

FINANCIAL PLANNING OVERVIEW – AUTOMOBILE ASSET

THIS PAGE IS PROVIDED TO ASSIST THE READER WITH A SIMPLE EXAMPLE TO HELP UNDERSTAND THE TWO PAGES THAT FOLLOW

The following table describes a representative (including, but limited to) grouping of costs and cost items.

OPERATING BUDGET

<u>Operating costs</u>	<u>Maintenance costs</u>	<u>Administrative costs</u>
- gasoline	- minor repairs & tune-ups	- driver's license
- oil & antifreeze, etc.	- major repairs	- car registration
- small parts (wiper blades, etc.)		- car insurance

CAPITAL BUDGET

The following information describes the two normal alternatives for funding the replacement of the asset when it's useful life expires.

Save monthly (or annually) for the replacement cost – recognizing that it will exceed the capital outlay required to obtain the current asset

OR

Provide capital funds in the budget year when the asset's useful life expires -- recognizing that it will exceed the capital outlay required to obtain the current asset

FINANCIAL & ACCOUNTING DESIGN

- 1) Determine your automobile financial design – decide on a) sources of funds to support the operating budget, b) which capital budget paradigm to use, and c) etc.
- 2) Determine your automobile accounting design – decide on a) what software tool to use, b) what expense line items to use, and c) etc.

**MF FINANCE COMMITTEE
AN OVERVIEW OF OUR ASSESSMENTS**

APPROVED BY THE BOARD AT THEIR 8/26/17 BOARD MEETING

The table below provides a view of what services our assessments cover, and compares our 2011 assessments with our 2017 assessments.

VERY IMPORTANT NOTE: *The assessment figures in the operating assessment entries in the 2017 column are what would have been the assessment levels needed to avoid a deficit operating budget. Our actual 2017 assessment levels are shown in Note 3 in the notes section that follows the table.*

COST CATEGORY DRIVING OUR ASSESSMENTS	MOUNTAIN FAIRWAYS 2011 (see Note 1)	MOUNTAIN FAIRWAYS 2017 (see Note 3)
OPERATIONS [OPERATING ASSESSMENT]	\$1,400 1) Trash 2) Sewer 3) Snow removal 4) Utilities 5) Lawn care (see Note 4)	\$1,400 1) Trash 2) Sewer 3) Snow removal 4) Utilities 5) Lawn care (see Note 4)
FACILITIES [OPERATING ASSESSMENT]	\$592 6) Insurance 7) Repairs 8) Property asset management contract fees	\$856 6) Insurance 7) Repairs 8) Property asset management contract fees
ADMINISTRATIVE [OPERATING ASSESSMENT]	\$52 9) Annual meeting 10) Legal, tax, & financial consult and/or contract fees 11) Office supplies	\$114 9) Annual meeting 10) Legal, tax, & financial consult and/or contract fees 11) Office supplies
Total average operating assessment	\$2,044 64% [\$170/month]	\$2,370 56% [\$198/month]
RESERVE FUNDS (see Note 3) [RESERVE ASSESSMENT]	\$1,140 - Roof reserve (see Note 2) - Painting reserve (see Note 2) - Projects reserve (see Note 2)	\$1,608 - Roof reserve \$324 - Painting reserve \$744 - Projects reserve \$540
Total reserve assessment	\$1,140 36% [\$95/month]	\$1,608 44% [\$134/month]

<i>Total average annual assessment</i>	\$3,184 [\$265/month]	\$3,978 [\$332/month]
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NOTES

Minor rounding is done in the chart above so the monthly amounts are in whole dollars.

1) Our Mountain Fairways 2011 annual assessment ranged from \$3,120 for the smaller condos to \$3,240 for the larger condo's. The single expense line that varies based on condo size is insurance. The table above reflects the average of \$3,184 (\$265/month - rounded) across our 30 units. This is split between the operating assessment (\$2,044) and the reserve assessment (\$1,140).

2) There is no detail explaining the split of the reserve assessment in the 2011 column. That is a conscious decision based on the significant amount of effort it would have taken to research archived information to find the figures.

3) Our actual Mountain Fairways 2017 annual assessment ranges from \$3,600 for the smaller condos to \$3,720 for the larger condo's. The single expense line that varies based on condo size is insurance. This is an average of \$3,664 (\$305/month) across our 30 units. This is split between the operating assessment (\$2,056) and the reserve assessment (\$1,608).

4) The assessment change (split by operating and reserve) is shown in the following table:

Fund involved	2011 table value	2017 table value	Change	Percent change
Operations	2,044	2,370	up 326	16.0 %
Reserve	1,140	1,608	up 468	41.0 %
<i>Total</i>	3,184	3,978	up 794	24.9 %

It is important to note that the actual change in operations assessments is up \$12 (2,044 in 2011, 2056 in 2017) – a change of one-half of a percent. That is the result of two factors: a) the board's commitment to finding ways to keep operating costs [and operating assessments] down and b) the board's decision to adopt deficit budgets for the last several years with the deficit being made up from carried forward operating surplus from previous years.

5) Our lawn care includes sprinkler system operating costs as well as contracted mowing, etc. (lawn watering is in utilities)

6) In an oversimplified view the coverage of our 30 units and our common areas is handled with three separate reserve plans and funds making up the total overall Reserve Fund balance:

Roof reserve – funds for the roof component of our thirty units (including skylights & rain gutters)

Painting reserve – funds for the siding and deck (& bridge) component of our thirty units (painting is the biggest factor in keeping those components viable and avoiding periodic wholesale replacement such as the case with roofs)

Project reserve – funds for the common areas facilities & systems, including but not limited to a) driveways and association handled access drives, b) sprinkler system supporting 30 "lawns" and all the other common area natural and grassed grounds, c) common area fencing and storage/concealment sheds, and d) miscellaneous items such as signage, benches, etc.

6) We have done analysis of how our services provided for by our assessments compares cost-wise to what other association owners pay for those same services either through assessments or some other approach. Our view at the time of the analysis (2012) as well as currently is summarized as follows:

IT IS OUR VIEW THAT, WHILE OUR ANNUAL PROACTIVE & "ALL INCLUSIVE" ASSESSMENT IS HIGHER THAN SOME OTHER ASSOCIATIONS, THE ACTUAL OWNER COST FOR THE INVOLVED SERVICES IN THOSE ASSOCIATIONS IS COMPARABLE OR HIGHER DUE TO THEIR "PASS THROUGH" AND "OWNER DIRECT" FACTORS

The key factors in the operating assessment comparison discussed in the shaded box area above include: a) services paid through the annual dues, b) services that the HOA pays but are "passed through" to the owners by separate bill, and c) services that are handled directly by the owner and not part of the HOA scope financially.