PBV Board of Directors Meeting
Organizational Board Meeting Following Annual Owners Meeting
Jan 10, 2022

Agenda Item 4: Approval of Special Assessment to Replenish Operating Funds

Background: In January 2021, PBV adopted revised By-Laws. Article VI - Assessments, Section 2 – Determination of Assessments, Paragraph A – Annual Budget-Related Assessments states: “The Board may determine a budget to provide for operating account balances equal to three months cash flow.” In March 2021, Elliot Merrill began tracking our operating account balances cash position and comparing it to our 2021 three months cash flow (as based on our 2021 budget), and reporting these numbers in our monthly property reports. Our cash position is defined as our operating accounts cash balance, plus our accounts receivables, less our accounts payable and our prepaid maintenance fees. The comparison of our cash position to our three months cash flow showed that we were considerably cash deficient. Cash deficits follow a cycle varying directly with prepaid insurance. In 2021, our 3 months cash flow was \$80,985, and cash deficits ranged from \$39,661 at the end of March to only a deficit of \$14,194 at the end of August. I estimate that we will end the year with a cash deficit of \$24,600 as our prepaid insurance increases significantly in November and December as we start paying for the next year’s insurance policies. On January 1, 2022, our cash position will be the same (estimated to be \$56,400), but our deficit will jump to just over \$25,000 with 2022’s operating budget increase.

Recommendation: I recommend that we pass the resolution for a special assessment for \$24,812 to replenish operating funds as described in Elliot Merrill’s letter to owners dated December 10, 2021. Further, I also recommend that we adopt our year end cash position as estimated in October of each year as the basis either declaring a common surplus or building a planned cash surplus in the next year’s operating budget. This will keep us aligned with the 3-month operating cash requirement of our By-Laws.

Agenda Item 5: Approval of Special Assessment to Replenish Reserve Fund.

As shared in previous communications, we have three reserve funds that need replenishment. I will briefly recap their needs and recommendations

Roofing Reserve:

Background: Our roof was last replaced in 2003 (two buildings) and 2004 (5 buildings) at a cost of about \$230,000. The two roofs in 2003 were paid from the roofing reserve, and the 5 in 2004 were paid via a special assessment of \$160,000 (this was about \$32K per bldg.). Following this, the roofing reserve funding target was set at \$250,000 for 15 years and “100% funding” rules were followed. At the end of 2018, the roof reserve balance was \$164,718 (about \$11,000/yr was added in these 15 years). In 2019 the funding target was raised to \$400,000 and in 2020, it was raised to \$600,000 as we got current roofing cost information. This increased funding to the \$50K/yr. range. We start 2022 with \$309,585 in the roofing reserve.

Current plans call for installing new roofs in 2027, and we learned this fall that the current cost to re-roof our eight building is about \$700,000 (~\$95K/roof). Our 2022 regular reserve assessment of \$48,402 is designed to hit \$600,000 by the end of 2027. Even if the roofing costs remains at \$700,000 until 2027, and annual repairs remain at $3000/year, we will need to add $390,500 plus and additional $15,000 for repairs (total of $405,500) to the roofing reserve by the end of 2027. Thus, as we raise the roofing funding target to $700,000 for 2023, we then face an annual roofing assessment to $71,400 for the next 5 years.

Recommendation: I recommend we add $115,000 to the roofing reserve by special assessment in 2022. This will restore the roofing reserve to a "linear track" toward a target of $700,000 in 2027. Further, this will bring the total 2022 contribution to the roofing reserve to $163,400—which is slightly less than the 2004 contribution to the roofing reserve was (~$165,000). The replenishment will allow us more options as we face the practical choices of re-roofing.

Building and Recreation Reserves:

Background: In 2020 PBV spent almost $24,000 on improving our recreation facilities—on new clubhouse carpet and renovating tennis court and pool. This totally depleted available funds in our recreation reserve. In fact, to pay for these projects we had add over $5,000 of unassigned interest to the recreation reserve in 2020. We are also looking at spending an additional $57,000 out of the recreation fund in 2023—note projects below. In 2021, we spent over $35,400 out of the building reserve and ongoing projects will nearly deplete this fund by early 2022. In addition, we want to spend an additional $70,000 out of the building fund in 2022—note projects below.

Proj. #	2022 Projects	Cost	Bill to
11	Grounds and Area Lighting	$15,000	Building Reserve
12	Roofing Truss Brackets	$12,000	Roofing Reserve
19	Soffit Repair on three buildings	$28,000	Building Reserve
21	Replace Broken Shutters	$500	Building Reserve
23	Repair Trash Enclosures	$6,000	Building Reserve
33	Replace Exterior Bldg Lights	$6,000	Building Reserve
34	Re-paint Complex	$100,000	Painting Reserve
27	Front Entrance Redesign	$4,000	Building Reserve
		$171,500	

Proj. #	2023 Project	Cost	Bill to
41	Resurface Pool Gunite	$25,000	Recreation Reserve
28	Replace Clubhouse Awning in kind	$7,000	Recreation Reserve
31	Replace Pool Deck Furniture	$25,000	Recreation Reserve
16	New Washers, Dryer's Hot Water Heaters	$2,000	Operations
		$59,000	

Recommendation: Add $30,000 to the recreation reserve via a 2022 special assessment, and $70,790 to the building reserve via a 2022 special assessment. This combined with the regular annual assessments to these funds will allow all current planned work to proceed and rebuild fund balances going forward.