

PROCESS & PREMISES FOR THE MF INTERIM PHASE ONE 2025 BUDGET

The three headings below provide information on a) the planned process for creating an interim (initial) Phase One version of the 2025 Budget and b) the operational, business, and financial premises that underlie the values in the Budget Worksheet. The majority of the information is furnished in bullet format. **RP/RF** = Reserve Plan/Reserve Fund.

Process Plans

- 1) Use a mini-version of the budget process evolving plan for doing the 2025 Budget (found in Attachment One).
- 2) Use last year's EXCEL spreadsheet & MF Chart of Accounts format as the format for the 2025 Interim Phase One Budget Worksheet.
- 3) The only change to the revenue area to be the increase in assessment revenue associated with the increase in expenses – after taking into account some expenses may be covered by the owner pass-thru concept.
- 4) Changes in the expense area will be based on project team estimates of needed changes based on the coming expense increases from a) normal inflation and b) incremental expenses derived from an analysis of the Reserve Advisor Report, and c) reports provided by various inspections of roofs, foundations & retaining wall, siding, etc. (the “b” and “c” information will not be available until later this year in time for the final Phase One Budget Worksheet).
- 5) The separate Interim 2025 Phase One Budget Worksheet document uses, for the first time this year, both a) the initial version of YTD actual information and b) the initial version of Projected 2024 Actual information. The initial version in the Projected column only addresses a subset of the specific expense line items – it relies on a new “unallocated” expense line item in each of the Operating Fund and Reserve Fund areas.
- 6) The plan as described in #3 and #4 above recognizes that the Reserve Fund Study (which also tangentially addressed the Operating Fund in addition to the Reserve Fund) suggested that MF was/is underfunded in both areas for 2024.

Operational & Business Premises

- 1) Assume our operations for this coming year (2025) are notionally the same as for the current year (2024) – which is envisioned as the Phase One budget work is being done. We will continue to utilize basically the same organizational structure (a board organization, an operating organization, and a property management company) to accomplish the same planned services done by the board and its supporting committees and teams on behalf of the association owners.
- 2) We will have technology projects (some known now, others that will be identified as the year progresses) to improve the business environment we provide our board organization and operating organization personnel (volunteer & contracted) so they can be as efficient and as effective as possible in executing their roles.
- 3) Assume we will be able to get a combination of qualified contracted and volunteer personnel to accomplish the needed work (both operations and administrative).

Financial Premises and Estimating Factors

1) Premise we will continue in 2025 the Operating Reserve concept which was started quite a while ago. We currently have a less than fully funded target of \$15,000 for the target level of the Operating Reserve (which can be increased as needed).

3) Premise our use of key service providers will be (using local EP providers where possible, but using non-local providers as needed):

- a) EP Rentals (our MF operational financial & property management service provider)
- b) various EP providers of utilities related services [Town of EP (electricity, water), Upper Thompson Sanitation District (sewer), etc.]
- c) various EP providers of operational services (trash, lawn care, snow-plowing, repairs, etc.)
- d) various EP providers of administrative services (webpage hosting, etc.)
- e) various EP providers of RP/RF facilities project services.

3) Premise two key documents used in past exercises will be among the key sources for the Final Phase One budget version:

- a) Multi-Year Financial Planning document – version that will emerge basis the Reserve Fund Study
- b) MF HOA 2025 RP/RF Plan – version that will emerge basis the Reserve Fund Study.

4) Premise that the current revised draft 2025 Interim Phase One Budget Worksheet will be approved by the board at the 9/28/24 board meeting as presented. If that is the case, then Attachment Two presents relevant information based on the values in the budget to be approved. Note: The initial version of the 2025 Interim Phase One Budget Worksheet was approved at the 8/17/24 board meeting and confirmed at the 9/7/24 Annual Meeting. This revised version has no change in the expense level plan – what changes is the split between assessment revenue and pass-through revenue.

5) Premise that all items that are candidates to become pass-thru items (see the current paradigm versus new paradigm table on the last page) were considered regardless of whether they are based on a) a *1/30th view* or b) a *specific to a condo owner* view of the allocation of expenses.

ATTACHMENT ONE

PREMISED BUDGET PROCESS FOR 2025 BUDGET

The material, except the introductory sentence, is presented in bullet form

This draft is being done in advance of the timeframe in which the process will be needed for two reasons:

- a) so the potential participants in the process will be able to achieve an agreed to planned approach to be used
- b) so that an Interim 2025 Phase One Budget Worksheet and a Final 2025 Phase One Budget Worksheet approach can be used this time only based on the extraordinary planning situation in 2024
- c) so that the process for the Phase Two - 2025 Revised Budget process (a much smaller undertaking) which will take place in January 2025 can be described within that context (see main document).

1) The process will be relatively the same as the one used by the partnership of PMI and MF personnel when doing the 2024 Budget planning, **with two major exceptions:**

- a) EP Rentals (our 2024 operational financial and property management service provider) will be our partner
- b) we will use our MF normal tools with our existing formats & Chart of Accounts [tools are basically WORD and EXCEL and QB (cash accounting) applications] rather than having to convert everything to the PMI approach which was the case last planning cycle.

2) The key personnel will be Pete Hogue (MF board Treasurer & committee chair of the Facilities & Finances Support Committee [F&FST]), Abbey Pontius (EP Rentals MF account rep), and Yvonne Salfinger (MF board Operations Director). Each will use their respective teams, as well as other internal personnel or external personnel (such as Reserve Advisors), to supplement their personal knowledge and work effort. The ultimate responsibility for the recommendation to the board for the 2025 Budget is the MF F&FST team – in particular the MF Treasurer.

3) The budget work will be phased, as has been the case in the past, as follows:

- a) Phase One – done in the August 2024 timeframe so that an approved version can be shared with the owners at the September MF Annual Meeting
- b) Phase Two – done in the January 2025 timeframe after the full 2024 Operating Fund (financial) & Reserve Fund (projects) results are known.

We will continue to budget for Operating Fund and Reserve Fund expenditures with the Reserve Fund income and expense result being a net \$0 based on transfers to the Reserve Fund of all unexpended budget monies.

4) The key documents for review and approval by the board will be (subject to change if needed) as follows:

- a) a 2025 Budget premises document – covers operational & business factors as well as financial factors
- b) the 2025 Budget Worksheet.

There will be a separate owner-oriented Executive Summary to accompany the 2025 Budget Worksheet for use during the Annual Meeting presentation to the owners.

5) A key set of work that will take place after the 2025 planning process begins (target timeframe is early third quarter 2024) will be board detail level consideration of the Reserve Fund Study report from Reserve Advisors (published and received in fall 2023). With assistance from its key F&FST committee the board will determine what information/recommendations to accept “as is” and which to “modify per board decision”.

ATTACHMENT TWO – OVERVIEW OF PARADIGM CHANGE IN USE OF REVENUE TOOLS

***** *Current paradigm* *****

***** *New paradigm* *****

Expense Item	Budget Annual \$	Assessment level (monthly per owner) \$	Direct Owner Payment level (monthly per owner) \$	Total Owner Payment level (monthly per owner) \$	Assessment level (monthly per owner) \$	Direct Owner Payment level (monthly per owner) \$	Total Owner Payment level (monthly per owner) \$
2024 VIEW							
<i>Operating Fund</i>							
Sanitary sewer	27,000	75.00	0.00	75.00	0.00	75.00	75.00
Insurance	27,000	75.00	0.00	75.00	0.00	75.00	75.00
All Other Facilities	44,500	123.60	0.00	123.60	123.60	0.00	123.60
All Other Admin	3,130	8.70	0.00	8.70	8.70	0.00	8.70
OF – Sub-total	101,630	282.30	0.00	282.30	132.30	150.00	282.30
<i>Reserve Fund</i>							
Driveways	7,500	20.80	0.00	20.80	0.00	20.80	20.80
Decks	2,400	6.70	0.00	6.70	0.00	6.70	6.70
Sidewalks	0	0.00	0.00	0.00	0.00	0.00	0.00
Skylights	0	0.00	0.00	0.00	0.00	0.00	0.00
All Other Facilities	8,000	22.20	0.00	22.20	22.20	0.00	22.20
Savings For Future	46,540	129.30	0.00	129.30	129.30	0.00	129.30
RF – Sub-total	64,440	179.00	0.00	179.00	151.50	27.50	179.00
Total	166,070	461.30	0.00	461.30	283.80 **	177.50	461.30
2025 VIEW							
<i>Operating Fund</i>							
Sanitary sewer	29,000	80.60	0.00	80.60	0.00	80.60	80.60
Insurance	29,000	80.60	0.00	80.60	80.60	0.00	80.60
All Other Facilities	54,500	151.40	0.00	151.40	151.40	0.00	151.40
All Other Admin	4,580	12.70	0.00	12.70	12.70	0.00	12.70
OF – Sub-total	117,080	325.30	0.00	325.30	244.70	80.60	325.30
<i>Reserve Fund</i>							
Driveways	2,500	6.94	0.00	6.94	6.94	0.00	6.94
Decks painting	3,500	9.72	0.00	9.72	0.00	9.72	9.72
Decks major repair/replacement	4,000	11.11	0.00	11.11	0.00	11.11	11.11
All Other Facilities	19,000	52.78	0.00	52.78	52.78	0.00	52.78
Savings For Future	45,520	126.44	0.00	126.44	126.44	0.00	126.44
RF – Sub-total	74,520	207.00	0.00	207.00	186.16	20.83	207.00
Total	191,600	532.30	0.00	532.30	430.86 **	101.43	532.30

NOTE: This is a view of the expense impact per month per owner. The assessments are then set based on clearing the assessment-based expenses. So the value highlighted by ** will approximate the assessment level. The expectation is the 2025 Final Phase One Budget Worksheet (which will be done later this year) expenses will only increase to a higher level.