

# FOREST MEADOWS OWNERS ASSOCIATION

## 2022 ANNUAL BUDGET REPORT AND POLICY STATEMENT DISCLOSURES

*November 2021*

*Dear Forest Meadows Owners Association Members,*

*Preparation of the 2022 budget involved careful review by the Board of Directors to meet both the short-term needs and the long-range financial position of the Association. The review focused primarily on long term funding for the reserve account to meet upcoming reserve expenditures along with the completion of short term planned projects. In order to balance the needs of the operating and reserve accounts, the Board determined that an annual assessment increase was necessary in order to replenish and maintain the funding plan for the reserve account as well as provide necessary operating funds. 2021 Operating Fund activity yielded income and expenses approximately 8% over budget. Variable income was generated from escrow transfer fees, late fees, gate equipment fees, Comcast compensation & revenue sharing agreements, and road mitigation & access fees.*

*2021 projects included entry improvements, gate system installation, tennis courts resurfacing, asphalt repairs, pavement striping, pool chemical feeder replacement, monument sign replacement, office system equipment & phone replacement, mastication work on Laurel Lane, fencing replacement at Hilltop Park, and begin work on Hilltop Park pool house roof & cabana replacement. Items deferred to 2022 include diamond spreader replacement, Hilltop Clubhouse awning replacement, BBQ replacement, Tennis court bathroom replacement, Office building built up roof replacement.*

*The 2022 budgeted operating expenses are \$1,467,375.00 with the reserve account contribution budgeted at \$410,000.00. The Board is confident this budget is reasonable to meet the funding needs of the Association. Further, the Board does not anticipate any special assessments to fund the reserve or to meet operating expenses.*

*Enclosed are the annual disclosure statements and the annual assessment invoice for 2022. You may pay for the full year by returning the complete invoice with your \$1,924.00 annual payment. A quarterly option for payment of \$481.00 is also available if you would prefer to make quarterly payments. Please detach the quarterly payment coupon and mail it with your payment by the quarterly due date stated on the invoice.*

*If you have any questions, please feel free to contact the Forest Meadows Owners Association office at: (209) 728-2511.*

**Sincerely,  
The FMOA Board of Directors  
2021-2022**

# FOREST MEADOWS OWNERS ASSOCIATION

## ANNUAL BUDGET REPORT SUMMARY

### BUDGET SUMMARY

California Civil Code §5615 requires that the Pro Forma Operating Budget or Summary of the Budget be distributed annually not less than 30 days nor more than 90 days prior to the beginning of the Association's fiscal year.

### REGULAR ASSESSMENTS

The Board of Directors has established the annual assessment for 2022 at \$1,924.00 per lot. The structure of payment will be on an annual or quarterly basis as required by the Association's Governing Documents. The schedule of quarterly payments for the calendar year 2022 will be as follows:

First	\$481.00	Due January 1	Late January 16th
Second	\$481.00	Due April 1	Late April 16th
Third	\$481.00	Due July 1	Late July 16th
Fourth	\$481.00	Due October 1	Late October 16 <sup>th</sup>

An invoice with quarterly coupons is included with this Summary mailing. Please return a coupon with each payment. All sums payable will be considered delinquent if not paid by date due. Payments received on or after the 16th day will receive a late charge of 10% and a 1% interest charge per month (12% per annum) computed on any past due balance.

### SUMMARY: PRO FORMA OPERATING BUDGET FOR THE YEAR ENDING DECEMBER 31, 2022

#### REVENUE:

Assessment Income	\$1,392,976
Less: Transfer to Reserve Account	<u>(\$ 410,000)</u>
<b>TOTAL OPERATING:</b>	<b>\$ 982,976</b>

\*Variable Income \$74,400

\*Projected Budgeted Excess Income Subject to  
IRS Revenue Ruling 70-604 & Transfer to Reserve Account

A detailed budget for 2022 will be available online at [www.fmowners.com](http://www.fmowners.com) or upon request by November 30, 2021. A copy will be provided at the Association's expense to any member upon request. Delivery by mail shall be within five days of receipt of the request.

#### EXPENSES:

Administrative	\$515,611
Maintenance	\$284,962
Security	\$160,002
Recreation/Parks & Pools	\$76,800
Capital Contribution	<u>\$20,000</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,057,375</b>
Reserve Contribution	<u>\$410,000</u>
<b>NET OPERATING</b>	<b>\$1,467,375</b>

### INSURANCE COVERAGE SUMMARY

Pursuant to California Civil Code § 5300 (b)(9), members are hereby notified that the Association carries the types of insurance in amounts through carriers with deductibles as follows:

- A. Common Area Buildings & Business Personal Property (\$2,707,955) North American Capacity Insurance Co, \$10,000 deductible.
- B. Inland Marine Property (\$49,400), Philadelphia Indemnity Insurance Co, \$1,000 deductible.
- C. Commercial General Liability (\$1,000,000 each occurrence/\$2,000,000 general aggregate), United States Liability Insurance Co, no deductible.
- D. Commercial Excess Liability Umbrella (\$10,000,000 each claim), Great American Alliance Insurance Co, no retention.
- E. Directors and Officers Liability (\$1,000,000 each claim), Philadelphia Indemnity Insurance Co, \$5,000 deductible
- F. Commercial Auto (\$1,000,000 each accident) Allstate Insurance Co, no liability deductible, \$1,000 Comprehensive & Collision deductibles.
- G. Fidelity/Crime Policy (\$1,325,000) Travelers Casualty & Surety Co of America, \$13,250 deductible.

The following statement is required by California Civil Code Section 5300(b)(9) to be distributed with the annual insurance disclosure:

“This summary of the association’s policies of insurance provides only certain information, as required by subdivision (b) of Section 5300 of the Civil Code and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association’s insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association’s policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

# FOREST MEADOWS OWNERS ASSOCIATION

## ARCHITECTURAL REVIEW AND APPROVAL REQUIREMENTS SUMMARY

The Architectural Review Committee is vested with the responsibility and authority to review and approve or disapprove the construction of any residence or other improvement (as defined in CC&Rs section 1.20) within the Forest Meadows development. The full procedure used for submittal of a request and to review and approve or disapprove a proposed change is contained within Article V of the Association's Covenants, Conditions and Restrictions, 'Architectural Review and Approval of Improvement Projects' and the Forest Meadows Architectural Guidelines.

All applications and submittals to the ARC must be complete and received by 1:00 pm on Friday prior to the ARC 2<sup>nd</sup> Tuesday of the month scheduled meeting, in order to be placed onto the agenda. A complete application should include the appropriate form available at the association office or online at [www.fmowners.com](http://www.fmowners.com), two full sets of plans as detailed in this document, and all associated fees. Submittals will not be received for review that do not meet all of these requirements.

The ARC will review the submittal package and approve or disapprove the submittal within thirty (30) days from the date received of the completed application. The ARC will notify the applicant if an additional period of time, not to exceed thirty (30) days, is required by the ARC for review. Notification in writing will be sent to the applicant after review by the ARC. The notification of approval may include additional conditions required by the ARC. Disapproved project notifications will identify the additions or changes that need to be made for the project to be approved by the committee. One set of plans will be retained by the ARC for the Association's permanent files. Projects denied by the ARC may be appealed at an open meeting of the FMOA Board of Directors, see CC&R's Section 5.09 for the appeals procedure.

Once the ARC has approved a set of plans, no changes may be made without prior written approval by the ARC. All significant change orders to the original application are subject to an additional ARC Fee not to exceed 50% of the original fee. Should changes be made without prior ARC approval, additional fees may be added not to exceed four times the original fee, as determined by the ARC.

## GENERAL NOTICE LOCATION

General notices shall be posted at all common areas including the Hilltop Park Clubhouse, Meadowview Park and the Four Corners Intersection bulletin boards. General notices shall also be posted on the community website. A member may also request in writing to receive general notices by individual delivery.

## NOTICE OF RIGHT TO MINUTES OF BOARD MEETINGS

The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors of an Association, other than an executive session, shall be available to members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member of the Association upon request and upon reimbursement of the Association's costs for making that distribution. Minutes are available at the Association office or by request at (209) 728-2511.

## SECURITY DISCLAIMER

We hope that our security systems provide some deterrence to crime. However, the association can never be crime-free. For example, it is possible for someone to enter the property under false pretenses to commit crimes, for residents to commit crimes against their own neighbors, for guests of residents to commit crimes, and for employees to commit crimes. As a result, the association cannot guarantee your security. You should NOT rely on the association to protect you from loss or harm. You should provide for your own security by keeping your doors locked; refusing to open your door to strangers; asking workmen for identification; installing a security system; carrying insurance; etc.

## ASSOCIATION DESIGNATED RECIPIENT FOR COMMUNICATIONS

The Association has designated the following person to receive communications:

Carol Benevento CMCA, AMS  
Forest Meadows Owners Association  
PO Box 1096  
46 Forest Meadows Drive  
Murphys, CA 95247

**2022 Document Copy & Equipment Fees:**

Recreation Rules & Regulations	\$4.00
Pool Cards	\$10.00
Directories	\$4.00
CC&Rs & Bylaws	\$7.00
Transmitter Batteries	\$8.00
Gate Cards	\$10.00
Gate Transmitters	\$42.00
Owner Transfer Fee	\$300.00

**Escrow Document Packet Fees:**

Association Articles of Incorporation

CC&Rs

By-Laws

Recreation Rules & Regulations

Current Financial Statement Review

Current Proforma Budget-Includes Assessment & Reserve Funding Summary and Assessment Enforcement Policy

HOA Insurance Summary Disclosure

Twelve (12) months-Approved Board Minutes, if requested

Pick up packet without twelve (12) months of homeowners' minutes	\$32.00
Pick up packet with twelve (12) months of homeowners' minutes	\$42.00
Mail packet without twelve (12) months of homeowners' minutes	\$48.00
Mail packet with twelve (12) months of homeowners' minutes	\$53.00
Additional Rush Fee-packet available within 8 business hours	\$15.00

**Service Fees:**

Fax	Sending	\$2.00
Copies		\$0.25 each

**ARC Application Forms and Fees:**

New Home Construction Application -

- ARC Application Fee \$ 450.00
- Road Impact Fee \$1,440.00
- Performance Deposit (Refundable) \$3,000.00
- Memorandum of Understanding Required

Structural Improvements and Remodels Application –

- ARC Application Fee \$ 180.00
- Road Impact Fee \$ 480.00
- Performance Deposit \$1,800.00
- Memorandum of Understanding Required

Variance Application -

- ARC Application Fee \$ 300.00

Change Orders – Significant changes to original approved application or plans.

- Submitted for ARC approval 50% of original application fee
- Construction without ARC approval - up to 400% of original application fee

Small Improvements and Alterations Application –

- ARC Application Fee No Fee
- Road Impact Fee \$250.00 (fee may apply)
- Performance Deposit No Fee

Landscape Improvements Application –

- ARC Application Fee No Fee
- Road Impact Fee \$250.00 (fee may apply)
- Performance Deposit No Fee

Preliminary Plan Review / Orientation –

No Fee

**ASSESSMENT & RESERVE FUNDING SUMMARY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2022**

(Civil Code Section 5565 & 5570)

- The regular assessment per ownership interest is \$1,924.00 per year or \$481.00 per quarter.
- Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and /or members:  
Date assessment will be due      Amount per ownership interest per month or year      Purpose of Assessment  
   NA      Total: \$0      NA
- Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association’s obligation for repair and/or replacement of major components during the next 30 years? Yes X No \_\_\_\_.
- If the answer to Question 3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?  
Approximate date assessment will be due      Amount per ownership interest per month or year  
   NA      Total: \$0.00
- All major components are included in the reserve study and are included in its calculations.
- Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of the current fiscal year is \$1,465,555.79 based in whole or in part on the last reserve study or update prepared by SMA Reserves as of November 23, 2021. The projected reserve fund cash balance at the end of the current fiscal year is \$1,008,422.40, resulting in reserves being 69% funded at this date.
- Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is shown below and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues is as shown, leaving the reserve at the percent funding shown. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be as shown, leaving the reserve at the percent funding shown.

FY Ending	Fully Funded Balance	Projected Reserve Fund Balance	Percent Funded
2022	\$1,177,435	\$ 823,386	70%
2023	\$1,308,574	\$1,047,749	80%
2024	\$1,443,249	\$1,265,370	88%
2025	\$1,663,450	\$1,556,217	94%
2026	\$1,865,818	\$1,816,890	97%
- The full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before tax interest rate earned on reserve funds was 1% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3 % per year.

**ASSESSMENT COLLECTION POLICY**

*This document sets forth the Forest Meadows Owners Association’s policy regarding the collection of assessments and lien rights pursuant to the Association’s Declaration of Covenants, Conditions, and Restrictions and its Bylaws adopted by the Board of Directors on September 18, 2015 and California Civil Code §5650 and §5730.*

One of the many advantages of living in a community association is sharing with other members the cost of certain maintenance, repairs, and amenities that are often too expensive for a single-family homeowner. All Forest Meadows members are legally bound to share those costs. To properly maintain Forest Meadows Owners Association common areas, it is imperative that all assessments, whether regular or special, be paid in full and on time. Delinquencies throw the association’s entire budget off course and negatively affect all members’ property values and lifestyles. To adequately maintain our community, state statutes and our governing documents give Forest Meadows Owners Association’s board of directors the authority to impose and collect assessments and other allowable charges from members. The board has adopted the following policy to fulfill its duty in a fair, systematic, and impartial manner. The Association has a duty to levy regular and special assessments sufficient to perform its obligations under the governing documents and California law. Each assessment is an obligation of the owner at the time it is levied. Not less than 30 days nor more than 90 days before any increase in the regular assessment or any special assessment becomes due; the Association will give the owners notice of the assessment. Thereafter, the Board of Directors may elect to provide additional periodic statements of assessments and charges, but lack of such statements does not relieve the owners of the obligation to pay assessments.

**1. COMMON EXPENSES.** CC&Rs Article 1, Section 1.09. The term “common expense” means any use of Common Funds authorized by Article IV and includes (a) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operations, repairs, additions, alterations, or reconstruction of the Common Area or Common Facilities as incurred or as may be estimated from time to time by the Association’s Board of Directors, (b) any amounts reasonably necessary for reserves for maintenance and for nonpayment of any Assessments, (c) the cost and expenses incurred by the Association in the performance of its functions as provided for in the Governing Documents, and (d) an adequate reserve fund for the major repair and replacement of Common Facilities, which shall be established by the Association and funded in accordance with Article XII, Section 12.06 of the Bylaws

# FOREST MEADOWS OWNERS ASSOCIATION

## ASSESSMENT COLLECTION POLICY continued -

**2. WHERE TO SEND PAYMENT.** Mail all payments to the association office: Forest Meadows Owners Association, PO Box 1096, Murphys, CA 95247. All overnight payments can be mailed or delivered to: 46 Forest Meadows Drive, Murphys, CA 95247

**3. WHEN COMMON EXPENSES ARE DUE.** Annual Assessments are due the first day of January and apply to that calendar year. For convenience, members may pay their annual assessments in equal quarterly installments on the first day of each quarter (First Quarter Due 1/1, Second Quarter Due 4/1, Third Quarter 7/1, and Fourth Quarter 10/1).

**4. LATE PAYMENTS.** Once an assessment is delinquent, Forest Meadows may take any or all of the following actions:

a. Late fees and interest. If Forest Meadows Owners Association does not receive payment for any assessment in full on or before the 15<sup>th</sup> day it becomes due, the delinquent member shall pay for Forest Meadows Owners Associations time, inconvenience, and overhead in collecting the late payment, as follows:

i. A 10% late fee per quarterly installment; and

ii. Beginning 30 days after the assessment becomes due the account shall bear interest at the rate of 12% per annum (1% per month).

These charges will be treated as common expenses.

b. Returned check fees and bank charges. In addition to any other fee that may be applicable, for each check to Forest Meadows Owners Association that is returned by a bank for any reason, the member who wrote that check shall pay the following charges:

i. Returned check fee in the amount of \$25.00.

ii. Any related bank charges that Forest Meadows Owners Association incurs because of the returned check.

These charges will be treated as common expenses.

c. Suspend privileges and access to amenities. If an account contains delinquencies for more than 30 days, the Association will give the member 15 days' hearing notice of intent to suspend any or all of the following privileges:

i. Use of pools, playgrounds, park club facilities, tennis courts, and other recreational activities.

Unless the Association receives full payment by the end of the notice period, the privileges or amenities listed in the notice will be suspended.

d. Account referred to an attorney. The Association may in its sole discretion, refer a delinquent account to an attorney or collection agency for further action who may do any or all of the following.

i. File a lien against the unit in accordance with the state law and the governing documents;

ii. File a lawsuit to collect the amount owed;

iii. Foreclose on the property;

iv. Take any and all other appropriate legal action.

e. Attorney's fees and cost of collection. The delinquent member shall be responsible for all the Association's attorney and collection agency fees and cost of collection, including court costs. These charges will be treated as common expenses.

**5. RIGHT TO SUBMIT SECONDARY ADDRESS FOR NOTICES.** Upon receipt of a written request by an owner identifying a secondary address for purposes of notices, the association shall send additional copies of any notices required by Civil Code 4040(b) to the secondary address provided. The owner's request shall be in writing and shall be mailed to the association in a manner that shall indicate the association has received it. The owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the process, the association shall only be required to send notices to the indicated secondary address from the point the association receives the request.

**6. REPAYMENT AGREEMENT.** Neither the Association nor its agent is obligated to accept partial payments on an assessment account. However, the Board of Directors, in its sole discretion, may enter into a written repayment agreement with the owner for periodic partial payments on the balance of the assessment account. The agreement shall include payment of accruing assessments. The Association or its agent may immediately proceed with the collection process without further notice to the owner if the owner fails to meet any term of the agreement.

**7. ASSESSMENT DISPUTES AND COLLECTION.** If an owner disagrees with the amount of an assessment, he/she can challenge the assessment through a court action or internal dispute resolution. An owner may, at his/her option, pay under protest any disputed charge or sum levied by the Association, including an assessment, fine, penalty, late fee, collection cost, or monetary penalty, and by so doing, reserve the right to contest the disputed charge in court and otherwise. Internal dispute resolution is initiated by an owner submitting a written request for dispute resolution.

**8. CREDITING LATE PAYMENTS.** All delinquent accounts remain delinquent until paid in full. No partial payments will waive the Association's right to pursue full payment and/or to enforce the provisions of this policy. The Association will apply partial payments to the outstanding balance in the following order: 1) Regular Assessments, with payment being applied to the oldest balance first; 2) Special Assessments; 3) Fines, late fees, and interest; and 4) Court costs, attorney's fees, and other cost of collection.

**9. NOTICES, PAYMENTS, AND CONSEQUENCES OF NON-PAYMENT.** Unless otherwise required by law, all notices will be sent by first-class mail, postage prepaid to the delinquent member's address shown in the Association's books and records on the date the notice goes out. All amounts due must be paid in full before the notice period expires. If the notice period expires without full payment, the consequences set forth in the notice and/or in this policy shall apply.

# FOREST MEADOWS OWNERS ASSOCIATION

## NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

### ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

# FOREST MEADOWS OWNERS ASSOCIATION

## RULES ENFORCEMENT POLICY

The Association imposes the fine schedule for violations of the governing documents pursuant to CC&Rs Section 8.21 Enforcement of Property Use Restrictions and California Civil Code section 5850. The fine fees per initial violation are: Architectural \$100.00 - CC&Rs & Rules/Regulations \$100.00 - Health & Safety \$200.00 – VIP Lot Clearing \$500.00 – Short Term Rental/Rental Rules \$500.00.

## ALTERNATIVE DISPUTE RESOLUTION

Pursuant to the requirements of California Civil Code §5920, 5930, and 5965, effective January 1, 2014, under certain circumstances, all California community associations and their individual members are to offer to participate in some form of Alternative Dispute Resolution ("ADR") prior to initiating certain types of lawsuits. Each homeowner should consult with his/her own attorney regarding appropriate compliance with the statutes.

1. **Scope of the Alternative Dispute Resolution Statute:** This statute applies only to lawsuits filed by either homeowners or community associations, involving enforcement of the governing documents, where the lawsuit seeks:
  - A. Declaratory relief only; or
  - B. Permanent injunctive relief only (no request for a temporary restraining order or preliminary injunction); or
  - C. Either declaratory relief or injunctive relief, which also includes a claim for monetary damages of \$5,000 or less, and which does not relate to the collection of association assessments.
2. **Provisions of the Statute:** Assuming that the intended lawsuit involves at least one of the above categories of relief and is not subject to a statutory exception, then the party seeking to bring the lawsuit must first notify and offer to all of the parties in the dispute an opportunity to resolve the matter first by some form of Alternative Dispute Resolution (such as mediation or arbitration, either binding or non-binding) before bringing the lawsuit.
3. **Compliance Procedures:** The ADR process is initiated by the party serving all other parties with a "Request for Resolution," which includes:
  - A. A brief statement of the facts in dispute.
  - B. A request for some form of ADR accompanied by a copy of the new statute and served in the same manner as in small claims actions.
  - C. A notice to all parties that they are required to respond within 30 days of receipt, or else the offer of ADR is deemed rejected.
  - D. If the request for resolution is accepted by the "other party," the ADR procedure (such as mediation or arbitration) must be completed within 90 days of the receipt of the acceptance, unless the parties sign a written agreement extending the completion date.
4. **Failure to Participate in Some Form of ADR Civil Code §5965:** "Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."
5. **Dispute Resolution Procedure:** In a dispute between the association and a member involving their rights, duties, or liabilities under the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code), or under the governing documents of the association; this association shall provide a fair, reasonable and expeditious procedure for resolving a dispute pursuant to Civil Code Section 5915.
6. **No effect on Voluntary Participation in ADR:** The parties may still agree, in writing, to refer any dispute involving enforcement of the Association's governing documents to some form of ADR, even in those categories of disputes which are technically outside of the statute.