESERVE RAISING INTEREST RATES TO STEM INFLATION. TODAY, RATES FOR SAVERS IN SHORT TERM CDs ARE ABOUT 4% - $4,000 ANNUALLY PER $100,000 INVESTED. BANK MONEY MARKET ACCOUNTS PAY MUCH LOWER RATES – SOME NEXT TO NOTHING. IN 2022, THE MEDIAN (45) UNIT ASSOCIATION RECEIVING THE MEDIAN AMOUNT OF INTEREST ($7) EARNED $315. IN 2026 - $7,110.


Reserve Expenses Paid per member/month
$200
$150
$100
$50
$0
$113
$95
$65
$82
$108
$168
$148
$155
2019
2020
2021
2022
2023
2024
2025
2026

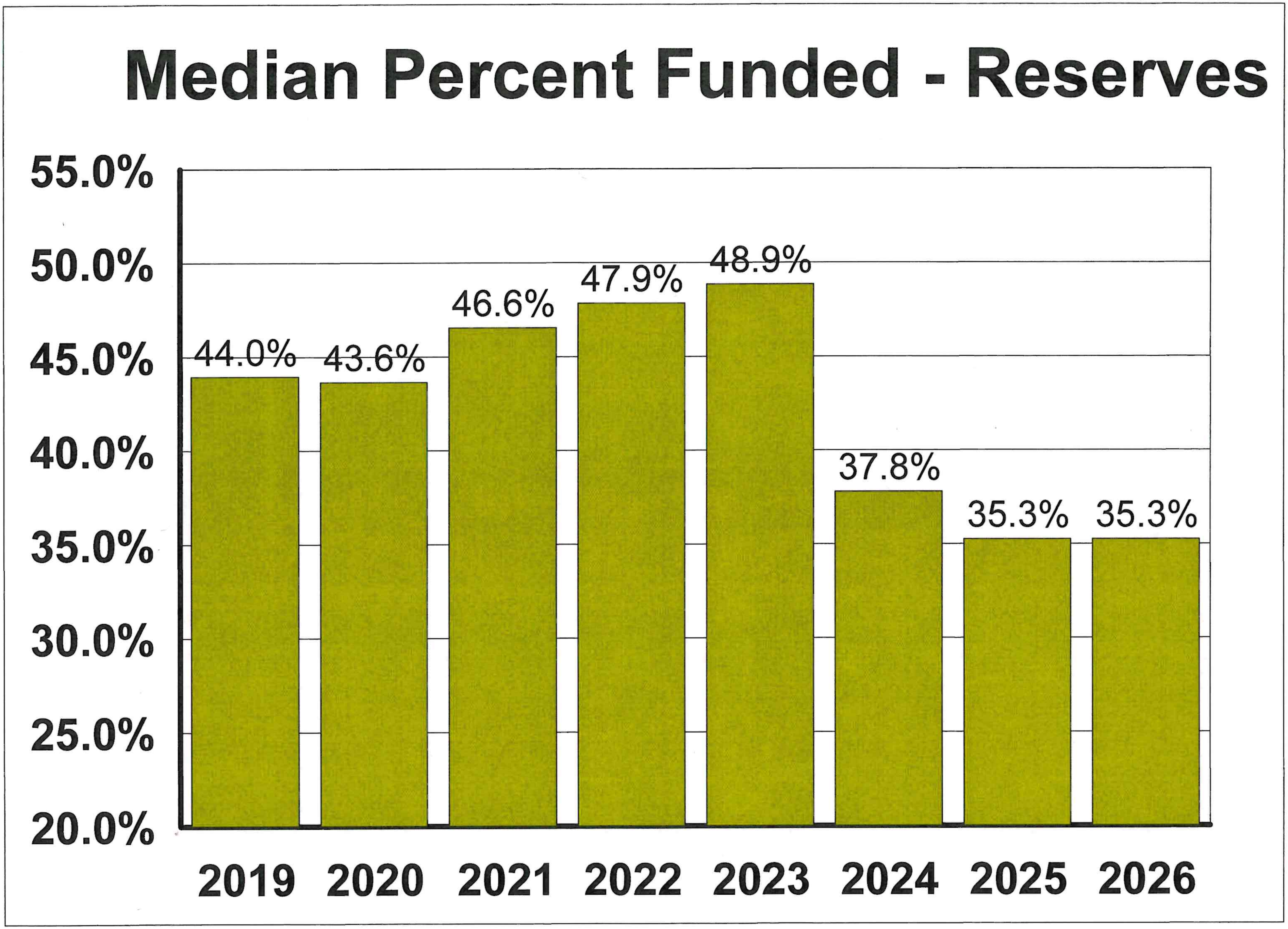
RESERVE EXPENSES PAID PER MEMBER PER MONTH

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 THREE 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
$37,043
2019
2020
2021
2022
2023
2024
2025
2026

RESERVE COMPONENT COST PER UNIT

WHEN YOU RECEIVE YOUR RESERVE STUDY, THERE WILL BE A SCHEDULE SHOWING A MAJOR COMPONENT AND ITS ESTIMATED COST TO REPLACE/REPAIR. SOME COMPONENTS, SUCH AS ROOFING, MAY ONLY BE DONE ONCE IN THE STUDY'S 30-YEAR FORECAST. OTHERS, SUCH AS PAINTING OR STREET SEALING, MAY 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 THREE 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%
35.3%
2019
2020
2021
2022
2023
2024
2025
2026

MEDIAN PERCENT FUNDED – RESERVES

IN EVERY RESERVE STUDY, A PERCENT FUNDED IS CALCULATED AND DISCLOSED TO THE MEMBERS. FOR EXAMPLE, IF THE ROOF IS EXPECTED TO COST $100,000 TO REPLACE AND IT HAS AN ESTIMATED 25-YEAR LIFE, THEN THE ANNUAL DEPRECIATION IS $4,000 PER YEAR ($100,000 DIVIDED BY 25). IF THE ROOF IS 20 YEARS OLD, THEN THE ACCUMULATED DEPRECIATION IS $80,000 ($4,000 X 20). 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 3 YEARS AND INCREASED CONSTRUCTION COSTS, THE MEDIAN PERCENT FUNDED HAS DECLINED FROM 48.9% TO 35.3% IN THE PAST THREE YEARS, A 28% DECREASE.