

Parkwood Village Homeowner's Association (PVHA)

Approved 2019 Budget

Introduction

The 2019 Budget was prepared by Coal Morton and reviewed by the Board of Directors. The Budget covers maintenance, services and insurance for the Common Areas in PVHA as specified in their Declaration and also provides funding for future major replacement projects.

A Budget Hearing was held on Thursday, October 25 to provide residents an opportunity to ask questions and make suggestions. **This Budget was approved** by a membership vote at the Annual Business Meeting which was held at Schwoegler's Entertainment Center, 444 Grand Canyon Drive, on Thursday, November 8.

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 **\$7,220 (3.2%)** in 2019. This is largely due to a 30% increase in the water utility rate that will take effect in 2019. The 2019 Budget for city water and sewer service is based on 2018 actual costs plus \$4.50 per home per month. **This increase adds \$3,729 to budgeted operating expenses.** There are also budgeted increases for property insurance (\$730), legal fees (\$750) and trash collection (\$470) that account for **\$1,400** of next year's increase. The addition to legal fees is for a planned rewrite of the PVHA Declaration in 2019 to address settling and clarify the definitions for unit types. Small increases in the management contract (\$350), tree removal (\$300) and gutter cleaning (\$300) add **\$1,050** to budgeted expenses. An additional \$1,000 is the result of small increases in other accounts based on actual 2017 and 2018 projected expenses.

This year we are looking at coming in just under budget and expect to have a \$1,617 in Net Operating Income over expenses in 2018 (see bottom of page 2). This would increase the Operating Fund Balance to \$64,024 at 2018 yearend. The excellent status of the Operating Fund is the result of several mild winters from 2013-2017. The goal for the Operating Fund Balance is two months income plus \$5,000 to cover the payment of one insurance deductible (\$43,797).

We plan to continue to purchase and spread 24 yards of mulch, remove & replace one ash tree (due to the Emerald Ash Borer), replace 8-10 shrubs and install 300 linear feet of fine mesh gutter guards each year. This will allow the completion of the second story gutters on approximately 5 homes per year. 2018 marked the fourth year for this project.

The proposed increase in the Operating Assessment is \$7,776 (3.5%) or \$6.75 average per home per month for 2019. This covers the \$7,100 increase in budgeted expenses plus makes up \$600 of the deficit that the 2018 budget was approved with* (bottom of page 2).

** From the 2018 Budget Notes: " this is being accomplished by operating at a slight deficit budget for 2018 (\$878 represents \$0.75/month). This amount would need to be made up in the future. "*

The two most significant line items in the Operating Budget are insurance and water & sewer. Account 6400 (Water & Sewer) remains the largest single annual expenditure and is budgeted for \$49,109 for 2019. The water and sewer costs represent \$42.63 of each home's monthly assessment and 21.2% of

total annual operating expenses compared to 15% of total Operating expenditures last year. Property and Liability insurance are budgeted at \$21,852 representing 9.5% of total operating expenses.

Reserve/Capitol Improvements and Funding

The Capital Budget is presented on page 3. Major projects scheduled for 2019 include:

Description	Amount
<p>Buildings – Masonry/Foundations –</p> <ul style="list-style-type: none"> • Install nine resistance piers at 140/142 to stabilize foundation \$18,000 • Seal foundation cracks at 142, 208, 212 and an allowance for one more in 2019 (\$2,400) • Minor tuckpointing \$1,000; one pair garage louvres \$600 	\$22,000
<p>Fences - Phased replacement of all fencing from 2015-2024.</p> <ul style="list-style-type: none"> • Fences at nine homes will be completed each year. • 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. • The fences will be left to weather to a natural gray color. This will save an estimated total of \$147,000 over the next thirty years. 	\$16,500
<p>Asphalt - Asphalt replacement is scheduled to occur from 2018-2020. The price of asphalt went up \$6/yard in 2018.</p> <ul style="list-style-type: none"> • 2018 - removed and replaced all asphalt from 134-266 Grand Canyon drive \$99,610 (budgeted \$73,687). • 2019 – remove and replace all asphalt from 6602-6652 Offshore plus back parking area. 	\$96,896
<p>Concrete - Sidewalk and porch replacement.</p> <p>Include \$6,500 for the possible replacement of the entire main walk in front of 16-24 Grand Canyon (west of the pool and community building) as it is very icy in the winter. The engineers will include this sidewalk and pool deck in their storm drain survey work for 2019.</p> <p>\$5,700 for other common walks and porches as needed.</p>	\$12,200
<p>Storm Drains</p> <p>242-254 Grand Canyon - Project completed in 2018 at a total cost of \$24,446. Work included an additional 70' of 4" PVC for lateral drains.</p> <p>6642-6652 Offshore - Project will be completed in the year 2019 at the estimated cost of \$25,500. Based on 2018 project cost. Includes catch basins at community room walk and in front of 6652 garage. Also includes adding storm cover at 6620 and lowering the elevation of the catch basin at 6608.</p>	\$25,500

Reserve Advisors (RA) completed a full inspection of the property and update of PVHA's reserve report on April 9, 2016. The reserve report will be updated again in 2020 after the completion of asphalt replacement. 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. By moving future asphalt replacement to the years 2040-2042 the threshold funding year occurs in 2042 (highlighted orange at the top of page 4).

The Reserve Funding Plan assumes a 0.90% annual rate of return on invested reserves and a 2.5% future Inflation Rate for estimating Future Replacement Costs.

This year the price of asphalt/labor increase by \$7 per yard. This moved the asphalt replacement rate from \$21 to \$28/yard (+29%). This is accounted for in the updated reserve projections and results in the Reserve Fund dropping to a projected \$99,000 at 2020 yearend. **To rebuild the fund the future funding was increase to +\$1.50 per month (1.8%)** each year for the next thirty years. The increase was \$1.30/month/year (1.6%) in last year's budget).

The top of page 4 shows actual and budgeted PVHA Reserve Balances for 2016 - 2019 as well as the recommended funding and balances from the RA Report for 2020-2046. The complete Reserve Advisors Report is available by request via email to Mary@coalmorton.com.

Total 2019 Assessment Amounts

The Budget includes a **\$6.75** increase in the operating assessment, and a **\$1.50** per month increase in the reserve portion of the assessment for 2019.

Based on the approved budget, the monthly assessments will increase from \$267.00 to **\$275.00** for units identified as paying 1.008% of the budget amount* and from \$280.00 to **\$288.00** for units identified as paying 1.057% of the budget amount.* **This increase goes into affect on January 1, 2019.** The amount will be automatically adjusted for owners signed up for automatic ACH payments.

This year's increase (3.0%) is 0.8% greater than the average rate of inflation over the past ten years (2.2%). The previous four years increases have all been less than the average rate of inflation.

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

The budgeted fractional assessments in 2019 are \$274.81 rounded up to \$275.00 and \$288.17 rounded down to \$288.00.

The assessment will be rounded off to the nearest \$0.50 increment each year with 0.25 and 0.75 rounded up to 0.50 and 1.00 respectively.

Parkwood Village Homeowners Association, Inc.
2019 Operating Budget

		2017	2018	2018	Foot	2019	% Change
		Actual	Estimated	Budget	Note	Budget	from '18
Operating Income							
4000	Monthly Assessment	231,445	225,004	225,004	1	232,780	3.5%
4100	Late Fee	25	170	300		300	0.0%
4150	Bad Debt Operating	(2,352)	(1,134)	(2,344)	2	(2,021)	-13.8%
4200	Miscellaneous Income	342	175	400		300	-25.0%
4300	Directory Ad Income	0	50	75		50	-33.3%
	Total Operating Income	229,460	224,265	223,435		231,409	3.6%
Operating Expenses							
Administrative Expenses							
5000	Monthly Management Fee	19,363	19,814	19,814	3	20,160	1.7%
5200	Accounting Expense	15	200	100		150	50.0%
5300	Income Tax Expense	0	0	200		0	-100.0%
5400	Insurance Expense	18,935	19,865	21,120	4	21,852	3.5%
5500	Legal Fees	237	260	1,750	5	2,500	42.9%
5600	Banking Fees & Supplies	158	325	125		200	60.0%
5700	Postage, Copies, Directory	267	460	600		500	-16.7%
5800	Meeting Expense	245	165	150		175	16.7%
5950	Other Expenses	1,212	3,600	1,800	6	1,800	0.0%
	Total Administrative Expenses	40,432	44,689	45,659		47,337	3.7%
Utilities Expense							
6300	Unit Security Lights	984	984	985		985	0.0%
6400	Water & Sewer	42,165	43,925	45,380	7	\$49,109	8.2%
	Total Utilities Expenses	43,149	44,909	46,365		50,094	8.0%
Repairs & Maintenance Expenses							
6500	Repairs & Maintenance-General	15,780	18,200	18,000	8	18,000	0.0%
6600	Gutter Repair & Maintenance	2,736	4,200	3,600	8	3,800	5.6%
6800	Light Bulbs, Fixtures & Repairs	2,714	2,850	2,500	8	2,600	4.0%
6900	Maintenance Supplies	1,871	2,075	2,000		2,000	0.0%
	Total Repairs & Maintenance	23,101	27,325	26,100		26,400	1.1%

- 1 **Proposed \$6.75 increase in the 2019 Operating Assessment.**
- 2 Bad debt loss is based on **10 months (0.08%)** lost income
- 3 Coal Morton contract from Jan 2019 - Dec 2021. Budget based on \$17.50/month management fee in 2019 (+1
- 4 Insurance - based on **10% increase from current** premium.
- 5 Legal fees - increase by \$750 (to \$2,500) for review/rewrite of PVHA Declaration (12 hrs at \$200/hr)
- 6 Other Expenses - covers common area plumbing contractors, unexpected expenses or partial insurance deduct
- 7 2019 based on **projected water usage rate increase (approx. \$4.50/mo per home)**
- 8 Based on 2017-2018 (+300). Labor for 6500, 6600 & 6800 allows for an **average of approx 12 hrs/week** from Feb 1 - Dec 31 @ \$35/hr (\$18,500) plus \$4,600 for any contract work, gutter parts, bulbs & photo-cells
Purchased 300 feet of gutter guards in 2018 @ \$625 // Approx 50 feet of 2nd floor gutters/home.

	2017 Actual	2018 Estimated	2018 Budget	Foot Note	2019 Budget	% Change from '18
7000 Landscape Non-Contract	17,145	7,500	7,200	1	7,400	2.8%
7100 Landscape Contract	13,192	13,600	13,600	2	13,600	0.0%
Total Lawn Care	30,337	21,100	20,800		21,000	1.0%
Snow Care Expenses						
7300 Snow Plowing Contract	2,370	6,800	10,000	2	10,000	0.0%
7400 Snow Shoveling Contract	2,385	5,410	4,600	2	4,600	0.0%
7500 Non-Contracted Snow Removal	3,230	4,750	3,400		3,600	5.9%
7600 Ice Dam Removal	219	575	2,000	3	1,800	-10.0%
7610 Salt & De-Icer	12,048	13,500	14,000	2	14,000	0.0%
Total Snow Care	20,252	31,035	34,000		34,000	0.0%
Other Grounds Care						
7710 Tree Care, Removal/Replace	5,841	8,100	7,500	4	7,800	4.0%
7720 Shrub Care, Removal/Replace	6,313	4,900	4,800	5	4,900	2.1%
7800 Gutter Cleaning	2,776	3,100	2,500	6	2,800	12.0%
7900 Pest Control	2,480	3,000	2,800	7	2,900	3.6%
7910 Trash Removal	14,754	15,450	15,450	8	15,914	3.0%
Total Other Grounds Care	32,164	34,550	33,050		34,314	3.8%
Pool & Community Room Expenses						
8000 Pool Maint & Repairs	8,829	9,100	9,000	9	9,000	0.0%
8100 Pool Chemicals	1,597	1,650	1,550	9	1,600	3.2%
8110 Pool Supplies-Equipment	464	911	650		650	0.0%
8200 Pool Licenses & Fines	699	699	699		699	0.0%
8400 Pool -Telephone	252	255	240		240	0.0%
8600 Pool/Community Rm. - Utilities	4,908	5,200	5,200	9	5,200	0.0%
8700 Community Rm. Repairs & Even	607	1,225	1,000	10	1,000	0.0%
Total Pool & Community Room	17,356	19,040	18,339		18,389	0.3%
Total Operating Expense	206,791	222,648	224,313	11	231,533	3.2%
Net Operating Income/(Loss)	22,669	\$1,617	(878)	12	(124)	
Transfer (To)/From Reserves	0	(3,950)	0		0	
Operating Fund Balance	\$66,357	\$64,024	\$58,525	12	\$63,900	

1 Labor+mat. for seeding, weeding, & mulching (24 yds). Edged & applied 72 yds of mulch in 2017+\$2,700 for
 2 2019-2020 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 50 hours for ice dam clearing at \$35/hour. **Reduced by 7 hours for 2019.**

4 **\$3,300** for removal & repl (2 to 3 trees/year), \$4,500 for pruning (\$3,500 contract/\$1,000 small trees)

5 **\$3,700 for annual pruning plus \$1,200** to removals and replacements (10-12 shrubs/perennials per year)

6 Based on 2017-2018 gutter cleaning. Should gradually decrease with gutter guards

7 2019 based on monthly contract with Professional Pest Control + **\$300 xtra for CM trapping animals**

8 Budget based on 3 year Waste Managt contract. **Includes \$550 for one dumpster for spring cleanout.**

9 Based on 2017-18 expenses. Includes daily checks, weekly cleaning, repair of valves, boiler & mechanicals,
 and \$1,400 for USA Pool to open & winterize the pool

10 Based on 2017-18 exp. For furnace inspection, cleaning, and minor community room repairs.

11 Increase/(Decrease) from 2018 **\$7,220 3.2%**

12 **Goal for Operating Fund is two months income + \$5,000 for one insurance deduc \$43,797**

Budgeted 2019 **net operating income/(loss)** will bring the Operating Fund to: **\$63,900**

Parkwood Village Homeowners Association, Inc.
2019 Capital/Reserve Budget

		2017 Actual	2018 Estimated	2018 Budget	Foot Note	2019 Budget	% Change from '18
Reserve Income							
4500	Reserve Assessments	93,783	93,293	92,644	1	94,372	1.9%
4600	Reserve Account Interest	872	520	500		500	
495	Bad Debt Reserve	1,646	(486)	(965)		(819)	-15.1%
	Total Reserve Income	<u>96,301</u>	<u>93,327</u>	<u>92,179</u>		<u>94,053</u>	2.0%
Reserve/Capital Expenses							
9000	Buildings-Masonry/Foundations	1,519	12,103	4,700	2	22,000	
9100	Fence Replacement	12,668	16,200	16,500		16,500	
9200	Common- Fence/Timber Wall	0	0	0		0	
9400	Roofing Replacement	0	0	0		0	
9500	Asphalt - Replace/Maintain	3,665	99,610	73,687	3	96,896	
9620	Community Room - Capital	0	0	0		3,876	
9630	Swimming Pool - Mechanicals	11,830	3,696	2,500		0	
9700	Concrete Replacement	399	20,500	17,400	4	12,200	
97500	Water/Sewer - UG Mains	0	0	0		0	
9800	Drainage/Catch Basins	0	24,446	14,000	5	25,500	
9850	Reserve Study Update	0	0	0		0	
9900	Income Tax	113	243	0		200	
	Total Reserve/Capital Expense:	<u>\$30,194</u>	<u>\$176,798</u>	<u>\$128,787</u>		<u>\$177,172</u>	
	Net Reserve Income/(Loss)	<u>\$66,107</u>	<u>(\$83,471)</u>	<u>(\$36,608)</u>		<u>(\$83,119)</u>	
	Transfer To/(From) Reserves	<u>0</u>	<u>3,950</u>	<u>0</u>	6	<u>0</u>	
	Reserve Fund Balance	<u>\$289,026</u>	<u>\$209,505</u>	<u>\$239,023</u>	7	<u>\$126,385</u>	

- 1 Reserve Assessment is set to meet long range funding needs based on report by Reserve Advisors.
In the PVHA 30 year budget the asphalt replacement started in 2018 and the future assess incr is \$1.30/year (1
- 2 Nine foundation piers at 140/142 GC per engineer report \$18,000, sealing foundation cracks \$2,400
Minor tuckpoint \$1,000, one pair g-louvres \$600
- 3 Asphalt replacement from 6602-6652 Offshore in 2019. Remainder to be done in 2020.
- 4 Based on site inspection of walks and porches. **Possibly entire main walk in front of 16-24 GC.**
- 5 Install additional storm drain at the back between 6640-6652 Offshore Drive.
- 6 Transfer \$3,950 from Oper to Reserve Fund to cover overage in 134-256 storm drain project

Parkwood Village Thirty Year Recommended

Reserve Funding Table and Graph

Assumptions: A long term inflation rate of 2.0% and interest on investments of 0.9% 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
2017	96	30	289	219	2033	123	11	456	447
2018	93	177	210	262	2034	126	20	562	600
2019	94	177	126	324	2035	129	36	655	765
2020	96	129	93	253	2036	133	75	713	584
2021	97	39	151	229	2037	135	316	533	440
2022	100	30	221	243	2038	136	297	372	130
2023	102	42	281	335	2039	137	349	160	161
2024	105	33	353	393	2040	137	157	141	77
2025	107	44	416	496	2041	140	175	105	133
2026	109	18	508	623	2042	142	173	74	206
2027	112	108	512	631	2043	144	30	189	314
2028	114	111	515	631	2044	148	10	326	383
2029	116	121	511	315	2045	152	18	460	499
2030	118	374	255	283	2046	156	30	586	571
2031	118	120	253	309	2047	160	66	679	675
2032	120	30	344	294	2048	163	63	780	--

2018-2020 - Replace asphalt plus drains - \$483,250

2027-2031 - Replace shingles - \$567,176

2030 - Rebuild Pool - \$266,331

2037-2039 - Replace siding - \$961,483

2040-2042 - Replace asphalt - \$504,554

