

Parkwood Village Homeowner's Association (PVHA)

Approved 2020 Budget

Introduction

The 2020 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 Tuesday, October 29 to provide homeowners the opportunity to discuss and ask questions about next year's major projects and the budgeted expenditures. The 2020 Budget was approved by the membership at the PVHA Annual Business Meeting on Thursday, November 14, 2019.

Operating Budget

Operating expenses are projected to exceed operating income by \$17,692 this year. This was due to \$15,500 for resistance piers at 222 (50% up to \$7,500) and at 212 & 214 (\$8,000). Snow removal and salting are also projected to be \$7,100 over budget due to the heavy wet snow and ice storms earlier this year. These unplanned expenditures will reduce the Operating Fund Balance to \$42,767 at 2019 yearend. This uses a large portion of the surplus that was built up from 2013-2017 due to the mild winters. The goal for the Operating Fund Balance is two months income plus \$5,000 to cover the payment of one insurance deductible \$43,989.

The Operating Budget is presented on Pages 1 & 2. Footnotes appear at the bottom of each page detailing expenditures. Operating expenses are projected to only increase by **\$1,497 (0.6%)** in 2020. This is mainly due to the high budget amount set for the water utilities in 2019.

The majority of this year's city water bill increase was based on a per meter charge and the PVHA 2019 budget was based on this increase multiplied by 96 units/meters. The difference is due to the fact that PVHA only has one meter per building for a total of 17 meters. The 2020 budget is based on the estimated 2019 total water utility expense plus \$3.50 per month per unit as there is a water usage rate increase in the works. **The 2020 Budget amount (\$46,532) is \$2,576 less than the 2019 Budget amount. Water utilities are still the largest single line item in the PVHA Budget and accounts for 20% (\$40) of each monthly operating assessment.** Budgeted increases for property insurance, trash collection, management fee and grounds contract for brush haul away **account for a \$2,873 increase in Operating expenses.** Overall these increases exceed the decrease in the Water Utility budget amount (-\$2,576) by \$297.

The 2020 Budget also includes \$1,200 to purchase a four-camera high definition security system to cover the common areas around the community building. The current cameras are only capable of facial identification at a distance of 15 to 20 feet. The recent theft from a car near the pool and vandalism of the winter pool cover were caught on camera, but the low resolution was insufficient for identification. The new security cameras would allow for identification at a distance of 60-70 feet.

2020 Projects: Edge beds in half of the property and spread 32 yards of mulch, remove & replace five flowering crab trees (based on tree tour in September of 2019), treat five ash trees for Emerald Ash Borer protection, replace 8-10 shrubs, and install 300-400 linear feet of fine mesh gutter guards each year. This will allow the completion of the second story gutters on 5-7 homes per year. 400 feet of gutter guards were purchased this year (cost \$725) to be installed at seven homes. The goal is to install the guards on a majority of second floor gutters which lie under overhanging trees. 2019 is the fifth year for this project.

The proposed increase in the 2020 Operating Assessment is a \$2.00 (1.0%) average increase per home per month. This covers the \$1,497 increase in budgeted expenses plus provides \$1,330 in Net Operating Income helping to rebuild the Operating Fund after the large deficit expected in 2019 (see the middle of page 2).

Reserve/Capitol Improvements and Funding

Prior to preparing next year’s reserve budget a property tour of all fences and sidewalks was conducted. One of the biggest challenges this year and going forward will be balancing the stabilization of foundations at Type 2 Units and continuing the phased fence replacement while maintaining a health Reserve Fund. Next year’s proposed projects include \$56,625 for stabilization of active settling at six units, repair of damage to brickwork caused by settling and the final round of asphalt replacement from 6-132 Grand Canyon. This will reduce the Reserve Fund balance to a projected \$60,670. The most significant project on the horizon is shingle replacement starting in the year 2027. All shingles will be replaced over five years at a projected cost of \$477,000.

In addition to the \$56,625 for stabilization work in 2020 there is \$12,500 to \$14,000 allocated for stabilization work each year from 2021-2030 and \$16,000 every three years from 2033-2048. **This represents a total of \$302,500 allocated to stabilization work from 2018 to 2048. This represents an additional amount to be funded by Reserve Assessments which was not included in earlier reports by Reserve Advisors.**

To allow for the significant allocation for stabilization work, fence replacement will be suspended for the next six years. Based on the tour of the fences a majority are in good condition and will be repaired and receive a fresh coat of stain in 2020 and 2021. 38 fences will then be replaced from 2026-2029 and the remaining 38 fences from 2033-2035. Staining now to preserve the wood and delaying fence replacements will allow for the gradual rebuilding of the reserve fund in time for shingle replacement in 2027.

The Capital Budget is presented on page 3. Major projects scheduled for 2020 include:

Description	Amount
<p>Buildings – Masonry/Foundations –</p> <ul style="list-style-type: none"> • Install 23 foundation resistance piers to stabilize active settling at 126, 128, 140, 142, 144, 212 and 244 GC \$46,000. • Remove tipping brick wall at front of 126/128 GC and replace with siding \$9,000. • Minor tuckpointing of cracked mortar joints due to settling \$1,000 • one pair garage louvres \$625 	<p>\$56,625</p>
<p>Fences – Stain fences 2020-21 and replace fencing from 2026-2029.</p> <ul style="list-style-type: none"> • 2020 and 2021 stain 38 fences each year. \$7,333 • 2020 – replace three fences, make repair and replace rotted posts based on 2019 inspection of all fences \$7,200 	<p>\$14,533</p>

Description	Amount
<ul style="list-style-type: none"> • 2026-2029 replace 38 fences. • 2033-2035 replace 38 fences. • 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. 	
<p>Asphalt - Asphalt replacement is scheduled to occur from 2018-2020. The price of asphalt remained at \$26/yard in 2020.</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 \$93,400 (budgeted \$96,896). • 2020 - Asphalt replacement from 6-132 GC 	<p>\$79,800</p>
<p>Concrete - Sidewalk and porch replacement.</p> <p>Based on 2019 tour of walks and porches \$10,000 for removal and replacement. The most significant work would be done in the 6608-6620 Offshore Drive courtyard.</p>	<p>\$10,000</p>
<p>Reserve Study Update</p> <p>Have Reserve Advisors review and updated the current long-range reserve funding plan. Last updated in 2016.</p>	<p>\$2,900</p>

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 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 next year, in 2030 (shingle replacement), and in 2042 (due to replacement of siding and asphalt). This can be seen by the orange shaded figures at the top of page 4.

The Reserve Funding Plan assumes a 0.90% annual rate of return on invested reserves and a 2.0% future Inflation Rate for estimating Future Replacement Costs.

To start rebuilding the fund the Reserve Assessment will increase by \$3.00 (3.7%) per month each year from 2020-2025 for a total increase of \$18 in the monthly reserve assessment. From 2027-2048 the assessment will increase by \$1.50/month/year (1.5%).

The top of page 4 shows actual and budgeted PVHA Reserve Balances for 2016 - 2020 as well as the recommended funding and balances from the RA Report for 2021-2048. The complete Reserve Advisors Report is available by request via email to Mary@coalmorton.com.

Total 2020 Assessment Amounts

The 2020 Budget includes a \$2.00 increase in the operating assessment, and a \$3.00 per month increase in the reserve portion of the assessment, for a \$5.00 per month total increase in 2020.

Based on the approved budget, the monthly assessments will increase from \$275.00 to **\$280.00** for units identified as paying 1.008% of the budget amount* and from \$288.00 to **\$293.00** for units identified as paying 1.057% of the budget amount.* **This increase goes into effect on January 1, 2020.** The amount will be automatically adjusted for owners signed up for automatic ACH payments.

The increase for 2020 (1.9%) is 0.3% lower than the average rate of inflation over the past ten years (2.2%). The increases for the years 2015-2018 were also less than the average rate of inflation.

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

The budgeted fractional assessments in 2020 are \$279.65 rounded up to \$280. and \$293.24 rounded down to \$293.

The assessment will be rounded off to the nearest whole dollar amount each year with 0.49 or less rounded down and 0.50 or more rounded up.

Parkwood Village Homeowners Association, Inc.
2020 Operating Budget

	2018 Actual	2019 Estimated	2019 Budget	Foot Note	2020 Budget	% Change from '19
Operating Income						
4000 Monthly Assessment	223,698	232,780	232,780	1	235,084	1.0%
4100 Late Fee	50	575	300		300	0.0%
4150 Bad Debt Operating	(394)	(403)	(2,021)	2	(1,224)	-39.4%
4200 Miscellaneous Income	50	276	300		300	0.0%
4300 Directory Ad Income	0	50	50		50	0.0%
Total Operating Income	223,404	233,278	231,409		234,510	1.3%
Operating Expenses						
Administrative Expenses						
5000 Monthly Management Fee	19,781	20,160	20,160		20,563	2.0%
5200 Accounting Expense	199	185	150		150	0.0%
5400 Insurance Expense	18,685	20,250	21,852	3	21,668	-0.8%
5500 Legal Fees	2,283	2,800	2,500	4	2,500	0.0%
5600 Banking Fees & Supplies	367	245	200		200	0.0%
5700 Postage, Copies, Directory	699	595	550		500	-9.1%
5800 Meeting Expense	452	235	175		175	0.0%
5950 Other Expenses	3,747	16,500	1,800	5	3,000	66.7%
Total Administrative Expenses	46,213	60,970	47,387		48,756	2.9%
Utilities Expense						
6300 Unit Security Lights	929	984	985		985	0.0%
6400 Water & Sewer	41,417	42,500	49,108	6	\$46,532	-5.2%
Total Utilities Expenses	42,346	43,484	50,093		47,517	-5.1%
Repairs & Maintenance Expenses						
6500 Repairs & Maintenance-General	17,804	17,900	18,000	8	18,000	0.0%
6600 Gutter Repair & Maintenance	4,761	4,300	3,800	8	3,900	2.6%
6800 Light Bulbs, Fixtures & Repairs	3,701	2,550	2,600	8	2,600	0.0%
6900 Maintenance Supplies	2,093	1,950	2,000		2,000	0.0%
Total Repairs & Maintenance	28,359	26,700	26,400		26,500	0.4%

- 1 **Proposed \$1.00 increase in the 2020 Operating Assessment.**
- 2 Bad debt loss is based on **6 months (0.06%)** lost income. (Reduced from 10 mos in 2019)
- 3 Insurance - based on **7% increase from current** premium.
- 4 Legal fees - remains at \$2,500 for review/rewrite of PVHA Declaration (12 hrs at \$200/hr)
- 5 Other Expenses - \$1,800 covers common area plumbing contractors, unexpected expenses, partial insurance deduct...
plus \$1,200 to purchase 8MP four camera security system for the community bldg to allow identification.
- 6 2020 based on est 2019 water usage + rate increase (approx. \$3.50/mo/home) **Less by \$2,576 in 2020**
- 8 Based on 2019-20 (+100). Labor for 6500, 6600 & 6800 allows for an **average of approx 14 hrs/week** from 3/1 - 12/31 @ \$35/hr (\$21,560) plus \$3,000 for any contract work, gutter parts, bulbs & photo-cells

	2018	2019	2019	Foot	2020	% Change
	Actual	Estimated	Budget	Note	Budget	from '19
7000 Landscape Non-Contract	7,263	8,800	7,400	1	7,900	6.8%
7100 Landscape Contract	13,574	14,700	13,600	2	14,700	8.1%
Total Lawn Care	20,837	23,500	21,000		22,600	7.6%
Snow Care Expenses						
7300 Snow Plowing Contract	7,000	8,200	10,000	3	10,000	0.0%
7400 Snow Shoveling Contract	5,410	8,100	4,600	3	4,600	0.0%
7500 Non-Contracted Snow Removal	4,983	5,100	3,600		4,000	11.1%
7600 Ice Dam Removal	210	2,980	1,800	4	1,800	0.0%
7610 Salt & De-Icer	14,688	18,490	14,000	3	14,000	0.0%
Total Snow Care	32,291	42,870	34,000		34,400	1.2%
Other Grounds Care						
7710 Tree Care, Removal/Replace	8,830	8,000	7,800	5	8,000	2.6%
7720 Shrub Care, Removal/Replace	4,504	4,800	4,900	6	4,900	0.0%
7800 Gutter Cleaning	3,019	3,100	2,800	7	2,900	3.6%
7900 Pest Control	3,607	2,800	2,900	8	2,900	0.0%
7910 Trash Removal	15,537	16,200	15,914	9	16,718	5.1%
Total Other Grounds Care	35,497	34,900	34,314		35,418	3.2%
Pool & Community Room Expenses						
8000 Pool Maint & Repairs	9,932	9,700	9,000	10	9,400	4.4%
8100 Pool Chemicals	1,654	1,780	1,650	10	1,600	-3.0%
8110 Pool Supplies-Equipment	911	752	700		650	-7.1%
8200 Pool Licenses & Fines	699	699	699		699	0.0%
8400 Pool -Telephone	250	245	240		240	0.0%
8600 Pool/Community Rm. - Utilities	4,157	4,300	5,200	10	4,400	-15.4%
8700 Community Rm. Repairs/Events	1,778	1,070	1,000	11	1,000	0.0%
Total Pool & Community Room	19,381	18,546	18,489		17,989	-2.7%
Total Operating Expense	224,924	250,970	231,683	12	233,180	0.6%
Net Operating Income/(Loss)	(1,520)	(\$17,692)	(274)	13	1,330	
Transfer (To)/From Reserves	(3,950)	0	0		0	
Operating Fund Balance	\$60,459	\$42,767	\$63,900	13	\$44,097	

- 1 Labor+mat. for seeding, weeding, & mulching. **Edge & apply 32 yds (+\$500) of mulch in 2020.**
- 2 2019-2020 Grounds Contract. **Addl is for removal of yard waste 12x/year +\$1,100** (not billed before)
- 3 2019-2020 Snow Removal Contract covers Acct 7300, 7400 and \$9,000 of Acct 7610. **Total \$23,600**
- 4 Covers 50 hours for ice dam clearing at \$35/hour.
- 5 **\$3,000** removal & repl **5 flwr crab trees**, \$5,000 for pruning (\$4,000 contract/\$1,000 small trees)
- 6 \$3,700 for annual pruning plus \$1,200 to removals and replace 10-12 shrubs/perennials per year
- 7 Based on 2019-'20 gutter cleaning (+\$100). Should gradually decrease with gutter guards
- 8 2020 based on monthly contract with Professional Pest Control + \$300 xtra for CM trapping animals/other
- 9 Budget based on 3 year Waste Mangt contract. **Includes \$650 for one dumpster for spring cleanout.**
- 10 Based on 2019-'20 expenses. Includes daily checks, weekly cleaning, repair of valves, boiler & mechanicals, and \$650 for USA Pool to winterize the pool. **Increase for 15 week season (1 wk past Labor Day)**
- 11 Based on 2018-'19 exp. For furnace inspection, cleaning, and minor community room repairs.
- 12 Increase/(Decrease) from 2020 **\$1,497 0.6%**
- 13 **Goal for Operating Fund is two months income + \$5,000 for one insurance deductible: \$44,181**
- 13 Budgeted 2020 net operating income/(loss) \$1,330 will bring the Operating Fund to: **\$44,097**

**Parkwood Village Homeowners Association, Inc.
2020 Capital/Reserve Budget**

		2018	2019	2019	Foot	2020	% Change
		Actual	Estimated	Budget	Note	Budget	from '19
Reserve Income							
4500	Reserve Assessments	91,944	94,372	94,372	1	97,828	3.7%
4600	Reserve Account Interest	807	820	500		500	
495	Bad Debt Reserve	(165)	(173)	(965)		(510)	-47.2%
	Total Reserve Income	92,586	95,019	93,907		97,818	4.2%
Reserve/Capital Expenses							
9000	Buildings-Masonry/Foundations	12,612	28,200	22,000	2	56,625	
9100	Fence Replacement	14,545	15,600	16,500	3	14,533	
9200	Common- Fence/Timber Wall	0	0	0		0	
9400	Roofing Replacement	0	0	0		0	
9500	Asphalt - Replace/Maintain	101,222	93,400	96,896	4	79,800	
9620	Community Room - Capital	1,442	1,255	3,876		0	
9630	Swimming Pool - Mechanicals	2,253	0	0		1,275	
9700	Concrete Replacement	368	32,733	29,200	5	10,100	
97500	Water/Sewer - UG Mains	0	0	0		0	
9800	Drainage/Catch Basins	24,472	22,450	25,500		0	
9850	Reserve Study Update	0	0	0	6	2,900	
9900	Income Tax	243	223	200		200	
	Total Reserve/Capital Expense:	\$157,157	\$193,861	\$194,172		\$165,433	
	Net Reserve Income/(Loss)	(\$64,571)	(\$98,842)	(\$100,265)		(\$67,615)	
	Transfer To/(From) Reserves	3,950	0	0	7	0	
	Reserve Fund Balance	\$227,127	\$128,285	\$126,385	8	\$60,670	

- 1 Reserve Assessment is set to meet long range funding needs based on a 30 year long range budget.
The rate increase is 4.7% (\$3.50) for 2020; \$2.50/yr from 2021-2026; 1.6% (\$1.30/yr) from 2027-2048.
- 2 **23 found. piers to stabilize active settling at 126, 140, 142, 144, 128, 212, 244 GC \$46,000.**
remove tipping brick wall at front of 126/128 GC repl with siding \$9,000
- 3 Asphalt replacement from 6 - 132 GC in 2020. Completes three year asphalt cycle.
- 4 Based on inspection - stain 38 fences, repl 3 plus allowance for rotted post repl.
- 5 Based on inspection of walks & porches. Est 2019 amouta included exp from 2018 work done in 2019.
- 6 Have Reserve Advisors review and updatg long range reserve report (\$2,900)
- 7 Projected Fund Balance at 2019 Year End: **\$128,285** This is \$1,900 more than projected.
- 8 **A \$3.50 (4.7%) increase in Reserve Assessments will leave a
proj 2020 YE Balance of: \$60,670**

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 Assessment	Projected Reserve Expense	PVHA Projected Reserve Balance	Reserve Advisors Projected Balance	Year	Budgeted* Reserve Assessment	Projected Reserve Expense	PVHA Projected Reserve Balance	Reserve Advisors Projected Balance
2018	92	157	227	262	2034	132	32	488	600
2019	94	194	128	324	2035	134	51	575	765
2020	98	165	61	253	2036	136	28	687	584
2021	101	33	129	229	2037	138	288	542	440
2022	105	38	196	243	2038	140	296	390	130
2023	108	34	271	335	2039	142	323	212	161
2024	112	18	366	393	2040	144	149	208	77
2025	115	73	411	496	2041	146	139	216	133
2026	117	29	502	623	2042	148	206	160	206
2027	119	144	480	631	2043	150	43	268	314
2028	120	147	457	631	2044	153	17	405	383
2029	122	141	442	315	2045	155	42	521	499
2030	124	372	198	283	2046	157	5	677	571
2031	126	101	224	309	2047	160	51	791	675
2032	128	29	324	294	2048	162	80	880	--
2033	130	69	387	447	2049	165	30	1022	--

2018-2020 - Replace asphalt plus drains -

\$516,451

2027-2031 - Replace shingles -

\$642,544

2030 - Rebuild Pool -

\$261,109

2037-2039 - Replace siding -

\$906,331

2040-2042 - Replace asphalt -

\$387,670

*Reserve assessment does not include interest income

