

**Parkwood Village Homeowner's Association**  
**Final 2017 Budget**  
(approved 2016-11-10)

**Introduction**

The 2017 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 with members was held on October 27 at the Parkwood Village Community Room. This provided residents an opportunity to ask questions, make suggestions and discuss the Budget. The Final Budget was approved on November 10, 2016 at the Parkwood Village Annual Business Meeting.

**Operating Budget**

The Operating Budget is presented on Pages 1 & 2. Footnotes appear at the bottom of each page detailing expenditures. Operating expenses are being held to a \$171 increase for 2017. Projected savings in property insurance and the budgeted amount for water & sewer offset small increases in the trash collection (\$600) and management fees (\$500).

Due to a very mild winter we are projecting \$14,792 Net Operating Income over expenses in 2016. This would increase the Operating Fund Balance to \$55,552 at 2016 year end. The goal for the Operating Fund Balance is two months income plus \$5,000 to cover the payment of one insurance deductible (\$42,000). To help cover the costs of completing the asphalt replacement in the next two to four years, the Board will consider the allocation for some of the excess operating funds to the reserve fund.

Plans also call for the continued installation of 600-700 linear feet of fine mesh gutter guards each year at an estimated cost of \$3,000 (\$1,500 material and \$1,500 labor). This will allow the completion of the second story gutters on approximately 12 homes per year. 2016 marks the second year for this project and will gradually reduce gutter cleaning costs.

In the works for 2017 is the development of a landscaping design plan by Tim Ripp (Landscape Architect) from McKay Nursery. A majority of the evergreen shrubs are planted in areas that are too small to accommodate their mature size without overhanging the sidewalk. The proposed budget includes expenditures for the removal and replacement of 12-14 shrubs per year.

The excellent status of the Operating Fund will allow us to maintain the Operating Assessment at its current amount with no proposed increase for 2017. The slight deficit included in the budget will be covered by the existing Operating Fund Balance.

*\* Of note: Account 6400 (Water & Sewer) remains the largest single annual expenditure and is budgeted for \$43,574 for 2017. This amount is based on the projected 2016 total plus 5%. The water*

and sewer costs represents \$38 of each home's monthly assessment and 14% of total annual operating expenses.

### Reserve/Capitol Improvements and Funding

The Capital Budget is presented on page 3. Major projects scheduled for 2017 include:

Description	Amount
<p><b>Buildings</b> - Minor tuck pointing of brickwork plus repair and painting of balconies, install six louvers in front of rusty a/c grates in garage attics.</p>	\$6,172
<p><b>Fences</b> - Phased replacement of all fencing from 2015-2024.</p> <ul style="list-style-type: none"> <li>• Fences at nine homes will be completed each year.</li> <li>• Cedar fence boards will be installed on 4x4 and 2x4 Cedartone treated lumber. The Cedartone is rated for ground contact and will easily last 30+ years without rotting.</li> <li>• The fences will be left to weather to a natural gray color. <b>This will save an estimated total of \$147,000 over the next thirty years.</b></li> </ul>	<p>\$15,500 <i>replacement</i></p> <p>\$1,500 <i>reduced painting as fences are replaced</i></p>
<p><b>Asphalt</b> - Asphalt replacement was moved up by two years and is now scheduled to occur from 2018-2020.</p> <p>Patching and limited crack-sealing will be done only as necessary over the next two years.</p>	\$3,500
<p><b>Swimming Pool</b> - Replace aging pool boiler</p>	\$7,600
<p><b>Concrete</b> - Sidewalk and porch replacement.</p> <p>Will tour in the spring of 2017. Plan to replace two or three porches and several separating walk sections and consider options for walk located to the west of the pool and community building.</p>	\$13,200
<p><b>Storm Drains</b></p> <p><b>6642-6652 Offshore</b> - 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 2019 at the estimated cost of \$16,000.</p> <p><b>242-254 Grand Canyon</b> - 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 2020 at the estimated cost of \$14,000.</p>	<p>\$30,000 <i>total in 2019 and 2020</i></p>

Reserve Advisors (RA) completed a full inspection of the property and update of PVHA's reserve report on April 9, 2016. The previous Reserve Studies were conducted in 2009 and 2012. The funding goal of the Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. The Reserve Funding Plan recognizes this threshold funding year in 2039 due to replacement of siding

and asphalt pavement as can be seen on page 4 of the budget.

The Reserve Funding Plan assumes a 1.35% annual rate of return on invested reserves and a 2.5% future Inflation Rate for estimating Future Replacement Costs.

The following text is from the Reserve Advisor's Reserve Report:

*"The Association budgeted \$85,139 for Reserve Contributions in 2016. **The RA Report recommends the Association budget annual phased increases in Reserve Contributions of approximately \$5,600 from 2017 through 2021.** Afterwards, the Association should budget gradual annual increases in reserve funding that in part consider the effects of inflation through 2039. By 2040, the Association will have fully funded for replacement of the asphalt pavement. Therefore, the Association may anticipate a decrease in the annual Reserve Contribution to \$126,000. Afterwards, the Association should again budget gradual annual increases in reserve funding that in part consider the effects of inflation through 2046, the limit of this study's Cash Flow Analysis. The initial adjustment in Reserve Contributions of \$5,561 represents about a three percent (2.5%) adjustment in the 2016 total Operating Budget of \$221,155 and is equivalent to an increase of \$4.83 in the monthly contributions per unit owner."*

**The primary reason for the increase in the recommended Reserve Funding Plan amount results from moving the asphalt and drainage improvement projects forward by two years (to 2019-2021).**

The top of page 4 shows actual and budgeted PVHA Reserve Balances for 2016 and 2017 as well as the recommended funding and balances from the RA Report for 2017-2046. The complete Reserve Advisors Report is available by request via email to [Mary@coalmorton.com](mailto:Mary@coalmorton.com).

The following reserve funding plan was discussed at the PVHA October Board meeting: Increase the reserve assessment by \$4,600 per year (\$4.00/month) from 2017-2021 and transfer \$5,000 from the Operating Fund to the Reserve Fund. This will achieve a reserve funding level very close to the \$5,600 per year increase recommended in the RA Report.

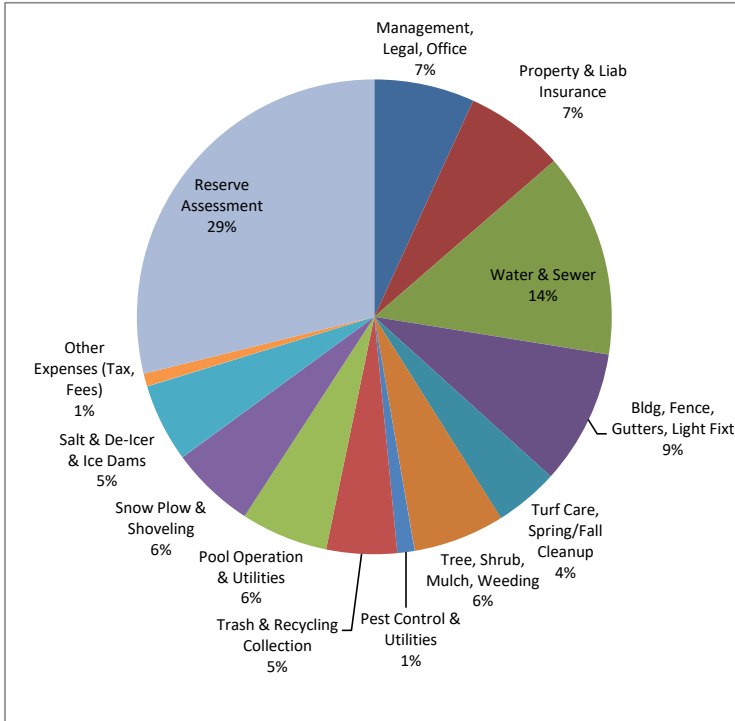
### **Total 2017 Dues Assessment Amount**

The Budget includes no increase in the operating assessment, and a \$4 per month (1.5%) increase in the reserve portion of the assessment for 2017.

The monthly assessments will increase from \$259 to **\$263.00** for units identified as paying 1.008% of the budget amount\* and from \$271.50 to **\$275.50** for units identified as paying 1.057% of the budget amount.\* **This marks the fourth year in a row that assessment increases will be held below the rate of inflation, which has averaged 2.2% over the past ten years.**

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

*The budgeted fractional assessments in 2017 are \$262.95 rounded up to \$263.00 and \$275.74 rounded down to \$275.50. The assessment will be rounded off to the nearest 0.50 increment each year with 0.25 and 0.75 rounded up.*



**Parkwood Village  
2017 Assessment Breakdown**

Category	Annual	Monthly	%
Management, Legal, Office	21,386	\$19	7%
Property & Liab Insurance	21,290	\$18	7%
Water & Sewer	43,574	\$38	14%
Bldg, Fence, Gutters, Light Fix	28,700	\$25	9%
Turf Care, Spring/Fall Cleanup	13,600	\$12	4%
Tree, Shrub, Mulch, Weeding	19,500	\$17	6%
Pest Control & Utilities	3,650	\$3	1%
Trash & Recycling Collection	15,035	\$13	5%
Pool Operation & Utilities	18,624	\$16	6%
Snow Plow & Shoveling	18,000	\$16	6%
Salt & De-Icer & Ice Dams	16,700	\$14	5%
Other Expenses (Tax, Fees)	2,750	\$2	1%
Reserve Assessment	90,340	\$78	29%

**Parkwood Village Homeowners Association, Inc.**  
**2017 Operating Budget**

	2015 Actual	2016 Estimated	2016 Budget	Foot Note	2017 Budget	% Change from '16
<b>Operating Income</b>						
4000 Monthly Assessment	221,268	221,860	222,700	1	222,700	0.0%
4100 Late Fee	120	210	300		300	0.0%
4150 Bad Debt Operating	(2,835)	(2,500)	(2,320)		(2,320)	0.0%
4200 Miscellaneous Income	332	275	400		400	0.0%
4300 Directory Ad Income	0	67	75		75	0.0%
<b>Total Operating Income</b>	<b>218,885</b>	<b>219,912</b>	<b>221,155</b>		<b>221,155</b>	<b>0.0%</b>
<b>Operating Expenses</b>						
<b>Administrative Expenses</b>						
5000 Monthly Management Fee	18,376	18,835	18,778	2	19,411	3.1%
5200 Accounting Expense	20	25	100		100	0.0%
5300 Income Tax Expense	32	71	200		200	0.0%
5400 Insurance Expense	21,692	19,800	21,900	3	21,290	-2.8%
5500 Legal Fees	0	250	1,750	4	1,750	0.0%
5600 Banking Fees & Supplies	65	90	125		125	0.0%
5700 Postage, Copies, Directory	601	450	600		600	0.0%
5800 Meeting Expense	449	150	150		150	0.0%
5950 Operating Contingency Exp.	909	975	1,800	5	1,800	0.0%
<b>Total Administrative Expenses</b>	<b>42,144</b>	<b>40,646</b>	<b>45,403</b>		<b>45,426</b>	<b>0.1%</b>
<b>Utilities Expense</b>						
6300 Unit Security Lights	889	890	850		850	0.0%
6400 Water & Sewer	38,754	41,500	44,574	7	\$43,574	-2.2%
<b>Total Utilities Expenses</b>	<b>39,643</b>	<b>42,390</b>	<b>45,424</b>		<b>44,424</b>	<b>-2.2%</b>
<b>Repairs &amp; Maintenance Expenses</b>						
6500 Repairs & Maintenance-General	17,006	18,300	18,000	8	18,000	0.0%
6600 Gutter Repair & Maintenance	4,112	3,800	3,700	8	3,700	0.0%
6800 Light Bulbs, Fixtures & Repairs	2,952	3,100	2,200	8	2,400	9.1%
6900 Maintenance Supplies	1,491	1,500	2,000		2,000	0.0%
<b>Total Repairs &amp; Maintenance</b>	<b>25,561</b>	<b>26,700</b>	<b>25,900</b>		<b>26,100</b>	<b>0.8%</b>

- 1 No increase in 2017 Operating Assess and will budget at a slight deficit. Covered by projected Oper Fund Bal (\$56,102)
- 2 Coal Morton contract from Jan 2016 - Dec 2018. Budget based on \$16.85/month management fee in 2017 (+3%)
- 3 Insurance - based on 5% increase from current premium +\$500 to increase Umbrella from \$2 mil to \$3 mil.
- 4 Legal fees - covers 7 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 2017 based on 5% increase from projected 2016.
- 8 Based on 2015-2016 +\$200. Labor for 6500, 6600 & 6800 allows for an average of approx 11 hrs/week from Feb 1 - Dec 31 @ \$35/hr (\$18,500) plus \$5,600 for any contract work, gutter parts, bulbs & photo-cells...  
**Purchased 696 feet of gutter guards in 2016 @ \$1,500 // Approx 50 feet of 2nd floor gutters/home.**

	2015 Actual	2016 Estimated	2016 Budget	Foot Note	2017 Budget	% Change from '16
7000 Landscape Non-Contract	8,266	7,200	7,200	1	7,200	0.0%
7100 Landscape Contract	14,729	13,600	13,600	2	13,600	0.0%
<b>Total Lawn Care</b>	<b>22,995</b>	<b>20,800</b>	<b>20,800</b>		<b>20,800</b>	<b>0.0%</b>
<b>Snow Care Expenses</b>						
7300 Snow Plowing Contract	4,542	4,500	10,000	2	10,000	0.0%
7400 Snow Shoveling Contract	2,685	2,400	4,600	2	4,600	0.0%
7500 Non-Contracted Snow Removal	3,077	3,200	3,400		3,400	0.0%
7600 Ice Dam Removal	656	1,100	2,700	3	2,700	0.0%
7610 Salt & De-Icer	11,749	11,500	14,000	2	14,000	0.0%
<b>Total Snow Care</b>	<b>22,709</b>	<b>22,700</b>	<b>34,700</b>		<b>34,700</b>	<b>0.0%</b>
<b>Other Grounds Care</b>						
7710 Tree Care, Removal/Replace	11,848	8,500	8,000	4	8,000	0.0%
7720 Shrub Care, Removal/Replace	4,822	4,300	3,800	5	4,300	13.2%
7800 Gutter Cleaning	3,146	2,800	2,600	6	2,600	0.0%
7900 Pest Control	2,468	2,900	2,800	7	2,800	0.0%
7910 Trash Removal	14,038	14,813	14,463	8	15,035	4.0%
<b>Total Other Grounds Care</b>	<b>36,322</b>	<b>33,313</b>	<b>31,663</b>		<b>32,735</b>	<b>3.4%</b>
<b>Pool &amp; Community Room Expenses</b>						
8000 Pool Maint & Repairs	9,960	8,900	9,500	9	9,200	-3.2%
8100 Pool Chemicals	1,506	1,525	1,500	9	1,500	0.0%
8110 Pool Supplies-Equipment	649	1,272	500		650	30.0%
8200 Pool Licenses & Fines	699	699	699		699	0.0%
8400 Pool -Telephone	242	225	200		225	12.5%
8600 Pool/Community Rm. - Utilities	4,662	4,900	5,100	9	5,100	0.0%
8700 Community Rm. Repairs & Events	1,394	1,050	1,250	10	1,250	0.0%
Total Pool & Community Room	19,112	18,571	18,749		18,624	-0.7%
Total Operating Expense	208,486	205,120	222,639	11	222,809	0.1%
Net Operating Income/(Loss)	10,399	\$14,792	(1,484)		(1,654)	
Transfer (To)/From Reserves	0	0	0		0	
<b>Operating Fund Balance</b>	<b>\$40,760</b>	<b>\$55,552</b>	<b>\$41,692</b>	<b>12</b>	<b>\$53,898</b>	

1 Labor/supplies for seeding, weeding, & mulching - 24 yds mulch in 2016.

2 Grounds and Snow Removal Contract covers Acct 7100, 7300, 7400 and \$9,000 of Acct 7610.

**Based on a year with an average winter this total is estimated to be \$37,200**

3 Covers 75 hours for ice dam clearing at \$35/hour

4 \$3,000 for removal & repl (2 trees/year), \$5,000 for pruning (\$4,000 contract/\$1,000 small trees)

5 \$2,400 for annual pruning plus **\$1,900 for removals and replacements (12-15 shrubs per year)**

6 Based on 2015-2016 gutter cleaning

7 2017 based on monthly contract with Professional Pest Control

8 Budget based on 3 year Waste Mangt contract. **Includes \$350 for one dumpster for spring cleanout.**

9 Based on 2015-16 expenses. Includes daily checks, weekly cleaning, repair of valves, boiler & mechanicals, and \$1,400 for USA Pool to open & winterize the pool

10 For furnace inspection and minor community room repairs. **Includes \$300 for PVHA events.**

11 Increase (Decrease) from 2016 **\$171 0.1%**

12 **Goal is to maintain Operating Fund at two months income + \$5,000 for one insurance ded \$42,000**

Projected net operating income in 2016 will increase Operating Fund to: \$55,552

**Parkwood Village Homeowners Association, Inc.**  
**2017 Capital/Reserve Budget**

		2015 Actual	2016 Estimated	2016 Budget	Foot Note	2017 Budget	% Change from '16
<b>Reserve Income</b>							
4500	Reserve Assessments	85,164	85,496	85,732	1	90,340	5.4%
4600	Reserve Account Interest	343	470	300		300	
495	Bad Debt Reserve	(1,090)	(1,050)	(893)		(941)	5.4%
	<b>Total Reserve Income</b>	<b><u>84,417</u></b>	<b><u>84,916</u></b>	<b><u>85,139</u></b>		<b><u>89,699</u></b>	<b>5.4%</b>
<b>Reserve/Capital Expenses</b>							
9000	Capital-Buildings/Light Fixtures	7,162	3,652	2,500		6,172	146.9%
9100	Capital-Fences	14,437	16,400	17,000		17,000	0.0%
9200	Capital-Common/Other	0	3,000	3,000		0	
9400	Capital-Roofing	1,418	1,455	0		0	
9500	Capital-Asphalt	4,035	3,200	5,000		3,500	-30.0%
9620	Capital-Community Room	0	0	0		0	0.0%
9630	Capital-Pool	1,010	1,067	0		7,600	0.0%
9700	Capital-Concrete	1,753	0	9,500		13,200	38.9%
97500	Capital-Water/Sewer	0	0	0		0	0.0%
9800	Capital-Drainage/Catch Basins	0	0	0		0	0.0%
9900	Reserve Study Update	0	2,915	2,900		0	
	<b>Total Reserve/Capital Expenses</b>	<b><u>\$29,815</u></b>	<b><u>\$31,689</u></b>	<b><u>\$39,900</u></b>	2	<b><u>\$47,472</u></b>	<b>19.0%</b>
	Net Reserve Income/(Loss)	\$54,602	\$53,227	\$45,239		\$42,227	
	Transfer To/(From) Reserves	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	
	<b>Reserve Fund Balance</b>	<b><u>\$165,290</u></b>	<b><u>\$218,517</u></b>	<b><u>\$209,881</u></b>	<b>3</b>	<b><u>\$260,744</u></b>	

- 1 Reserve Assessment is set to meet long range funding needs based on report by Reserve Advisors. Reserve Advisors recommends at \$4.80 increase per year for the next four years to cover the projected cost of the asphalt replacement being moved up to 2019-2021. **Reserve Advisor's goal for 2017 YE is \$261,600**
- 2 See updated report by Reserve Advisors. The Board and Management will review this report in Jan/Feb 2017.
- 3 The projected Fund Balance at 2016 Year End is **\$218,517**  
**A \$4.00 increase in the Reserve Assessment will move the proj 2017 YE Balance to - \$260,744**

# Parkwood Village Thirty Year Recommended Reserve Funding Table and Graph

**Assumptions:** A long term inflation rate of 2.5% and interest on investments of 1.35% per year.  
All amounts in the table are in thousands (\$)

Year	Recommended Reserve Income	Projected Reserve Expense	PVHA Reserve Balance		Year	Budgeted Reserve Income	Projected Reserve Expense	PVHA Projected Reserve Balance
2016	85	32	219	PVHA	2031	145	164	294
2017	90	48	260	Budgeted	2032	152	2	447
2017	91	42	262	Reserve	2033	152	6	601
2018	96	38	324	Advisors	2034	156	1	765
2019	102	177	253		2035	160	350	584
2020	108	134	229		2036	164	315	440
2021	113	102	243		2037	168	481	130
2022	116	28	335		2038	172	143	161
2023	119	65	393		2039	176	262	77
2024	122	25	496		2040	126	71	133
2025	125	5	623		2041	129	59	206
2026	128	128	631		2042	132	27	314
2027	131	140	631		2043	134	71	383
2028	134	456	315		2044	139	29	499
2029	138	173	283		2045	143	78	571
2030	145	119	309		2046	146	51	675

2020-2022 - Replace asphalt - \$265,800	2037-2039 - Replace siding - \$944,770
2027-2031 - Replace roof/gutter - \$567,000	2040-2042 - Replace asphalt - \$367,400
2030 - Rebuild Pool - \$342,947	

