

# Transcription of Podcast 321: John MacDonnell

Wednesday, February 9, 2022

## SPEAKERS

John MacDonnell

**Note:** This transcription was computer-generated and may contain typographical errors.

### **John MacDonnell** 00:10

Hello Sun City Shadow Hills residents, Big John here. Recently there have been many opinions expressed in our community about the Capital Improvement Fund, of one and a half million dollars, which was authorized by a unanimous vote of your board of directors during the October 2021. Board meeting. My reason for the podcast is to explain why your board took this action, the important information they base their decision on and their intent to protect Sun City Shadow Hills, and each of us homeowners from future assessments due to major projects that are coming up.

### **John MacDonnell** 00:49

To start, the \$1.5 million is our HOA money, and not one penny of it has been spent. All of it will be used for major projects, which I will describe in this podcast. These actions comply with our CC&Rs section 4.3.2. Next, the money is in the bank in a separate account so that we can keep track of it. Your five-member board did not take this action lightly. But our HOA is faced with a very costly Coachella Valley Water District flood control channel project. The proposal to create the Capital Improvement Fund out of funds already assessed is currently in the operating fund surplus, which review was reviewed and was investigated by our Financial Advisory Committee, outside legal counsel, our independent auditors, and then the board took all the information and voted on how to proceed. After due diligence, the Financial Advisory Committee sent a board action form, which is referred to as a BAF to the board and recommended that the association transfer 1.5 to \$2 million of the operating fund into a new capital improvement fund. Upon receiving the BAF from the Financial Advisory Committee, the board consulted an outside CPA for advice. Wayne Carlson advised that the association could move the funds from the operating fund to the Capital Improvement Fund with no tax implications. Going one step further. We asked outside legal counsel to give us advice on the creation of the Capital Improvement Fund out of surplus funds already assessed and contained within the operating surplus. We asked outside legal counsel to advise us on the new capital improvement fund. They reviewed and provided an opinion. We are within compliance of our governing documents.

### **John MacDonnell** 03:00

So why you asked was the board even considering this action? What would the money be used for? If you've been following the board meetings and upgrades on our property, you already know that we have made many improvements to pond number three at Camino Santa Mateo, and Sun City Boulevard. The pond was cleaned, the reeds were removed and new sod was installed around the banks. A fountain was installed which aerates the pond and creates a healthier environment for fish and

wildlife, adding ambience with lightning. Now we are soon to be forced by CVWD to participate in an extremely costly multi-year rebuilding project here at Sun City Shadow Hills. This is a mandatory project. Let me repeat that, this is a mandatory project and we have to pay for much of what will be done on our property to comply with current floodplain standards. Why do we have to pay? Simply put, as a requirement to build Sun City Shadow Hills development Pulte had to agree that a flood control channel would run through the property. We inherited it, we have no choice.

**John MacDonnell 04:18**

Both Sun City Palm Desert and Sun City Shadow Hills are affected by the flood control channel. CVWD has already started construction along Avenue 40 to Adam Street. You can see the construction already going on, and CVWD is paying for that. On our property, CVWD will be paying for the rebuilding of pond number one, which is at the corner of Jefferson and 40th, at their cost. We will pay for all other flood control improvements along the proposed channel. These are very costly, and necessary improvements to protect the Jefferson Street entry and roadway overpass over the North Channel to Phases 1 and 2. This is why we need the \$1.5 million capital improvement fund. Because while it is called "the Capital Improvement Fund," it is a capital necessity.

**John MacDonnell 05:11**

So the project starts now, with pond number two, which is on the right as you drive out the Jefferson gate on the north side of the bridge. Pond two has to be completely removed. The pipes which supply water to the entire golf course need to be rerouted from pond number one to pond number three. The pond will be filled with dirt, covered with sod, and new irrigation will be installed. Just the construction of pond number two will cost approximately a quarter of a million dollars. This is a capital expense that will be funded from the Capital Improvement Fund. We also need to build a road from Avenue 40 down into the North Channel for debris relief access vehicles on the occasion of a flood event, an additional estimated cost of approximately \$150,000. These expenses could likely occur in the year 2022. At a future date, the bridge at the Jefferson gate will have to be retrofitted at a substantial cost to protect it from being washed out and collapsing our entry road during a potential flood event. These costs could well exceed \$1 million as currently and preliminary estimated. And these costs would also have to be funded out of the Capital Improvement Fund, if, we have enough money in the fund at that time.

**John MacDonnell 06:35**

Hopefully all of the necessary expenditures will not require an additional assessment upon homeowners. Thus, giving the surplus operating funds back to the homeowners at this time seemed imprudent, and would likely lead to unnecessary special assessment upon homeowners. And that is why the board voted five to zero to create the fund. No part of the fund has yet been spent. And nothing from the fund has been earmarked to pay for any improvements at Shadows, nor to the completion of any projects, which might be in the future, considered and approved regarding the five-acre parcel acquired from Pulte, despite what some owners have suggested. As your President, I have always shared straightforward information with you. I hope this podcast clears up misconceptions being bandied about the community or which you might have about the Capital Improvement Fund.

**John MacDonnell 07:35**



For further information, please review the two townhall meetings posted on the Sun City Shadow Hills website. Now I'm going to say this here goes, <https://www.scszca.com/cvwd>. The town hall meetings were on July 8 and July 12, 2021, when we first brought this issue to the community's attention. Thank you very much for listening. And you know Big John, I will always see you in the community. Have a wonderful day. Bye!