Every year the Board of Directors of Mountain Springs Ranch Property Owners Association are required to create a budget for the next year. Now is that time of year. I thought you might want to know a little about that budgeting process.

About our Budget
The budget for MSRPOA is not very different than your household budget. We have income and expenses and you would probably recognize most of the expenses. Like just about everybody, we have water and electricity bills. Like many of us, we pay for lawn and landscape maintenance and repairs. We maintain our buildings (pool and mailbox pavilions and pool equipment building), pools, roads and parking lots, sidewalks and entrance monuments and gates. We also pay for insurance (required by our bylaws), mailing expenses and professional services (legal and bookkeeping). When a project or contract is needed, we budget on past experience and shop around for the best value.

You may not be aware, but we also have five separate budgets. One is the General Association (master) budget and it covers expenses and assets and services that benefit the entire community. This

(continued on page 2)
budget is funded by the $300 assessment paid by all property owners. The other budgets pay for expenses in The Estates, The Hills, The Ridge and The Vistas and are funded by additional assessments paid only by property owners in those neighborhoods.

How our monies are organized

Again, you will find that we manage our funds in ways that you are probably familiar with. We have:

- a **cash account**, which is money for the operating budget (this is like your checking account used to pay our monthly bills).
- an **unrestricted reserve** which is money that was not spent in previous years and is set aside for a rainy day (this is like your savings account).
- a **restricted reserve** which is allowed to accumulate for infrequent, large expenses (this is a little like your 401K).

Each neighborhood (represented by the 5 budgets) is organized this way.

Income

Everybody needs some source of funds and MSRPOA is no different. We need money to pay those expenses. Let’s look at where we get our income:

- **Assessments**: This is, our largest source of income.
- **Interest**: I’m sure you know how much interest you get on your bank accounts. We don’t do any better.
- **Fees & Fines**: We do collect fees when certain transactions occur (during construction and property sales) and occasionally fines are assessed.

In most cases, assessments account for 90% or more of total income for a neighborhood.

continued on next page…
Expenses
As I mentioned earlier, most of our expenses are rather predictable. You can view the specifics of the budget on www.msrpoa.com. We will not examine the details of the budget line items here. What may not be obvious is that many of our expenses cannot be easily avoided. Just like you cannot stop spending money for food, and clothing, the POA must maintain minimum standards for our assets to avoid liability issues and to preserve their appearance and function for the enjoyment of our residents. Some expenses, such as insurance, are mandated by our bylaws. For the general association, the largest area of expenses is our pool complex. For the neighborhoods with gates, the largest expense over the long term are the maintenance of their private roads.

Periodically (usually about every 3-5 years), MSRPOA has a Reserve Study done to predict future major expenses and the amount of those expenses. The goal is to establish a reasonable saving program to assure that those expenses can be met. In some cases, projected expenses for a single asset in one year can amount to 25 years of assessments at current rates. In one neighborhood currently raising $19,500 per year in assessments, $555,000 in road repairs are projected in 2044. This cost, if paid with assessments in that year, would amount to $8,500 per assessed lot!

To avoid such a huge payment in one year, the reserve study recommends an amount to be deposited into a reserve fund each year to meet these expenses. One last annual expense in the budget is the amount recommended by the reserve study that is paid from the general fund into the unrestricted reserve, discussed earlier in this report. This is our annual payment into our long term savings to ensure our future financial health.

The Budget Process
Finally, he’s talking about budgets! Each year the Directors, along with the Budget Committee, look at the budget for the next year. We look at expenses for the current year as a basis for the next year. We weed out expenses that we don’t expect to encounter in the future and try to anticipate new expenses for the new year. Changes in amounts for the budget are considered based on historical costs and “shopping around” and may be adjusted for inflation. Then the expenses considered for necessity and reasonableness. When these expenses, including the contribution to the restricted reserve, are compared against the expected income, and sufficient income exists for the budget, the process may be finished. If there is not sufficient income for the expenses, then the following actions, in increasing levels of severity, may be taken to develop a budget that can be met with assessments for the year and, if necessary, savings from previous years:

1. Eliminate expenses that are not required to meet the necessary minimum upkeep of the neighborhood.
As you drive around Mountain Springs Ranch, you will notice our beautiful community and how lucky we are to live in a community where property owners maintain their homes and are courteous to their neighbors. We all want to see our property values increase. Take a few minutes to check your property to ensure you are following the Governing Documents that can be downloaded from our website:

- Trash and recycling containers cans are permitted at curb sunset day before scheduled pickup and should be removed from curb by sunset on day of scheduled pickup.
- Since sounds really carry through Mountain Springs Ranch, make sure your dogs are not barking in the early morning hours, continuously during the day, and/or evening hours. Also, check the volume of your outdoor speakers. Your neighbors want to sleep at night and enjoy their morning coffee on their deck.
- Comal County prohibits dogs running loose with possible $500 fine. See Comal County Animal Control’s document
- Anyone walking their dogs should remember to clean up after their dogs.
- Rocks or gravel should not be thrown into grass area at pool and at parking area at Holland Springs and Comal Springs. A mower could hit a rock that could result in injury or damage.
- A Recreational Vehicle (RV) may be parked in view for no longer than five consecutive days on an infrequent basis. Long term (greater than five days), RV parking requires an ACC approved fully enclosed garage structure on the lot. RVs, as defined in DCCR Article 10.4(b), include, without limitation, motor homes, mobile homes, boats, jet skis or other watercraft, trailers, other towed vehicles, motorcycles, "all terrain" vehicles, mini-bikes, scooters, go-carts, golf carts, campers, buses, commercial trucks and commercial vans.
- Vehicles should only be parked in garage or driveway and not parked beside the driveway, in front or back yard, or your neighbor’s lot.
- Speed limit on all roads in Mountain Springs Ranch is 30 mph. Report speeders to Comal County Sheriff. And watch for walkers and joggers, who should stay on the left side of the streets facing oncoming traffic.
- Unlicensed drivers and vehicles are not permitted on any roads in Mountain Springs Ranch.
- Motorized vehicles are not permitted in Nature Preserve and could result in a fine of up to $500.
- Exterior Holiday Decorations are allowed for Halloween between October 1st and November 1st and for Christmas from Thanksgiving Day to January 7th.
- Check your exterior lighting to make sure no light escapes through top and sides and rated less than 3,000 Kelvin. Exterior lights should not shine into a neighbor’s home and should not be turned on 24/7.
- Brush piles need to be removed in 60 days or less.
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-Brad Morris

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COOKIES WITH SANTA

Date: Saturday, December 2\textsuperscript{nd}
Time: 1:00 pm – 3:00 pm
Location: MSR Pool Pavilion

Bring your camera to take pictures with Santa.
Cookies and drinks will be provided.

You must RSVP by Nov. 29\textsuperscript{th} by e-mailing us with the number of adults and children attending.

SOCIAL COMMITTEE CHAIR

The Social Committee needs a Chairperson for 2018. At the end of 2017, we’ll have seven committee members, but no Chairperson.

If you love giving back to your community and are organized, please volunteer for this position by sending an e-mail to us. msrsocial@msrpoa.com.
HOLIDAY DECORATING

We need volunteers to help put up holiday decorations at our entrances on Saturday, November 25\textsuperscript{th} at 9:00 a.m. & remove them on Monday, January 1\textsuperscript{st}.

If you can help on either of these days, please send an \texttt{e-mail to us}.
National Night Out

Mountain Springs Ranch participated in the Texas Edition of the 34th National Night Out Program on October 3rd. National Night Out is designed to heighten crime prevention awareness, generate support and participation in local anti-crime programs and strengthen neighborhood and police community partnerships.

The Social Committee arranged for visits from the Comal County Sheriff’s Office and our ESD #4 a represented by crews from Bulverde Spring Branch Fire & EMS. The Social Committee also provided sandwiches and cookies for all. Residents enjoyed visiting with our first responders and hearing about their experiences in our area. Lots of good information was exchanged. Since there was a small turn-out, each family present went home with a door prize and our local fire department was gifted with Subway sandwiches.
Should You Give a Pet as a Gift?

Giving an adorable puppy or kitten as a gift this holiday season may seem like a wonderful idea, but it is important to remember that pets need a lifetime of care and commitment long after the holiday season. Surprising your family with a new fuzzy friend on that special holiday morning is tempting, but be sure to first consider these facts to avoid being unprepared when bringing a pet home:

● Pets can often come with hidden expenses. Pets, even healthy ones, require a financial commitment for basic requirements, such as food, collars, and leashes, as well as medical needs, such as basic vaccinations.

● A pet may not be an appropriate gift this year if the receiver is allergic to animals, if the receiver does not have an appropriate place to keep the pet, or if the receiver does not want a pet or have time to commit to a pet.

● Taking care of a cat or dog is a responsibility that is often simplified in the minds of children, but the reality is that pets need care throughout their entire lifetime. Giving a pet as a gift to children who are not yet responsible to care for it can lead to pets being seen as “play-things,” rather than living and dependent animals.

Although there are many reasons why giving a pet as a holiday gift can be a bad idea, a pet can make a great holiday gift for someone if the proper amount of research and preparation is done. Source: Pet Talk
2. Attempt to reduce specific expenses. This might include searching for vendors and suppliers that are less expensive or trading off professional vendors for volunteer labor (the abysmal level of volunteerism in MSR makes this option unlikely).

3. If a surplus exists in the unrestricted reserves (see earlier references), it could be used to fund the operating budget and/or the annual contribution to the restricted reserves. Note that this is a short-term strategy, since repeated spending from the unrestricted reserves will eventually exhaust those reserves, with little hope of replenishment.

4. When the cost of basic necessities and the reserve contribution exceed the income and funds no longer exist in the unrestricted reserves, then the next step is to “short” the reserve contribution – that is, put less money into the restricted reserves than is recommended by the reserve study. This action, when taken over years, can result in major expenses in future years with insufficient funds to pay them. This situation can place a neighborhood in the awkward position of needing to dig deep into their pockets or perhaps leaving roads unrepaired or closing the pool complex.

5. Eventually, inflation will leave our assessments inadequate to meeting even the basic operating expenses: Water for irrigation, electricity for lighting and gate operation and regular pool maintenance. When this occurs, then our neighborhood will cease to exist as we know it. The pool will be closed, MSR entrances will fall into disrepair or be removed, our mailbox facilities will have leaky roofs or structural problems and may become unusable.

This is a dismal picture. All of these stages will eventually happen without any action on our part. But it doesn’t have to happen this way.

**Increasing assessments…**

Think back to your first job out of high school or college. It may have been the most money you had ever made. Even if you could live simply and comfortably on that income, inflation would have changed that over time. Eventually you would be forced to reduce your expenses on entertainment, then resort to buying less expensive clothing and replace steak with hamburger. Without any change in your income, your situation would gradually deteriorate. But almost certainly, your income did change so that you could maintain your lifestyle.

The financial health of our neighborhood is subject to the same effects of inflation. A level of income that was sufficient in 2007, when BlueGreen turned control of our POA to us, does not pay for as much today. Unspent income in the period after 2007 have built up our savings in the form of restricted and unrestricted reserves, but that unspent income has, in most cases, dropped to zero and now we are spending those savings to augment our income. Of our five budgets, two have slipped to stage 3 in the previous section, and two of them have moved on to stage 4. Only one, The Estates, is completely funded and they gave up their private road for a county road to accomplish that.

If we want to maintain the features and levels of service in our neighborhood, the only real solution is to increase our assessments. What was adequate income in 2007 and is now marginally adequate today cannot be expected to maintain our neighborhood adequately in the future.

Each year, when a budget is created, the Directors have the option of recommending an increase in the assessment. This increase requires a majority approval by the properties to which the assessment applies. So far, the Directors have been very reluctant to request an increase. In fact, only one such increase for gated neighborhoods was requested and it was denied by a vote of the property owners.
Budget (continued from previous page)

Where we stand...
At this time, The Estates is the only neighborhood that has a budget that fully funds their financial obligations, including their funding of the restricted reserve.

The Ridge and The Hills are transitioning from stage 3 to stage 4 of the process described earlier in this report. They are about to begin the under-funding of their restricted reserves in order to balance their budget. This is a process that will eventually lead to future maintenance (mostly entrance, gate and road maintenance) for which there will be insufficient funding.

The Vistas and the General Budget are a bit better off. They also have a gap between income and expenses, but they both have sufficient unrestricted reserves to offset that gap. Depending on funding needs, this could last for another 3-5 years.

In summary...
Except for The Estates, all of our neighborhoods (including the General budget) are insufficiently funded, on the verge of being insufficiently funded or surviving on limited savings from previous years.

We have two options. We can increase our assessments, as needed, in the years to come to avoid a deteriorating infrastructure and services. This will require the cooperation of our neighbors to approve these increases and accept the added expenses needed to maintain Mountain Springs Ranch as the community it was when we purchased land and homes here.

The other choice is to leave our assessments where they are and experience a gradual decline of the neighborhood. In some cases expensive assets such as the pool complex will eventually closed down, or in the case of roads in the gated neighborhoods, they will deteriorate until the residents of the road are forced to collect enough money to make repairs – a very expensive proposition.

We urge all property owners to consider this issue over the next few years as assessment increases are proposed. We deny these increases at our own peril. We risk a general decline in the appearance of our neighborhood, loss of services and the potential for paying for extraordinarily high expenses when needed, rather than paying a modest amount each year. Even if you are willing to face these risks, you may find that others are not and your property values may be impacted.

Justin Doerle, Chair Budget Committee

The Tour de Gruene offers six different bicycle tour route between 14 and 63 miles. Mountain Springs Ranch was asked to provide a rest area for the 63 mile tour at our Pool Complex parking area. On the morning of November 4th, many bikers rode through MSR for a brief refresher!
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