

## Treasurer's Report

April 22, 2021

### March 2021 Financials

Income = \$27,229, slightly below budget as did not process any laundry income in March

Expenses reported as \$31,077 vs. a budget of \$26,957 for negative variance of \$4,120

- This included \$2,427 of improvement project work that should have been charged to our Building Reserve. EM is switching these funds and this will reduce March's operating expenses to \$28,650
- The tankless water heaters were installed in 4 laundry rooms. The plumbing charges for these were \$2,340 vs a monthly expense budget of \$250. We expect the final charges on these to be charged in April which will complete the laundry room upgrade project.
- When account adjustments are completed, we will have ended March with a net income loss of \$8,669; however, insurance refunds will further reduce this.
- Even with this start, I expect that we will end 2021 with a positive net income.

### Liability Insurance Renewal

- On March 11, 2021 we took out a new, lower cost liability insurance policy, and I assume we also quickly cancelled our existing policy.
- Due the timing and the payment process, in March we paid for both liabilities policies. Hence our monthly insurance payment increased from \$9,871 to \$10,559.
- It will probably take several months to recover excess payments, and see our monthly payment go down.
- I estimate our 2021 insurance costs will come in around \$115,000 vs. our 2020 cost of \$105,012.

### Improvement Projects Update/Review

- Over the past year, the BOD has been working on a list of improvements needed on our property. We currently have documented 41 projects. For each we have a title, description, roughly estimated costs, potential vendors (where we can), and the accounts each will be charged to.
- This past January the Board identified 12 projects for 2021 action. Several of these are already completed and the rest are actively being worked on.
- Projects on the list range from \$500 to fix broken shutters to \$700,000 to re-roof the complex.
- The Board will share this list later this fall.
- We have drafted a tentative schedule for projects going out to 2031, and used a forecasting model to study the cash flows that might be needed to accomplish them. Most of the projects will be funded out of our Reserve Funds and our regular Reserve assessments.
- Our 2022 budgeting process will include discussions and decisions on specific projects to implemented in the next several years. Detailed information will be made available prior to these discussions. The next section is preliminary overview to start this process
- Each project has been identified as something needed to keep PBV operational and in first class condition. It is to be expected that pinions on priorities for each will vary—hence the need for discussion.

## Reserve Accounts Financial Analysis (BASED ON THE INFORMATION WE HAVE TODAY)

**General Comments** We believe our 3 major reserve accounts (roofing, painting, paving) will require just over 1 million dollars to be spent between 2022 and 2028. The main driver of this is the need for a new roof (\$700,000) in 2027 and repaving the complex in 2028 (\$170,000).

- a. Projects for recreation, buildings and grounds will take just less than \$200,000.
- b. Roofing Reserve now requires 55% of all new reserve money until 2027. Without any other major project (building, recreation) these three funds will require 75% of the money to 100% fund reserves (based on a forecast spend of \$959,544).
2. Our Building and Recreation Funds are a composite of many different assets and need to have significantly higher funding targets to ensure adequate funding. Replacement of assets in the Recreation Fund is now estimated at \$147,000. Its current funding target is \$50,000, but this should be increased to \$100,000 in coming years \*\*please note: this does not include replacing our current swimming pool.
3. Our buildings and grounds have some assets for which we can not accurately guess a replacement value or remaining lifetime. While their replacement/repair costs are quite high, their useful lifetime is currently unpredictably short or long—i.e. sewer lines, water lines inside building and water lines buried in the ground, storage cages, garage doors, concrete columns with rebar, garbage bins, perimeter fencing, swimming pool, etc.
4. We believe our best strategy to cover these potentially large expenses is to not accrue reserve money for them, but instead to cover them with special assessments in the event that becomes necessary. The reason for this is that inflation erodes the value of stored money. Example: In 2004 we paid around \$200,000 to replace our roofs. We now estimate that replacing our roof in 2027 will cost \$700,000. Over this period, this is a 4.6% annual inflation of costs. Four such items that will need to be replaced/repared at some point these are:
  - a. New swimming pool
  - b. Sewer line replacement
  - c. Lawn and garden sprinkler systems
  - d. Rebar in our concrete walls

### Funding Needed Projects

1. If current funding targets for roofing and re-paving are accurate, current Reserve funding levels (\$86,300/yr.) will be inadequate to fund even our three major projects. Analysis shows that from 2022 to 2028, a reserve assessment of about \$95,000/yr. will be needed to pay for re-painting the complex, new roofs on all buildings, and re-paving and re-striping our asphalt driveways and parking areas.
2. To fund all of the listed improvement projects for buildings and our recreation assets (except those noted) will take just about \$200,000. This would add about \$30,000 per year between 2022 and 2028. Beyond 2028, reserve funding levels decrease if no new major repair issues arise. See the financial study below.
3. The Board of Directors has the responsibility to keep PBV in good, safe repair and will make the decision on how much to spend each year. However, I know that this board will be seeking owners' views in reaching these decisions. This report is the start sharing information fort will be the decision of this community and the Board. Clearly much discussion across our community is going to be needed to find the right path forward for PBV in how to handle the maintenance needs of our complex.
4. Obtaining up to date cost estimates for re-roofing and re-paving will be key to clarifying our future.

**Reserve Fund Financial Study: Possible Spending 2021 to 2028**

**Current Balance**

1/1/2021 Balance \$451,124

**Probable Spending 2021 through 2028 for project list**

Re-Paint Complex	\$100,000	
New Roof	\$718,440	
Re-Pave Complex	\$187,000	
Recreation	\$64,580	
Building	\$133,885	\$1,203,905

**Needed Balance on 12/31/2028**

\$208,383

**Needed Incomes**

2021 Income	\$86,571
Income 2022 to 2028	\$874,594

**Conclusion**

Ave. Yearly Reserves Assessment \$124,942 per year

Note: This is only a financial study, not an approved plan to spend these amounts