

BUDGET COMMITTEE

OBSERVATIONS AND RECOMMENDATIONS

2013 PROPOSED BUDGET

The Budget Committee sees a requirement for 2013 to be a year of austerity. The COLA increases HOA dues and, therefore 2013 income, 1.7%. At the same time, expenses have increased at a higher rate. Examples of this include gas going up an estimated 6%, water going up an estimated 7%, and insurance going up almost 28%. It is recommended that the HOA spend only what is necessary for maintenance and upkeep, while making no enhancements to the property because money will be tight this year.

Further, an appropriately-funded Reserve level is an extremely important factor in maintaining the property value for all Millridge homeowners. The Budget Committee recommends the Board make an ongoing effort to build up and maintain the Reserve Fund at an appropriate level, using a variety of methods. Suggested methods include:

1. Taking a conservative approach to spending, using budgeted money for what is needed, but not spending beyond that level just because the money may be allocated to a particular line item.
2. Moving unused budget dollars at the end of each fiscal year to the Reserve Fund.
3. Putting any money collected on prior-year bad debts in the Reserve Fund.
4. Adding Reserve funding to any future operational assessments.

Swimming pool maintenance costs have been running between \$10,000 to \$11,000 annually, but the budget is set at \$9,000 for 2013 due to a surplus of pool chemicals having already been purchased and on account at CMI. The normal annual amount seems quite high; especially considering the pools are open only 3-4 months per year. The Budget Committee recommends the Board investigate how costs savings could be achieved on an ongoing basis. The Budget Committee further recommends exploring the option of buying pool covers, which could save significant annual expense going forward.

The Budget Committee understands the ongoing need to maintain landscaping at Millridge; however, with the necessary conservative overall financial approach for 2013, there simply isn't enough income to allow the \$10,000 annual budget requested by the Landscape Committee for landscape improvements. (Keep in mind this is on top of the \$36,000 per year paid to Absolute Perfection Landscaping for weekly landscape maintenance.) Instead, the Budget Committee recommends a maintenance-only approach in 2013, using the "Landscape Improvements" budget only for emergency situations. The Budget Committee further recommends the following guidelines:

1. No bark dust purchase.
2. No purchase of additional plants/trees.
3. No removal of existing plants/trees, with the exception of situations where there is risk to structures or people.
4. No planting of homeowner-purchased plants/trees at HOA expense.

5. No expenditures of any amount without prior Board approval.

The Budget Committee recommends that, if not already doing so, the Board review and approve all CMI-related billings prior to the work being done and prior to the amount being deducted from the Millridge bank account. (This would be in cases where CMI takes money to pay CMI.)

The Budget Committee recommends that the Board investigate ways of reducing the Office Expense charges paid to CMI, as the budgeted amount is reduced for 2013. One possible way of eliminating some of these charges may be through volunteer efforts by homeowners (i.e., mailings). It is also possible other expense areas could be reduced through volunteer efforts.

Since the Board has fiduciary responsibility in regard to homeowners' property and financial investment, and the Reserve report indicates a potential issue due to end-of-life with the plumbing for Buildings 10, 11 and 12 (which was not addressed when all other buildings were previously addressed, nor when recommended to be done in 2008 by a previous Reserve study), the Budget Committee recommends the hiring of an appropriate contractor to evaluate the condition of said plumbing and need, if any, for repair. If repair is needed, the Budget Committee recommends appropriate corrective action be taken.

The Homeowners fees amount of \$19,113.50 is based on a 1.7% increase in homeowners' dues **AND** assumes 100% payment of dues by all 97 units of Millridge. There are currently two (2) units that are paying \$0 annually, and it is assumed that \$0 will be paid by these units in 2013. Additionally, with the difficult economic conditions, it is possible other units may not make some (or all) of their payments in 2013. Since it is likely Millridge HOA will not receive this money, the income number in the 2013 proposed budget must be reduced by an appropriate amount. For this reason, the Budget Committee has set the expected Bad Debts-Uncollectable amount at \$6,804.00 (3 x \$189 x 12). If some of this money is actually received, it will allow a little extra padding for the 2013 budget.

The Budget Committee recommends eliminating use of third party involvement in purchases and/or services to minimize expenses (e.g., purchase of pool supplies).

Annual bids/quotes for insurance should be reviewed by the Board, comparing price and coverage to ensure the best possible price/coverage is in place each year.

GENERAL OPERATIONAL PROCEDURES

The Budget Committee recommends that any and all HOA expenditures should be preapproved by the Board, and a detailed requisition and/or invoice submitted to a designated Board member, as selected by the Board, before any work is done or any funds are disbursed. (An occasional emergency may cause a delay in the submission of a requisition and/or invoice, but a detailed invoice must be provided immediately after work is completed, before any funds are disbursed.)

The Budget Committee recommends that all checks over the amount of \$500 must contain two authorized signatures.