

Parkwood Village Homeowner's Association
2015 Budget
(approved 11/13/2014)

Introduction

The 2015 Budget was prepared by Coal Morton and reviewed by the Board of Directors. The Budget was designed to cover maintenance of the Common Areas in PVHA as specified in the Declaration while at the same time providing adequate funding for future major replacement projects.

A Budget Hearing was held on Wednesday, October 22 at the Parkwood Village Community Room. This provide residents an opportunity to ask questions, make suggestions and discuss future budgeting concerns. The 2015 Budget was approved at the Parkwood Village Annual Business Meeting on Thursday, November 13, 2014.

Operating Budget

The Operating Budget is presented on Pages 1 & 2. Footnotes appear at the bottom of each page detailing expenditures. Operating expenses are projected to increase by \$5,322 (2.5%). **The majority of this increase is due to the cost of salt which has risen from \$70/ton to \$150/ton over the past two years. The past two winters have also been very long and very harsh requiring additional salting. The budget amount for salt and salting is increased by \$5,500 in the 2015 Budget.** Other minor increases and decreases in Operating cost cancel each other out, resulting in no additional change in operating expenses for 2015. Areas seeing slight increases include extra mulch and labor for mulching & weeding, plus an increase in daily care of the pool and maintenance of the pool mechanicals. These increases are offset by the decrease in the water bill which did not hit the 22% increase estimated in 2014.

We are projecting a (\$8,143) Net Operating Loss in 2014, primarily due to the numerous snow events and additional salting. This is expected to reduce the Operating Fund Balance to \$29,090 at 2014 year end. The goal for the Operating Fund Balance is two months income (\$36,800). An average winter would go a long way to replenishing the operating fund, but it is still in good standing.

The 2015 Operating Assessment increases by \$3,456 (1.6%). A reduction in the allowance for bad debt allows for Total Operating Income to cover budgeted expenditures next year.

Of note: Account 6400 (Water & Sewer) remains the largest single annual expenditure and is budgeted for \$40,200 for 2015. This amount is based on the current monthly bill plus 3% and represents \$35 per home per month, and 18% of total operating expenses.

Reserve/Capitol Improvements and Funding

The Capital Budget is presented on page 3.
Major projects scheduled for 2015 include:

Description	Amount
<p>Buildings - Leveling the floor at 244 Grand Canyon due to settling of the foundation. The foundation is not included in the definition of a Type 2 unit and thus the responsibility of the association. Leveling the floor is a better and less destructive option than raising the foundations. The floor has sunk by 2" over a 10' span.</p>	\$5,000
<p>Minor tuck pointing of brickwork</p>	\$2,500
<p>Asphalt - Saw cut and patch work is planned for 2014 and 2015. Based on the July 2014 tour, expense will be in the area of \$6,200 both years</p>	\$6,200
<p>Concrete - Sidewalk and porch replacement. Based on the July 2014 tour.</p>	\$9,550
<p>Storm Drains 6642-6652 Offshore - 2012 project was delayed until work can be completed in conjunction with asphalt replacement. Estimated 2012 project cost was \$24,000. Project will be completed in the year 2020 at the estimated cost of \$16,000. 242-254 Grand Canyon - 2013 project was delayed until work can be complete in conjunction with asphalt replacement. Estimated 2013 project cost was \$24,000. Project will be completed in the year 2021 at the estimated cost of \$14,000.</p>	\$0
<p>Fences - Phased replacement of all fencing begins in 2015. Fences at nine homes will be completed each year from 2015-2024. Struck & Irwin still recommends cedar over any of the plastic/composite fencing materials. ** If the cedar were left natural and not stained an estimated total of \$147,000 would be saved over the next thirty years.</p>	<p>\$12,952 <i>replacement</i></p> <p>\$4,224 <i>staining</i></p>

In 2012 Reserve Advisors (RA) updated Parkwood's Reserve Report to coincide with the figures developed by management. The top of page 4 shows a comparison of PVHA Budgeted Reserve Balance to the RA Report balances. Based on updated PVHA Reserve Funding requirements (as prepared by Coal Morton), the budgeted reserve assessment is \$85,732 for 2015. The complete Reserve Advisors Report is available by request via email to

Mary@coalmorton.com. The spreadsheet of projected thirty year reserve expenditures updated by Coal Morton is available on the PVHA website www.parkwoodvillage.org. To make the funding calculations as accurate as possible the update includes all known and projected reserve expenditures for 2014.

With the replacement of two sanitary sewer main pipes behind us we are well on the way to bringing the Reserve Fund Balance in line with the Reserve Advisor projections. Controlled spending and not having to use reserve funds to cover operating expense overruns will allow the Reserve Fund Balance to break the \$100,000 mark this year. The projected Reserve Fund Balance at 2014 year end is \$104,074.

The reserve assessment is set to cover the expenditures as laid out in the thirty year reserve report. This allows for equitable distribution of the expenses between both current and future PVHA Homeowners. Based on projected thirty year expenditures a 2.1% reserve assessment increase per year will be sufficient to fund long term projects as indicated in the graph at the bottom of page 4. This graph is based on updated thirty year reserve expenditures and includes projected 2014 reserve income and expenses.

Total 2015 Dues Assessment Amount

This Budget proposes a \$3.00 per month (1.6%) increase in the operating portion of the monthly assessments to cover 2015 budgeted operating expenses. The projected increase in reserve funding is \$1.50 per month (2.1%). Based on the updated funding schedule this increase will bring the Reserve Fund balance to an estimated \$149,000 at 2015 year end.

When combined, the operating and reserve assessment increases would bring fees to **\$259.00** (plus \$4 from \$255.00) for units identified as paying 1.008% of the budget amount* and **\$271.50** (plus \$4.50 from \$267.00) for units identified as paying 1.057% of the budget amount.* This represents only a 1.7% overall increase for 2015 assessments. This marks the second year in a row that assessment increase will be held below the rate of inflation, which has averaged 2.4% over the past ten years. This is not an easy task given the increased maintenance required in a maturing condominium association.

** as shown on Schedule E of the PVHA Declaration.*

The budgeted fractional assessments in 2015 are \$259.08 rounded down to \$259.00 and \$271.68 rounded down to \$271.50. The assessment will be rounded off to the nearest 0.50 increment each year with 0.25 and 0.75 rounded up.

Parkwood Village Thirty Year Recommended

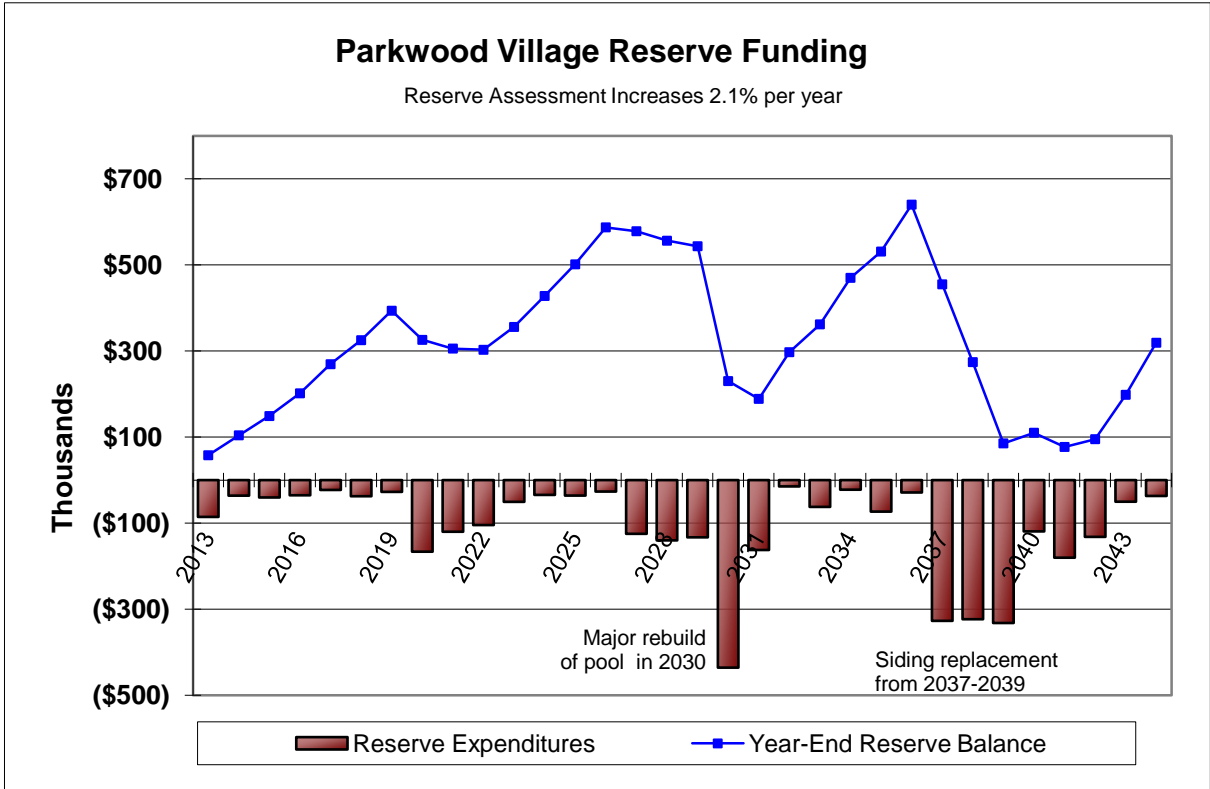
Reserve Funding Table and Graph

Assumptions: A long term inflation rate of 2.2% and interest on investments of 1.20% per year.

All amounts in the table are in thousands (\$)

Year	Budgeted Reserve Income	Projected Reserve Expense	PVHA Projected Reserve Balance	Reserve Advisors Projected Balance	Year	Budgeted Reserve Income	Projected Reserve Expense	PVHA Projected Reserve Balance	Reserve Advisors Projected Balance
2013	79	86	58	77	2029	120	133	544	620
2014	82	36	104	136	2030	122	436	230	271
2015	85	40	149	185	2031	121	162	189	245
2016	88	35	202	224	2032	123	15	297	291
2017	91	23	269	271	2033	127	62	362	409
2018	93	37	325	342	2034	130	22	470	508
2019	96	27	394	287	2035	134	73	531	642
2020	99	166	326	358	2036	138	29	640	764
2021	100	120	306	346	2037	142	327	455	538
2022	102	105	303	349	2038	143	323	274	327
2023	104	51	356	408	2039	143	332	85	88
2024	106	34	428	472	2040	144	119	110	38
2025	109	36	501	579	2041	147	180	77	26
2026	113	27	587	678	2042	150	132	95	23
2027	116	125	578	651	2043	153	50	198	--
2028	118	140	556	648	2044	158	37	319	--

2020-2022 - Replace asphalt - \$390,913
 2027-2031 - Replace roof/gutter - \$698,723
 2030 - Rebuild Pool - \$297,463
 2037-2039 - Replace siding - \$982,575
 2040-2042 - Replace asphalt - \$431,485



Parkwood Village Homeowners Association, Inc.
2015 Operating Budget

	2013 Actual	2014 Estimated	2014 Budget	Foot Note	2015 Budget	% Change from '14
Operating Income						
4000 Monthly Assessment	216,043	218,894	219,244	1	222,700	1.6%
4100 Late Fee	0	240	400		300	-25.0%
4150 Bad Debt Operating	(732)	(2,500)	(3,426)		(2,320)	-32.3%
4200 Miscellaneous Income	316	275	500		500	0.0%
4300 Directory Ad Income	0	87	50		75	50.0%
Total Operating Income	215,627	216,996	216,768		221,255	2.1%
Operating Expenses						
Administrative Expenses						
5000 Monthly Management Fee	16,490	18,011	18,029	2	18,374	1.9%
5200 Accounting Expense	0	20	100		100	0.0%
5300 Income Tax Expense	0	150	200		200	0.0%
5400 Insurance Expense	22,356	22,627	23,818	3	23,758	-0.2%
5500 Legal Fees	2,387	150	2,000	4	2,000	0.0%
5600 Banking Fees & Supplies	42	175	100		125	25.0%
5700 Postage, Copies, Directory	538	800	480		600	25.0%
5800 Meeting Expense	526	150	150		150	0.0%
5950 Operating Contingency Exp.	517	1,200	2,000	5	2,000	0.0%
Total Administrative Expenses	42,856	43,283	46,877		47,308	0.9%
Utilities Expense						
6300 Unit Security Lights	984	850	720		720	0.0%
6400 Water & Sewer	39,511	45,200	44,252	7	\$40,200	-9.2%
Total Utilities Expenses	40,495	46,050	44,972		40,920	-9.0%
Repairs & Maintenance Expenses						
6500 Repairs & Maintenance-General	17,870	18,800	18,500	8	18,500	0.0%
6600 Gutter Repair & Maintenance	3,154	3,900	3,700	8	3,700	0.0%
6800 Light Bulbs, Fixtures & Repairs	2,327	2,000	2,500	8	2,500	0.0%
6900 Maintenance Supplies	1,610	1,680	2,000		2,000	0.0%
Total Repairs & Maintenance	24,961	26,380	26,700		26,700	0.0%

1 Income is based on amount needed to cover budgeted expenses

2 Coal Morton contract from Jan 2015 - Dec 2016. Budget based on \$15.95/month management fee in 2015

3 Insurance - based on a 3% increase from 2014 actual premium.

4 Legal fees - covers 8 hrs at \$250/hour

5 Contingency - to help cover an insurance deductible or unexpected expense (**Current Ins deductible is \$5,000**)

6 Bad debt loss is based on 12 months lost income

7 **2014 will be over as it covers 15 months of water usage (the city switched to monthly billing in October)**

The 2015 is based on 12 months at the current rates plus 3%

8 No increase based on 2013-2014. Labor for 6500, 6600 & 6800 allows for an average of 16 hrs/week from Mar 1 - Dec 1 @ \$35/hr (\$20,700) plus \$3,800 for any contract work, gutter parts, bulbs & photo-cells...

	2013 Actual	2014 Estimated	2014 Budget	Foot Note	2015 Budget	% Change from '13
7000 Landscape Non-Contract	5,998	6,100	5,000	1	6,000	20.0%
7100 Landscape Contract	13,904	14,200	13,900	2	14,200	2.2%
Total Lawn Care	19,902	20,300	18,900		20,200	6.9%
Snow Care Expenses						
7300 Snow Plowing Contract	8,955	9,827	10,000		10,000	0.0%
7400 Snow Shoveling Contract	6,434	5,360	6,500		6,400	-1.5%
7500 Non-Contracted Snow Removal	1,560	4,160	1,600	3	1,700	6.3%
7600 Ice Dam Removal	2,677	2,935	2,600	4	2,700	3.8%
7610 Salt & De-Icer	15,891	16,100	9,500		15,000	57.9%
Total Snow Care	35,517	38,382	30,200		35,800	18.5%
Other Grounds Care						
7710 Tree Care, Removal/Replace	5,561	7,700	8,500	5	8,000	-5.9%
7720 Shrub Care, Removal/Replace	3,745	3,400	3,800	6	3,800	0.0%
7800 Gutter Cleaning	3,021	2,500	2,600	7	2,600	0.0%
7900 Pest Control	3,242	3,045	2,900	8	2,950	1.7%
7910 Trash Removal	15,804	13,633	13,533	9	14,042	3.8%
Total Other Grounds Care	31,373	30,278	31,333		31,392	0.2%
Pool & Community Room Expenses						
8000 Pool Maint & Repairs	9,537	10,400	8,000	10	9,500	18.8%
8100 Pool Chemicals	1,244	1,440	1,500	10	1,500	0.0%
8110 Pool Supplies-Equipment	316	1,030	275		500	81.8%
8200 Pool Licenses & Fines	699	699	670		699	4.3%
8400 Pool -Telephone	181	180	220		200	-9.1%
8600 Pool/Community Rm. - Utilities	4,915	4,950	5,000	10	5,000	0.0%
8700 Community Rm. Repairs & Events	1,345	1,730	1,000	11	1,250	25.0%
Total Pool & Community Room	18,237	20,429	16,665		18,649	11.9%
Total Operating Expense	213,341	225,102	215,647	12	220,969	2.5%
Net Operating Profit/Loss	2,286	(\$8,106)	1,122		286	
Transfer (To)/From Reserves	0	0	0		0	
Operating Fund Balance	\$37,233	\$29,127	\$32,024	13	\$29,413	

- 1 Labor/supplies for seeding, weeding, & mulching; **plus \$1,200 for mulch. 2015 incl. extra mulching/weeding**
- 2 No contract increase for mowing, fert, + spring/fall leaf clean up. **Includes weekly collection of yard waste.**
- 3 For shoveling <1" snows and clean up after snow storms. **2014 is high due to several small snow events.**
- 4 Covers 65 hours for ice dam clearing at \$40/hour
- 5 \$3,500 for removal & repl [2-4 trees/year]. Plus \$4,500 for pruning (\$3,500 contract/\$1,000 small trees).
- 6 \$2,800 for annual pruning plus \$1,000 for removals and replacements (8-10 shrubs per year)
- 7 Based on 2013-2014 gutter cleaning
- 8 2015 based on monthly contract with Professional Pest Control
- 9 Budget based on 3 year Waste Mangt contract. **Includes \$350 for one dumpster for spring cleanout.**
- 10 Based on 2013-14 expenses. Includes daily checks, weekly cleaning, repair of valves, boiler & mechanicals, and \$1,400 for USA Pool to open & winterize the pool
- 11 For furnace inspection and minor community room repairs. **Includes \$300 for PVHA events.**
- 12 Increase (Decrease) from 2014 **\$5,322 2.5%**
- 13 **Goal is to maintain Operating Fund Balance at two month's income \$37,000.**
Projected loss in 2014 will drop Operating Fund to **\$29,127**

Parkwood Village Homeowners Association, Inc.
2015 Capital/Reserve Budget

	2013 Actual	2014 Estimated	2014 Budget	Foot Note	2015 Budget	% Change from '13
Reserve Income						
4500 Reserve Assessments	78,913	83,164	84,004	1	85,732	2.1%
4600 Reserve Account Interest	82	76	300		300	
495 Bad Debt Reserve	(268)	(804)	(1,313)		(893)	-32.0%
Total Reserve Income	<u>78,727</u>	<u>82,436</u>	<u>82,991</u>		<u>85,139</u>	2.6%
Reserve/Capital Expenses						
9000 Capital-Buildings/Light Fixtures	13,314	3,026	0		7,500	0.0%
9100 Capital-Fences	3,640	6,200	4,600		17,176	273.4%
9200 Capital-Common/Other	0	5,500	5,500		0	
9400 Capital-Roofing	4,773	7,200	6,800		0	
9500 Capital-Asphalt	2,306	6,200	6,500		6,200	-4.6%
9620 Capital-Community Room	14,907	0	0		0	0.0%
9630 Capital-Pool	0	0	0		0	0.0%
9700 Capital-Concrete	10,567	6,400	6,500		9,500	46.2%
97500 Capital-Water/Sewer	36,043	1,591	0		0	0.0%
9800 Capital-Drainage/Catch Basins	0	0	0		0	0.0%
Total Reserve/Capital Expenses	<u>\$85,550</u>	<u>\$36,117</u>	<u>\$29,900</u>	2	<u>\$40,376</u>	35.0%
Net Reserve Profit/Loss	(\$6,823)	\$46,319	\$53,091		\$44,763	
Transfer To/(From) Reserves	0	0	0		0	
Reserve Fund Balance	<u>\$57,755</u>	<u>\$104,074</u>	<u>\$109,341</u>	3	<u>\$148,837</u>	

1 Reserve Assessment is set to meet Reserve funding needs based on report by Reserve Advisors and updated by Coal Morton in October 2014.

2 See Reserve Advisors Report and Budget Notes for details on capital expenditures

3 The estimated Fund Balance at 2014 Year End is \$104,074.

This is a great recovery considering the major expenditure in 2013 for replacing two sanitary sewer mains.