



TO: Three Fountains Homeowners  
 FROM: Three Fountains Board  
 SUBJECT: Year 2016 Operating and Reserve Budgets  
 DATE: December 1, 2015

The Board of Managers unanimously approved the 2016 budget at the November 17, 2015 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 Three Fountains Finance Committee.

The Homeowners dues will be increased to \$400 (6.7%) per month for 2016. We are always aware how difficult raising fees can be for Three Fountains is faced with ever increasing operating costs and since fees have not increased in the past six years Three Fountains is a bit behind the curve. The Operating Fund budget for day to day operations has increased from \$655,172 in 2015 to \$710,343 in 2016. The Operating fund budget number in 2014 was \$610,780 so in the last two years the day to day costs of maintaining our community has increased over \$99,000. We will highlight these increases below. The \$25 increase of dues will boost our revenues by \$63,519 a year, so as you can see Three Fountains is still a bit behind. The Board believes that a \$25 increase is the appropriate amount at this time. In the upcoming year, we will continue to make deposits of \$23,829 per month to the General Reserve that will provide for the replacement of wood shake roofs, metal stairs, possible lock system replacements as well as any emergencies that could arise. Deposits of \$5,000 per month for the first four months of the year will be made to the Capital Improvement Reserve to increase Three Fountain's savings investments portfolio in an attempt to earn a better rate of return.

The Budget Summary enclosed with this letter describes how your monthly dues are allocated for each type of expense. A Comparative Summary for 2015 vs. 2016 Budgets is shown below.

**Operating Budget**

<u>Income</u>	<b>2015 Budget</b>	<b>2016 Budget</b>
Revenue from Dues	\$952,780	\$1,016,299
Transfers to Reserves	<u>-297,608</u>	<u>-305,956</u>
<b>Net to Operating, after Transfer</b>	\$655,172	\$710,343

**Operating Expenses**

Administration	\$127,341	\$131,538
Payroll	239,730	254,919
Grounds Expenses	73,727	110,245
Buildings Expenses	26,893	20,628
Recreation Expenses	11,105	10,703
Utilities Expenses	138,376	136,110
<u>Operating Projects</u>	<u>22,750</u>	<u>46,200</u>
<b><u>Total Operating Expenses</u></b>	<b>\$655,172</b>	<b>\$710,343</b>

Within the Operating expenses, the payroll increase is due to annual wage increases, associated employer taxes and payroll administration. The large increase in Grounds is based in two parts. The first appears to be a large increase from \$7000 to \$27,300 in asphalt repair. Three Fountains is actually just coming off a year where we did not sealcoat any lanes. Three Fountains sealcoats 4 lanes every three years and takes the fourth year off. Last year was the off year so the increase is very large but will remain relatively even over the next three years. The second area of increase is our landscape contract that increased from \$34,695 to \$41,895. Part of the reason for that is Three Fountains added additional bush trimming services to the contract. Operating Fund projects for 2016 include: sewer

line root removal \$10,000; concrete walkways \$2000; landscaping restoration/upgrades \$12,200 as well as \$7,000 in sprinkler/engineers report that can be used for further landscaping options; and waterline repair \$15,000. Significant savings continue to be experienced by use of our own work crew versus using all outside contractors.

<b><u>General Reserve Projects</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Water Main Breaks	\$ 0	\$15,000
Shake Roof Replacement	223,000	312,200
Metal Stair Replacement	20,000	20,000
Lock Replacements / keycards	0	18,000
Emergency Fund	20,000	20,000

The above General Reserve Projects are detailed as follows: Water main break costs are becoming more prevalent due to age of Three Fountains sewer lines and intruding large tree roots. Three Fountains was able to complete five shake roofs in 2015 and hope to be able to do 6-8 in 2016 depending on building size and lack of other emergency issues. Two metal stairs were replaced in 2015 and Three Fountains hopes complete two more in 2016. Lock replacements is part of a long range plan that will repair locks that are antiquated or broken.

The five roofs completed in 2015 had an actual cost of \$223,000 vs. the \$187,000 that was budgeted. A new engineering report was completed and an update to current roofing costs was done by our management company (LCM). Expected shake roof repair slated for 2016 is \$438,598 so you can see the Board may have to move some into 2017. 2017 only had \$21,218 projected so we should have room to slide into 2017. However, 2018 has an anticipated cost of \$875,081. 2018 is the year projected to have the roof replacements basically completed.

In conclusion, the Board wants to state again that we are fully aware, as homeowners ourselves, how dues increases can impact a family. It was a decision we felt that could not be postponed for another year if we were going to keep Three Fountains in the position of 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  
Jeff Rickard, Treasurer  
Kathy Mehlmann, Member at Large

# Three Fountains Budget 2016

Board Approved: Date November 17, 2015

	2016 Budget	Percent of Fees	Dollars/ Month/Unit
<b>REVENUE</b>			
Assessment Fees	\$1,016,299	100.00%	\$400.00
Operating Interest	\$0	0.00%	\$0.00
<b>TOTAL REVENUE</b>	<b>\$1,016,299</b>	<b>100.00%</b>	<b>\$400.00</b>
<b>RESERVE TRANSFERS</b>			
General Reserve Transfer	\$285,956	28.14%	\$112.55
Capital Reserve Transfer	\$20,000	1.97%	\$7.87
<b>TOTAL RESERVE TRANS</b>	<b>\$305,956</b>	<b>30.10%</b>	<b>\$120.42</b>
<b>TO OPERATING</b>	<b>\$710,343</b>	<b>69.90%</b>	<b>\$279.58</b>
<b>OPERATING EXP</b>			
<b>**ADMINISTRATION**</b>			
Loan Payment	\$0	0.00%	\$0.00
Loan Interest Payment	\$0	0.00%	\$0.00
Billing Service Reimbursed	\$0	0.00%	\$0.00
Office Supplies	\$2,016	0.20%	\$0.79
Newsletter/Postage	\$2,100	0.21%	\$0.83
Dues/Educ/Subscr	\$600	0.06%	\$0.24
Website Maintenance	\$600	0.06%	\$0.24
Management Fee	\$22,155	2.18%	\$8.72
Other mgmt svcs	\$300	0.03%	\$0.12
CPA/Tax prep	\$3,350	0.33%	\$1.32
Legal Fees	\$1,725	0.17%	\$0.68
Interest Expense	\$0	0.00%	\$0.00
Bank Charges	\$4,000	0.39%	\$1.57
Insurance - Prop/Liabil	\$87,000	8.56%	\$34.24
Income taxes	\$3,500	0.34%	\$1.38
Taxes - Property	\$1,280	0.13%	\$0.50
Board Meeting Exp	\$350	0.03%	\$0.14
Eng/Profess/Consult	\$1,000	0.10%	\$0.39
Other Admin	\$550	0.05%	\$0.22
Coupon Books	\$1,012	0.10%	\$0.40
<b>TOTAL ADMIN</b>	<b>\$131,538</b>	<b>12.94%</b>	<b>\$51.77</b>
<b>**PAYROLL EXPENSES**</b>	<b>\$254,919</b>	<b>25.08%</b>	<b>\$100.33</b>
<b>**GROUNDS**</b>			
Light Fixtures-Rep/Maint	\$0	0.00%	\$0.00
Comm Area Maint Supp	\$7,819	0.77%	\$3.08
Equipment Repair	\$1,000	0.10%	\$0.39
Fire Extinguisher Maint	\$301	0.03%	\$0.12
Fences	\$6,500	0.64%	\$2.56
Pest Control	\$1,280	0.13%	\$0.50
Asphalt Rep/Seal Coating	\$27,300	2.69%	\$10.74
Lanes/Walks Concrete	\$350	0.03%	\$0.14
Landscape Contract	\$41,895	4.12%	\$16.49
Sprinkler-Maint/Repair	\$2,000	0.20%	\$0.79
Snow Removal	\$500	0.05%	\$0.20
Fountain Maint	\$2,000	0.20%	\$0.79
Landscape Supplies	\$2,600	0.26%	\$1.02
Tree Trim	\$9,700	0.95%	\$3.82
Insecticide Spray & Revive	\$5,000	0.49%	\$1.97
Vehicle Gas/Maintenance	\$2,000	0.20%	\$0.79
<b>TOTAL GROUNDS</b>	<b>\$110,245</b>	<b>10.85%</b>	<b>\$43.39</b>

	2016 Budget	Percent of Fees	Dollars/ Month/Unit
<b>**BUILDINGS**</b>			
Electrical Repairs	\$100	0.01%	\$0.04
Exterior bldg repairs	\$5,143	0.51%	\$2.02
Roof repair	\$2,000	0.20%	\$0.79
Plumbing/repair/maint	\$2,000	0.20%	\$0.79
Interior Bldg Repairs	\$7,000	0.69%	\$2.76
Signage	\$300	0.03%	\$0.12
Downspout & Gutter Repair	\$500	0.05%	\$0.20
Lighting	\$835	0.08%	\$0.33
Locks & Keys	\$250	0.02%	\$0.10
Sewer clean out	\$2,000	0.20%	\$0.79
Foundation Repairs	\$500	0.05%	\$0.20
<b>TOTAL BUILDINGS</b>	<b>\$20,628</b>	<b>2.03%</b>	<b>\$8.12</b>
<b>**RECREATION**</b>			
Swimming Pool Maint & Sup	\$5,100	0.50%	\$2.01
Swimming Pool Sup & Plants	\$0	0.00%	\$0.00
Pool License Fees	\$200	0.02%	\$0.08
Clubhouse Supplies	\$1,150	0.11%	\$0.45
Clubhouse Maint/Clean	\$3,400	0.33%	\$1.34
Assn Summer Social	\$1,776	0.17%	\$0.70
Assn. Social Activities/Other	\$0	0.00%	\$0.00
Assn Social Act./Reimburse	-\$923	-0.09%	-\$0.36
<b>TOTAL REC</b>	<b>\$10,703</b>	<b>1.05%</b>	<b>\$4.21</b>
<b>**UTILITIES**</b>			
Electric	\$9,686	0.95%	\$3.81
Gas	\$10,435	1.03%	\$4.11
Water & Sewer	\$74,758	7.36%	\$29.42
Phone /internet	\$5,779	0.57%	\$2.27
Storm Sewer	\$26,711	2.63%	\$10.51
Trash collection	\$8,741	0.86%	\$3.44
<b>TOTAL UTILITIES</b>	<b>\$136,110</b>	<b>13.39%</b>	<b>\$53.57</b>
<b>TOTAL OPER EXP</b>	<b>\$664,143</b>	<b>65.35%</b>	<b>\$261.40</b>
<b>OPERATING PROJ</b>			
Sewer root removal	\$10,000	0.98%	\$3.94
Concrete Walkways	\$2,000	0.20%	\$0.79
Landscape Restoration/Upgrade	\$12,200	1.20%	\$4.80
Waterline Repair	\$15,000	1.48%	\$5.90
Sprinkler - Engineering Report	\$7,000	0.69%	\$2.76
<b>TOTAL OPER PROJ</b>	<b>\$46,200</b>	<b>4.55%</b>	<b>\$18.18</b>
<b>TOTAL - OP EXP &amp; PROJ</b>	<b>\$710,343</b>	<b>69.90%</b>	<b>\$279.58</b>
<b>CAPITAL PROJECTS - (from Reserve Fund)</b>			
Shake Roof Replacement (7 buildings)	\$312,200	30.72%	\$122.88
Metal Stair Replacement	\$20,000	1.97%	\$7.87
Lock Replacement Pools & Common Buildings; keycards	\$18,000	1.77%	\$7.08
Emergency Fund	\$20,000	1.97%	\$7.87
<b>TOTAL CAP PROJECTS</b>	<b>\$370,200</b>	<b>36%</b>	<b>\$146</b>

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