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TO: Three Fountains Homeowners
FROM: Three Fountains Board of Managers
SUBJECT: Year 2015 Operating and Reserve Budgets
Date: December 1, 2014

The majority of the Board of Managers approved the 2015 Budget at the November 17, 2014 Board meeting. The budget was prepared by members of your Three Fountains Board and our Property Management Company (LCM). The steps taken to create the budget were reviewed with the new Three Fountains Finance Committee.

The Homeowner dues will continue to be \$375.00 a month for 2015. Due to rising costs everywhere, the Operating Fund budget for day to day operations has increased from \$610,780 to \$655,172 to meet additional funding requirements identified below. In the upcoming year, we will continue to make deposits of \$23,175 per month to the General Reserve that will provide for future purchases of capital equipment, the replacement of wood shake roofs on two buildings and two metal staircases. Deposits of \$6,500 per month to the Capital Improvements Reserve during the 1st quarter will provide funds to pay for shake roof replacement project due to start in 2016. The Board approved a \$100,000 drawdown on the existing line of credit with UMB Bank in order to keep the line open without incurring fees. The line will be repaid over 7 months at a rate of 3.25% interest.

The Budget Summary enclosed with this letter describes how your monthly dues are allocated for each type of expense. A Comparative Summary for 2014 and 2015 Budgets is shown below.

Operating Budget

<u>Income</u>	<u>2014 Budget</u>	<u>2015 Budget</u>
Revenue from Dues	\$952,780	\$952,780
Reserve Transfers	- 342,000	- 297,608
Net to Operating, after Transfers	\$610,780	\$655,172
<u>Operating Expenses</u>		
Administration	\$104,137	\$127,341
Payroll	245,000	239,730
Grounds Expenses	63,400	73,727
Buildings Expenses	29,760	26,893
Recreation Expenses	7,640	11,105
Utilities Expenses	138,093	138,376

Operating Projects	<u>22,750</u>	<u>38,000</u>
<u>Total Operating Expenses</u>	<u>\$610,780</u>	<u>\$655,172</u>

Within the Operating expenses, the Administration increase is due to the 30% increase in the insurance premiums in order to insure the wood shake roofs. The change in Payroll is a decrease of \$5,270 due to the loss of a long term employee and an increase to provide for wage increases, associated employer taxes, and payroll administration. Utility rates are expected to remain the same based on 2014 experience. Operating Fund projects funded for 2015 include: Sewer Line root removal \$11,000; Repair Concrete walkways \$2,000; Landscape Restoration Upgrade \$10,000; and Waterline Repair \$15,000. Significant savings continue to be experienced by use of our work crew versus outside contractors.

<u>General Reserve Projects</u>	<u>2014</u>	<u>2015</u>
Flat Roof Replacements	\$402,000	\$ -0-
Water Main Breaks	15,000	15,000
Swimming Pool Covers	9,000	-0-
Small Pool Heater	5,000	-0-
Shake Roof Replacement	-0-	187,000
Lighting – Common Area	-0-	35,354
Metal Stair Replacement	-0-	20,000
Truck Replacement (Estimate)	-0-	55,000
Plow Replacement (Estimate)	-0-	7,493
Tractor Replacement (Estimate)	-0-	7,493
Emergency Reserves	-0-	20,000

The above General Reserve Projects are detailed as follows: Water main break costs are becoming more prevalent due to the age of our sewer lines and intruding large tree roots. Two shake roofs will need to be replaced in 2015. The common area lighting is part of the long range plan and this will upgrade the white lights found around the properties. The equipment is aged and falling apart and needs to be replaced so the maintenance crew can safely continue to provide good service to the community.

The Flat Roof Replacement Program was completed in 2014; \$402,000 was budgeted, \$441,486 was spent to complete the project. The Board asked the property manager to get a new Engineering study so that we have an updated evaluation of the state of the wood shake roofs, the updated costs to replace the roofs along with the timing of when each building roof needs to be replaced.

With the resources provided by the homeowners as reflected in this Budget, the dedication of our on-site work crew, and prudent financial management, the Board is confident that your Three Fountains property will continue to be recognized as one of the finest residential areas in Southeast Denver.

Board of Managers
Three Fountains Corporation

Abby Marsh, President
Jan Hiatt, Vice President
Kevin Haight, Secretary
Marilyn Mattson, Treasurer
Kathy Mehlmann, Member at Large

Three Fountains

Budget 2015

Board Approved: Date 11.17.14

Final Edit: 11.24.14

	2015 Budget	Percent of Fees	Dollars/ Month/Unit
<u>REVENUE</u>			
Assessment Fees	\$952,780	100.00%	\$375.00
Operating Interest	\$0	0.00%	\$0.00
TOTAL REVENUE	\$952,780	100.00%	\$375.00
<u>RESERVE TRANSFERS</u>			
General Reserve Transfer	\$278,108	29.19%	\$109.46
Capital Reserve Transfer	\$19,500	2.05%	\$7.67
TOTAL RESERVE TRANS	\$297,608	31.24%	\$117.13
<u>TO OPERATING</u>			
	\$655,172	68.76%	\$257.87
<u>OPERATING EXP</u>			
ADMINISTRATION			
Loan Payment	\$0	0.00%	\$0.00
Loan Interest Payment	\$0	0.00%	\$0.00
Billing Service Reimbursed	\$150	0.02%	\$0.06
Office Supplies	\$1,580	0.17%	\$0.62
Newsletter/Postage	\$1,970	0.21%	\$0.78
Dues/Educ/Subscr	\$835	0.09%	\$0.33
Website Maintenance	\$500	0.05%	\$0.20
Management Fee	\$22,160	2.33%	\$8.72
Other mgmt svcs	\$300	0.03%	\$0.12
CPA/Tax prep	\$3,250	0.34%	\$1.28
Legal Fees	\$1,740	0.18%	\$0.68
Interest Expense	\$0	0.00%	\$0.00
Bank Charges	\$3,840	0.40%	\$1.51
Insurance - Prop/Liabil	\$83,924	8.81%	\$33.03
Income taxes	\$3,500	0.37%	\$1.38
Taxes - Property	\$1,280	0.13%	\$0.50
Board Meeting Exp	\$200	0.02%	\$0.08
Eng/Profess/Consult	\$550	0.06%	\$0.22
Other Admin	\$550	0.06%	\$0.22
Coupon Books	\$1,012	0.11%	\$0.40
TOTAL ADMIN	\$127,341	13.37%	\$50.12
PAYROLL EXPENSES	\$239,730	25.16%	\$94.35
GROUNDS			
Light Fixtures-Rep/Maint	\$880	0.09%	\$0.35
Comm Area Maint Supp	\$7,105	0.75%	\$2.80
Equipment Repair	\$450	0.05%	\$0.18
Fire Extinguisher Maint	\$350	0.04%	\$0.14
Equipment Rental	\$215	0.02%	\$0.08
Pest Control	\$1,280	0.13%	\$0.50
Asphalt Rep/Seal Coating	\$7,000	0.73%	\$2.76
Lanes/Walks Concrete	\$704	0.07%	\$0.28
Landscape Contract	\$34,695	3.64%	\$13.66
Sprinkler-Maint/Repair	\$1,620	0.17%	\$0.64
Snow Removal	\$500	0.05%	\$0.20
Fountain Maint	\$200	0.02%	\$0.08
Landscape Supplies	\$2,600	0.27%	\$1.02
Tree Trim	\$9,700	1.02%	\$3.82
Insecticide Spray & Revive	\$5,000	0.52%	\$1.97
Vehicle Gas/Maintenance	\$1,428	0.15%	\$0.56
TOTAL GROUNDS	\$73,727	7.74%	\$29.02

	2015 Budget	Percent of Fees	Dollars/ Month/Unit
BUILDINGS			
Electrical Repairs	\$50	0.01%	\$0.02
Exterior bldg repairs	\$5,143	0.54%	\$2.02
Roof repair	\$2,000	0.21%	\$0.79
Plumbing/repair/maint	\$2,550	0.27%	\$1.00
Interior Bldg Repairs	\$7,000	0.73%	\$2.76
Signage	\$300	0.03%	\$0.12
Downspout & Gutter Repair	\$500	0.05%	\$0.20
Wall/fence repair/paint	\$6,500	0.68%	\$2.56
Locks & Keys	\$350	0.04%	\$0.14
Sewer clean out	\$2,000	0.21%	\$0.79
Foundation Repairs	\$500	0.05%	\$0.20
TOTAL BUILDINGS	\$26,893	2.82%	\$10.58
RECREATION			
Swimming Pool Maint & Sup	\$5,000	0.52%	\$1.97
Swimming Pool Sup & Plants	\$100	0.01%	\$0.04
Pool License Fees	\$200	0.02%	\$0.08
Clubhouse Supplies	\$1,000	0.10%	\$0.39
Clubhouse Maint/Clean	\$3,760	0.39%	\$1.48
Assn Summer Social	\$1,000	0.10%	\$0.39
Assn. Social Activities/Other	\$1,140	0.12%	\$0.45
Assn Social Act./Reimburse	-\$1,095	-0.11%	-\$0.43
TOTAL REC	\$11,105	1.17%	\$4.37
UTILITIES			
Electric	\$9,148	0.96%	\$3.60
Gas	\$7,586	0.80%	\$2.99
Water & Sewer	\$82,432	8.65%	\$32.44
Phone /internet	\$5,760	0.60%	\$2.27
Storm Sewer	\$26,200	2.75%	\$10.31
Trash collection	\$7,250	0.76%	\$2.85
TOTAL UTILITIES	\$138,376	14.52%	\$54.46
<u>TOTAL OPER EXP</u>	\$617,172	64.78%	\$242.91
<u>OPERATING PROJ</u>			
Sewer root removal	\$11,000	1.15%	\$4.33
Concrete Walkways	\$2,000	0.21%	\$0.79
Landscape Restoration/Upgrade	\$10,000	1.05%	\$3.94
Waterline Repair	\$15,000	1.57%	\$5.90
TOTAL OPER PROJ	\$38,000	3.99%	\$14.96
<u>TOTAL - OP EXP & PROJ</u>	\$655,172	68.76%	\$257.87
<u>CAPITAL PROJECTS - (from Reserve Fund)</u>			
Shake Roof Replacement (2 Properties)	\$187,000		
Lighting, Common Area	\$35,354		
Metal Stair Replacement (2 Stairs @ 10K)	\$20,000		
Truck Replacement (Estimate)	\$55,000		
Replace Plow	\$7,493		
Emergency Reserve	\$20,000		
Replace Tractor	\$7,493		
TOTAL CAP PROJECTS	\$332,340		
* Part of the projects to be funded through the use of the line of credit Proposed drawdown \$100K @ 3.25% interest to be repaid over 7 months			
* Note Estimated Cost for Shake Roof Replacement in TODAY's dollars is \$1.5M. If project not started until 2016/2018 total cost will exceed this amount. In the 1st Quarter 2015 we will get new competitive bids for the project			