

**Obermeyer Place Condominium Association
2012 Budget Message, Assumptions and Notes**

ASSOCIATION SERVICES:

The Association provides general management, administration and maintenance services to Obermeyer Place Condominiums. These services are provided through a management contract with Beach Resource Management of Aspen, Colorado. The Manager bills and collects all assessments, fees and charges; contracts for services and employs staff to operate and maintain the OPCA complex of five buildings and a two level underground parking structure. Management's staff responds to trouble calls 24 hours per day, 365 days per year. The OPCA complex is staffed seven days per week.

BASIS OF ACCOUNTING:

The basis of accounting utilized in the preparation of the 2012 budget for the District is the accrual method. The District's 2012 budget includes projected revenues and expenditures for its general operating fund, reserve fund and capital projects fund.

IMPORTANT FEATURES OF THE BUDGET:

The 2012 budget is intended to cover all proposed and projected operating costs and does not violate any accounting standard or applicable law.

GENERAL COMMENTS:

The Association does not directly employ any staff. All maintenance work conducted within the Complex is completed by contractors or employees of Beach Resource Management. For the past five years Beach has provided this staffing to the Association at its direct labor and benefits cost.

Assessments for 2008 were reduced by 25% and although it was thought that a further reduction would be possible in 2009, a revised reserve study determined that additional funding was required in 2009 to bring the reserve fund to a stronger position.

Revenue projections in 2009 were adjusted downward by approximately \$21,000 due to a reduction in cash flow resulting from liens filed against delinquent unit owners.

Needed capital projects in 2010 and 2011 were partially funded by reducing the amount contributed to the Capital Reserve Account. A significant reduction in interest earnings combined with capital projects costs resulted in a reduction of the operational carry-forward for 2011 by approximately \$60,000.

In 2012, operational expenses are budgeted to increase only slightly, by 1.2%. The primary budgetary focus will be to return the Capital Reserve Account to 50% of the amount suggested in the Reserve Study (\$365,953), and therefore assessments for 2011 will increase by 15% over 2010 to allow the necessary funding (\$121,575) to accomplish this goal.

REVENUES

The majority of revenues of the Association come from member assessments for operations, reserves and capital improvements. Other revenues include interest earnings on deposits, fees and charges, and reimbursed costs. Revenues collected by the Association are used for all budgeted purposes, and revenues collected in excess of actual expenditures are added to the beginning fund balance for subsequent budget periods.

Assessments: All assessments are billed on a quarterly basis and the Association anticipates collection of 100% of all assessments. In 2011 a 1% discount will be offered to owners who pay their annual assessments in full by February 28th.

DRAFT – INCOMPLETE PER HSGB!!

Interest: Projected interest earnings reflect actions by the Federal Reserve Bank to stabilize the national economy. At the time of this writing, there has been a reduction in the prime lending rate (to the lowest point in 20 years) and indications that the Fed is reviewing the potential for moving forward with additional incentives to stimulate economic activity. This decrease in interest rates may serve to free up additional credit and improve the sluggish economy but it is also likely that falling interest rates will negatively impact OPCA interest earnings.

Transfer from Reserves: The proposed Reserve Transfer for 2011 is \$3,841 for the repainting of metal rail and repair of brick driveway.

Fees and Charges: This includes late fees and fines for late payments, finance charges and other similar charges.

EXPENSES

Professional Fees:

Bank Service Charges: This includes fees for transfers, and miscellaneous service charges.

G&A Salaries and Benefits: This management line item covers the cost of Association management, planning and directing all operations, administering the business of the Association, maintaining required records, filing all state and local reports, meeting with the Board of Directors and members, carrying out directives of the Board and responding to member questions and requests and coordinating activities with other entities and local governments. This budget line item has remained unchanged since 2008.

Accounting/Bookkeeping: This line item has been more costly than originally anticipated due to higher than anticipated costs of collecting and accounting for assessments from late paying members, as well as, filing liens against those members who are over 90 days past due. It also includes processing of accounts payable, accounts receivable, preparation of periodic financial statements, budgets, record keeping, cash management, vendor management and the issuance of annual 1099 forms.

Covenant Enforcement: This line item covers the cost of specific enforcement of protective covenants.

Construction Design Review: This line item covers the cost of review and oversight of construction and tenant finish within the complex.

Legal: This covers all aspects of Association business, rules and regulations and includes counsel on covenant enforcement, liens, etc.

Management fee: This is the fee charged by Beach Resource Management for services provided to the Association.

Insurance: This is the cost for full commercial insurance coverage including Directors & Officers, General Liability, Fidelity and an Umbrella policy. There will be a 3% increase from 2010 costs based on estimates from the insurer.

DRAFT – INCOMPLETE PER HSGB!!

Operations:

Refuse and Recycling: Slight decrease over 2009 budget.

Maintenance and Contract Maintenance: Includes all routine maintenance tasks within OP and covers the cost of two full time staff plus a part-time staff charged with cleaning of public rest rooms. Tasks include but are not limited to; sweeping, replacement of light bulbs, minor painting, drywall repairs, electrical, plumbing, maintenance of equipment and facilities, garage cleaning, cleaning of hallways and stairways, snow plowing, shoveling and removal, addressing member requests, maintenance of landscaping, irrigation, snowmelt, parking garage, etc.

Supplies, tools and equipment: This line item covers the cost of all supplies, fuels, materials, small tools and rental equipment used in the maintenance of facilities.

Bulb Replacement: This covers the cost of replacing lights and bulbs throughout the garage and complex. The garage bulbs run approximately \$40 per bulb and management is looking into replacing the HID bulbs with HICF bulbs. This is not just a simple replacement of bulbs but requires a replacement of transformers and ballasts as well.

Landscape and materials: Includes costs for upkeep and maintenance of landscaping, mowing, weeding, spraying, fertilizing, pruning, raking, flowers, pots and hanging baskets. This is a cost that varies each year with need and Board direction.

Postage: This item covers the cost of mailings and billings to constituents.

Telephone: This item covers the cost of all elevator and mechanical system phone lines, plus the engineering room phone.

Security/Fire monitoring: Includes all costs associated with complex security. Camera and system management, secure system cards and keys, lock down of complex each evening and opening each morning, the cost of fire system monitoring and responses to alarms, logging and record keeping of all alarms and security system calls, and All-Tec services. Costs are similar to 2010.

Elevator Maintenance: This is a contract service provided by Thyssen-Krupp and includes the annual elevator inspection fees charged by Northwest COG. Increase in 2010 reflects higher actual costs in 2009 due to an increase in city, county and state requirements and inspections.

Mechanical Systems: Includes the cost of maintenance by Tolin Mechanical and scheduled maintenance of all systems by BRM staff. Also covers minor repairs, lubrication, belts and motor maintenance.

Miscellaneous: Covers all small expenses such as job ads, office supplies, printing, small signs, et cetera.

Utilities: This line item covers the cost of electricity for pumps, motors and controls, lighting of the garage and common areas; natural gas for boilers and water heaters. Management will continue to work on ways to reduce energy inputs.