

Key Takeaways from VDP's 2019 Budget Workshop

At today's 2019 VDP Budget Workshop the following key topics were addressed:

Dues will most likely increase from \$447 to \$476. The Board kept dues at \$447 for as long as possible while operating costs and maintenance/replacement costs impacting our reserves increased significantly. The 6.49% increase in monthly dues amounts to an additional \$348 per year from each of the 83 owners.

We made every effort to minimize the increase while covering the increased expenses. Based on discussions with our CPA, additional improvement is needed to our balance sheet. Specifically, we should maintain more funds in our operating account. Rather than imposing even higher dues to accomplish this, the Board will try to make gradual improvement in this area over time. A similar effort to shore up our reserves during the last few years has been very successful.

Rapidly increasing insurance costs were discussed. The attached handout shows the jump from 2017 to 2019 and the impact on our dues it created. Similarly, the AT&T bill has increased substantially. Many of our expenses are not controlled by Village Del Prado, but instead are a proportionate chunk (around 17%) of overall expenses administered by OGPOA. This includes personnel expenses, lawn/tree maintenance contracts, certain utilities, etc.

We have had to increase our annual contribution to the reserve/replacement funds to reflect current costs, including significant increases in roofing costs. We are obligated under state law and our bylaws to maintain adequate reserves. Our reserves are now adequate. (The reserve calculation is on the attached 2019 Reserve Funding Worksheet). We have sufficient funds in our reserves to replace and maintain all major elements of our property without the need for a special assessment (assuming no major incidents which drastically cut the lifespan of these elements, and no unforeseeable, drastic cost increases). Note: VDP has never reserved for landscaping replacement and still is not doing so.

Once we increased our reserve contribution for 2018 and 2019, we became compliant with FNMA lending guidelines that we did not meet in 2017. This is good news for people trying to sell their units. Previously we could only sell to cash buyers, but now buyers are able to obtain a mortgage to buy a unit in Village Del Prado.

Village Del Prado 2019 Budget Workshop Handout

Expenses are Increasing

Flood Insurance – INCREASE of 56.46%

2017 \$27,382
2019 (Projected) \$42,841

General Insurance – INCREASE of 13.46%

2017 \$53,589
2019 (Projected) \$60,800

The INCREASE in Flood Insurance equates to a \$15.52 per month increase in dues.

The INCREASE in General Insurance equates to a \$7.24 per month increase in dues.

Cable TV/Internet/Phone (AT&T) – INCREASE of 6.01%

2017 \$96,773
2019 (Projected) \$102,588

The INCREASE in Cable TV/Internet/Phone (AT&T) equates to a \$5.84 per month increase in dues.

Reserves have Increased

VDP reserves have also increased as replacement costs and inflation have increased.

2017 \$25,045 was set aside to fund the reserve accounts
2019 (Projected) \$41,325 required to fund the reserve accounts (see Reserve Funding Worksheet)

History of Dues Past 10 Years

2009 \$378	2014 \$430
2010 \$378	2015 \$447
2011 \$378	2016 \$447
2012 \$378	2017 \$447
2013 \$410	2018 \$447

Proposed 2019 Dues of \$476

Village Del Prado
Proposed Budget for Year Ending December 31, 2019

Operating Fund	<u>2018</u> <u>Approved</u>	<u>2018</u> <u>Projected</u>	<u>2019</u> <u>Proposed</u>	
Monthly fee				
4601 Maint assessments	445,212	445,212	474,096	at \$476 per month dues
4608 Finance charges	200	200	200	
4627 Prior Year Surplus	14,625	17,986	3,800	
	<u>460,037</u>	<u>463,398</u>	478,096	
Administrative Expenses				
5866 Licenses/taxes/fees to Division	1,900	2,000	2,191	
5861 Accounting Outside Service	5,000	5,000	5,000	
TOTAL ADMINISTRATIVE EXPENSES	<u>6,900</u>	<u>7,000</u>	7,191	
Insurance Expenses				
5801 Insurance - general	56,532	56,532	60,800	
5803 Insurance - flood	31,000	40,000	42,841	
TOTAL INSURANCE EXPENSES	<u>87,532</u>	<u>96,532</u>	103,641	
Maintenance Expenses				
5823 Termite service	-	-	-	
5824 Grounds - replace/upkeep	4,775	3,000	4,775	
5825 Irrigation	900	800	900	
5829 Pool/spa repair & supply	8,500	8,000	8,500	
5831 R&M - buildings	9,255	8,655	9,229	
5832 Site maintenance @	-	-	-	
5833 Maintenance supplies	-	-	-	
5834 Landscape contract	17,459	17,459	17,459	
5835 Mulch/Tree Trimming	4,000	3,700	4,000	
TOTAL MAINTENANCE EXPENSES	<u>44,889</u>	<u>41,614</u>	44,863	
5840 Management PR	40,647	40,647	41,866	
Management PR FICA				
Temporary labor				
FUTA/SUTA				
W/C				
Health Insurance				
5843 Mtce management salaries	9,400	9,400	9,682	
Mtce Management FICA				
FUTA/SUTA				
W/C				
Health Insurance				
5847 Mtce payroll	46,350	46,350	47,740	
5849 Mtce PR taxes				
FUTA/SUTA				
5851 Mtce W/C insurance	3,100	3,100	3,100	
5852 Mtce group health	9,000	9,000	9,800	
5853 Mtce uniforms	300	300	300	
TOTAL MAINTENANCE EXPENSES	<u>108,797</u>	<u>108,797</u>	112,488	
Utilities				
5805 Utilities - cable TV	100,235	99,922	102,588	
5807 Utilities - electric	11,209	11,000	11,000	
5809 Utilities - heat pool/spa	4,500	4,500	4,500	
5811 Utilities - sewer	25,475	24,300	24,000	
5813 Utilities - trash	6,500	6,000	5,500	
5815 Utilities - water	22,000	21,000	20,000	
TOTAL UTILITIES	<u>169,919</u>	<u>166,722</u>	167,588	
Other Expenses				
5877 Insurance loan interest and fees	1,000	1,500	1,000	
5889 Bank Charges				
5881 Monthly reserve transfer	41,000	41,000	41,325	
5888 Contingency and incentives				
TOTAL OTHER EXPENSES	<u>42,000</u>	<u>42,500</u>	42,325	
TOTAL EXPENSES	<u>460,037</u>	<u>463,165</u>	478,096	
Total Revenue Less Total Expenses	<u>(0)</u>	<u>233</u>	(0)	

Village Del Prado Reserve Funding Worksheet 2019

	Cost as of 2018	Lifespan in years	Estimated Normal Annualized Cost	Remaining Life	Reserves Needed at 12/31/2018	Projected Reserves 12/31/2018	Recommended 2019 Annual Contribution
PAINT	\$80,000	7	\$11,429	6	\$11,429	\$11,428	\$11,430
ROTTEN WOOD	\$10,000	7	\$1,429	6	\$1,429		
CONCRETE RESTORATION	\$20,000	10	\$2,000	0	\$20,000		
POND SEALING	\$5,000	5	\$1,000	2	\$3,000		
OTHER BLDG & GROUNDS	various	various	\$5,500	various	\$5,500		
TOTAL BLDG & GROUNDS			\$9,929		\$30k to \$50k	\$45,644	\$6,400
ROOF BLDGS 1 & 2	\$81,000	17	\$4,765	3	\$66,706		
ROOF BLDG 3 & 6	\$84,000	17	\$4,941	8	\$44,471		
ROOF BLDGS 4 & 8	\$66,000	17	\$3,882	17	\$0		
ROOF BLDG 7	\$37,000	17	\$2,176	17	\$0		
ROOF BLDGS 5 & 9	\$77,000	17	\$4,529	17	\$0		
ROOF BLDG 10	\$45,500	17	\$2,676	4	\$34,794		
ROOF MAINTENANCE	\$1,000	various	\$1,000	various	\$1,000		
TOTAL ROOF			\$23,971		\$146,971	\$152,685	\$23,495
POOL	\$15,000	5	\$3,000	3	\$6,000		
HOT TUB	\$5,000	7	\$714	4	\$2,143		
HOT TUB HEATER	\$3,000	4	\$750	3	\$750		
TOTAL POOL/HOT TUB			\$3,714		\$8,893	\$20,309	\$0
					\$217,292	\$230,067	\$41,325

NOTES:

1. "Other Building and Grounds" is for miscellaneous repairs & restoration projects, many of which are difficult to predict. 10 year historic data (2008-2017) shows we spent an average of \$48,367 from building & grounds annually if we include the large concrete restoration project, and \$8339 if we don't. We have spent \$18,142 from this fund in 2018 through July 31; in 2017 we spent \$7,522; in 2016 we spent \$18,598. Historically, we have used this fund to supplement the remaining reserve funds if they run short, since Building & Grounds funds can be used for anything related to the buildings or grounds. Based on this data, we should strive for a target balance of \$50,000 in the building & grounds reserve fund.
2. The need for concrete restoration work is difficult to pinpoint in terms of timing. It was 100% completed around 2008, involving a special assessment at that time. We are assuming a 10 year lifespan and \$20,000 cost; therefore, requiring the full amount to be retained in reserves until further concrete work is done
3. The recommended 2019 contribution for building & grounds considers VDP's usual practice of transferring extra funds from capital contributions and other sources into the building & grounds reserve fund. Therefore, the recommended addition to the fund is slightly less than would otherwise be indicated.
4. This analysis does not consider the impact of inflation on future costs (current inflation measures are around 3% annually).
5. The \$41,325 annual contribution to reserves meets the FNMA lending requirements, enabling potential buyers to obtain a mortgage.