

PBV Owners Meeting Treasurer's Report

January 10, 2022

Section 1. 2021 Financial Review:

2021 Year end financials will be available in about 10 days, but based on 11 months actual and estimates for December, we believe that we will finish 2021 with a sizeable net operating income. We estimate that our 2021 total operating income will be \$328.9K and our total operating expenses will be \$316.6K, for a positive net income of \$12.2K. This means we will finish 2021 will \$12,200 more dollars in the bank than we had at the start of 2021. It also means our owners equity increased from \$72,065 to an estimated \$84,277 at year end (based on an estimated net income of \$1,800 for December). From this I am estimating a year end free cash position of \$56.4K (based on a prepaid insurance of ~\$28K at year end). More on this as part of the 2022 budget.

On the Reserves side, we started 2021 with \$451.1K, ended with \$500.0K. We added \$86.6K, spent \$41.3K, gained \$3.6K in interest, for a net gain of \$48.9K. Our expenses through November were \$5,275 for roofing repairs (Bldgs. A, B, D, E, F, G), \$585 for new clubhouse tankless hot water heater, and \$35,443 for building projects (\$19K new security system, \$5.0K last of pool fence, \$4.5K power washing, \$2.5 common area doors, \$1.9K new wiring, \$1.9K for various soffit, gutter and stucco repairs.)

In 2020, the board started documenting a series of potential improvement projects—this list grew to about 50 in 2021. Roughly 20 have been completed or are currently in progress. During the summer, this effort transformed into a strategic, long range look at what it will take to:

- Maintain PBV over the next 10 years—our buildings are approaching 50 years of age.
- Improve the attractiveness and appeal of our facilities to current and future owners.

This effort considers the nature and potential costs of projects to achieve these goals. These projects were then used a basis for studying funding needs of each our five reserves funds over the next 10 years. The study showed that our painting and paving funds are in good shape for the foreseeable future. However, our roofing fund is significantly underfunded. While it has always been “100% funded”, the funding target remained at \$250,000 until 2019. It is now set at \$600,000 and needs to be raised to \$700,000 next year, and so it faces the need for large additional funding between now and 2027 (target year for new roofs). Our recreation reserve and our building reserve were also studied this summer. We estimated costs needed to maintain/repair/replace assets that are essential to the safe operation of our buildings and our recreational facilities. We found we needed to raise the funding target for our reserve fund from \$50K to \$150K and raise the funding target of our building reserve from \$100K to \$200K. Also, given the need for addition 2022 and 2023 expenses from both of these funds additional funding will be needed for them both.

Section 2. 2022 Budget

With Elliot Merrill's help, we formed the 2022 budget this past October. Key drivers for the 2022 budget were:

- We want to re-start mulching as part of efforts to improve PBV visual appeal (+\$7,800)
- Extra tree trimming will be needed in preparation for complex repainting. (+\$1,000)

- Many services were raising prices for 2022 due ongoing inflation. (+\$3,100)
- Insurance budget reduced (-\$2,600)
- Reduced utilities budget (-\$700)—still more than 2021 actual expenses
- Removed contingency expense (- \$4,000)
- Removed planned surplus (-\$4,000)

These balanced out to a net increase of only \$638 for our 2022 operating budget. In 2022 we will “self-fund” both the contingency and planned surplus line items because we are further improving our cash position by another means.

On the reserves side, we are increasing 2022 reserves funding by \$25,887—from \$86,580 to \$112,467. The paving reserve and the painting reserve are on a linear track to their current funding targets—hence their funding remains the same. Per the 100% funding rule, funding to the roofing reserve is increased \$950 due the 2021 expense of \$5,700 (spread over the remaining life of 6 years). However, this fund is underfunded for its probable 2023 funding target of \$700,000--addition funding will be discussed later. Most of the remaining reserves increase will be added to the recreation reserve (\$12,700) and building reserve (\$12,100), according the new funding targets and remaining lifetimes. The board expects to continue to be active in improving PBV through these reserve monies, and we also expect property values to increase as a result of these improvements.