

MARSHALL PARK VILLAS CONDOMINIUM ASSOCIATION

C/O Realty One, Inc.
1630 Carr St. Suite D
Lakewood, CO 80214
303-237-8000

January 1, 2022

To: Marshall Park Villas Homeowners

Re: 2022 Monthly Dues Increase

Dear Homeowner,

After spending a great deal of time and projections for the fiscal year of 2022, it has become necessary to increase the monthly dues by \$10.00 a month = \$360.00 per month. The reason for the increase is the cost of operating expenses, insurance and unexpected maintenance and repairs.

The Board of Directors has approved to start the increase effective February 1, 2022. If you are on ACH (Automatic Withdrawal), no change on your account is necessary. If you pay via online banking, you will need to contact your bank and change the amount to reflect the \$10.00 increase.

If you have any questions, please feel free to email us at admin@realtyone-co.com.

Thank You,

Realty One, Inc.
Managing Agent
Marshall Park Villas Board of Directors

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*Current Financial Overview
Yearly Comparison of Actual Costs 2018 through 2021*

Marshall Park Villas Condominium Association

Current Financial Overview

2021 and 2022

It is Budget time of year again Marshall Park! Because we have had yearly dues increases over the past several years, President Debbie Vaughan and Board member Beverly Zeller took the time (many hours) to compile a year-by-year comparison of expenses from 2018 through 2021 to help with preparation of a Budget for 2022. While we hope every year to keep the dues from increasing, after reviewing the numbers, attempting to lower actual costs in several areas (some successful and some not), we realized there is no way around another monthly increase.

Therefore, the dues in 2022 will increase by \$10 per month to \$360, except for January, which will remain at \$350.

Below is an overview of the major factors that have influenced this decision. Due to the low attendance at the last Annual Meeting and the limits associated with video/tele conferencing, it seemed best to provide this information in writing so that everyone is fully informed. Please refer to the **YEARLY COMPARISON OF ACTUAL COSTS and 2022 BUDGET** (mailed separately) for specific amounts and additional notes.

Worker's Comp Insurance

In recent years, the Board has gone back and forth over the need for Worker's Comp coverage, kept as added protection for loss of wages by a contractor or volunteers. Because the premium increased by \$242 from 2020 to 2021 and of expected additional increase for in 2022, along with higher than anticipated increase in liability insurance for 2022, it has become cost prohibitive. Therefore, **we will no longer retain a separate Worker's Comp policy in 2022.**

Liability Insurance

In October 2021, Realty One Inc. submitted our master policy information to their insurance broker for review in the hopes that we could reduce premium costs. One bid proposal was received, and a second company declined to bid because our Reserve balance was too low. We also reviewed the information with another broker on our own.

Even though the bid included additional coverages (Worker's Comp), and would have saved about \$2,400 per year, it also applied a separate wind and hail deductible equal to 5% of the insured amount for buildings -- in our case a potential deductible of close to \$400,000. This effectively transfers the responsibility for repair costs to the homeowner, requiring you to pay a portion of the deductible or the actual repair costs through a loss assessment claim on your own personal insurance policy.

Initially, we were told after the review that our State Farm policy (since 1999) was Actual Cash Value (not good). However, our representative at State Farm clarified that we do indeed have a Replacement Cost Value policy (best), and that wind and hail would continue to be covered under the standard \$10,000 deductible -- rare, since most companies are going to the percentage deductible to save costs. We could be forced into this at some point in the future.

After understanding the details, the Board unanimously agreed to keep our policy with State Farm. **However, the premium for 2022 is about 6% higher than 2021 - \$28,209.**

IMPORTANT NOTE ABOUT LOSS ASSESSMENT COVERAGE - Please contact your personal insurance carrier to insure you have at least \$10,000 in Loss Assessment coverage to pay for your portion of certain assessments levied by the Association. Some companies allow you to buy higher amounts of coverage – a good idea if available. The premium increase is usually very minimal.

Landscape Contract

USG has been our landscape contractor since 2019. At the time, they were the lowest of all bids received, and their rates have not increased through 2021. They have provided us with consistent service, especially sprinkler repair work, and are a pleasure to work with. Economic factors such as higher costs and limited availability of labor, parts, and supplies have forced them to raise their landscaping contract by about 2.5% for 2022. They have declined new business for 2022 in order to continue to service their regular customers. An amount for bush trimming will be added to their contract in 2022.

Sprinkler System Maintenance

USG has had plenty to do to keep our sprinkler system functioning the best it has in years. The yearly average for sprinkler repairs from 2019-2021 has been over \$4,000. The amounts were increased for 2022 to repair a large leak that was discovered at the end of 2021.

Snow Removal

Snow removal costs remain high for Associations throughout the metro area. USG has provided the best service we have had in many years, and their hourly costs for hand shoveling are average compared to other companies of similar size. After recent loss of one of their snow removal companies, Realty One, Inc. made 15 plus attempts to get additional bids with no success. Three consistent reasons were cited: no longer taking customers, out of snow removal altogether, or out of business entirely.

Based on an average of actual amount spent over the last 4 years, we were able to lower the budgeted amount for 2022. This could prove to be inadequate depending on Mother Nature. **Reminder: the trigger depth is 3" and you will not be shoveled if there is less than that around your unit at the time they arrive. We may consider eliminating shoveling on some storms to reduce costs.**

Gutter Cleaning

Down to Earth Tree Care-Arthur Castillo has kept the rates for two gutter cleanings per year the same for several years in a row. His prices were the lowest of other comparison bids obtained in 2021.

Property Management

Realty One, Inc. has kept their rates at \$6,300 per year since we retained them in 2018 and will continue to do so in 2022.

Repairs and Maintenance

Repairs and maintenance on our aging buildings will continue to be a huge expense in the coming years. A small amount is added to the budget for low dollar work. Any large expenses would come from Reserves or a Special Assessment. The comparison spreadsheet shows actual costs from year to year.

Painting

The cost of painting almost doubled from 2019 to 2020. A Board member recently inspected the paint condition of each building and found most to be in very good condition because we use good quality paint. Therefore, the Board agreed to put off painting for a couple years, and paint only one building

per year based on condition. We are trying to find an insured handy man or two (difficult) that could do touchup work in between paintings.

In 2019, we were counseled by Realty One, Inc. to remove painting from the operating budget, being told that it should be treated as a capital expense paid from the Reserves. Unfortunately, our Reserves have been depleted due to large dollar maintenance/repair costs since 2018. We will need to increase our contribution to Reserves and/or eventually add an amount into the budget for painting.

Reserves

It is a legal and fiscal responsibility for the Ownership to fund a Reserve Account in order to be ready for large dollar maintenance, repair and emergency projects, capital improvements like painting and landscaping, unexpected shortfalls in operating expenses, and other items. It is recommended that a **minimum** balance of from \$2,000 to \$3,000 per unit should be maintained - \$56,000 to \$86,000.

Each year since 2019, 10% of the budget has been transferred to the Association’s Reserve Account, and each year, the balance has decreased because the full amount transferred and more has been used for repairs. The Reserve account has not grown, and will not grow at this rate. **An amount close to 12% is added to the 2022 budget. This amount is still not adequate.** Other communities managed by Realty One, Inc. have increased their contribution to 20% or more and/or have levied a special assessment payable over a year in order to boost the Reserves to a safe level. Frankly, a special assessment may be discussed. It is better than an emergency assessment due all at once.

RESERVE ACCOUNT ACTIVITY	2019	2020	2021 (anticipated)
Beginning year balance	\$52,839.50	\$43,438.38	\$32,576.70
Deposits	\$10,584.00	\$11,332.00	\$11,760.00
Interest earned	\$15.88	\$6.32	\$3.49
Transfer to checking for large projects and operating shortfalls	(\$20,000.00)	(\$22,200.00)	(\$11,399.13)
Reserve Balance period ending	\$43,438.38	\$32,576.70	\$32,941.06

Tree and Bush Maintenance

After attempting to get a few comparative bids for tree work, we decided to keep using our very trusted arborist, Down to Earth Tree Care, who continues to provide excellent service at a comparatively lower price. The amount budgeted for trees in 2022 was lowered due to good care and ongoing maintenance provided in prior years. After looking at several options for bush care, we chose our landscaper USG, who removed some bushes and trimmed others this fall. An amount for bush trimming will be added to their contract in 2022.

Water

The average yearly water usage since 2018 is just over \$17,000. The higher usage in the past two years was due to extra watering in 2020 to bring grass back to health, more people home 24/7 due to COVID, a sprinkler leak (2021 to be repaired in 2022), and increased rates. MPV covers indoor, non-sprinkler-system water (not typical), at an average cost for 2019-2020 of about \$7,000 per year (\$20 per month).

**MARSHALL PARK VILLAS CONDOMINIUM ASSOCIATION
YEARLY COMPARISON OF ACTUAL COSTS 2018 THROUGH 2021
WITH 2022 BUDGET**

	2018 Actual	Comparison (2018 - 2019)	2019 Actual	Comparison (2019 - 2020)	2020 Actual	Comparison (2020-2021)	Projected through 2021	2022 Budget	2022 Budget Notes
		\$		\$		\$			
INCOME (Mo. Dues)									
Homeowner Dues	\$260	\$60	\$320	\$20	\$340	\$10	\$350	\$360	\$350 for January \$360/Mo. for 11 months
Reserve (transfer Checking to MM)	\$87,360	\$17,712	\$105,072	\$10,188	\$115,260	\$1,905	\$117,165	\$120,680	Total Operating Budget
Operating Income	(\$5,360)	(\$5,224)	(\$10,584)	(\$748)	(\$11,332)	(\$428)	(\$11,760)	(\$14,500)	Fixed amount to Reserves ~12%
	\$82,000	\$12,488	\$94,488	\$9,440	\$103,928	\$1,477	\$105,405	\$106,180	
EXPENSE/DISBURSEMENTS									
Annual Filing Fees	\$30	\$25	\$55	(\$12)	\$43	\$5	\$48	\$50	Estimate provided by Realty One
Annual Meeting Room	\$77	\$78	\$155	(\$155)	\$0	\$0	\$0	\$0	
Bank Charge	\$90	(\$78)	\$12	(\$12)	\$0	\$0	\$0	\$0	
Gutters (Cleaning)	\$2,850	(\$50)	\$2,800	(\$1,400)	\$1,400	\$2,800	\$4,200	\$2,800	Gutter cleaning bid amount
Insurance, Worker's Comp (Pinnacol)	\$0	\$350	\$350	(\$2)	\$348	\$244	\$592	\$0	Worker's Comp policy cancelled
Insurance, Liability (SF)	\$26,981	(\$3,515)	\$23,466	\$2,604	\$26,070	\$644	\$26,714	\$28,209	2022 Premium = 6% Increase \$11,725 (2021 contracted) + \$293 (2.5% increase per USG) + \$1,350 (bush trimming bid from USG)
Landscape Contract	\$13,859	(\$584)	\$13,275	(\$380)	\$12,895	(\$1,170)	\$11,725	\$13,368	
Landscape, Other	\$1,032	(\$1,032)	\$0	\$0	\$0	\$1,900	\$1,900	\$0	
Legal	\$1,446	(\$1,224)	\$222	(\$122)	\$100	\$610	\$710	\$500	
Office Supplies and Expenses	\$112	\$47	\$159	(\$86)	\$73	\$34	\$107	\$100	
Postage and Delivery	\$0	\$135	\$135	\$62	\$197	(\$47)	\$150	\$150	Estimate provided by Realty One
Property Management	\$0	\$6,350	\$6,350	(\$50)	\$6,300	\$0	\$6,300	\$6,300	Actual 2022 fee provided by Realty One, Inc.
Repairs/Maintenance									
General Maintenance	\$0	\$0	\$0	(\$150)	(\$150)	\$965	\$815	\$3,000	For small repairs and maintenance. Large repairs would come from Reserves or an Assessment.
Chimney/Masonry	\$0	\$2,996	\$2,996	\$939	\$3,935	(\$3,935)	\$0	\$0	
Concrete	\$12,790	(\$12,790)	\$0	\$0	\$0	\$12,410	\$12,410	\$0	
Fence	\$0	\$0	\$0	\$4,750	\$4,750	(\$4,750)	\$0	\$0	
Roofing/Gutters (Repair/Replace)	\$0	\$1,383	\$1,383	(\$1,383)	\$0	\$0	\$0	\$0	
Foundation/Drainage	\$0	\$0	\$0	\$4,538	\$4,538	(\$4,538)	\$0	\$0	
Structural, Other	\$6,050	\$2,015	\$8,065	(\$2,982)	\$5,082	(\$5,082)	\$0	\$0	
Painting	\$8,332	(\$3,932)	\$4,400	\$3,389	\$7,789	(\$7,789)	\$0	\$0	
Sanitation	\$5,040	\$504	\$5,544	\$168	\$5,712	\$168	\$5,880	\$6,060	~3% increase
Snow Removal	\$3,354	\$10,873	\$14,227	(\$1,261)	\$12,966	(\$2,404)	\$10,563	\$11,000	Approximate 4-year average
Sprinkler System Maintenance	\$5,231	(\$2,386)	\$2,845	\$2,134	\$4,979	(\$650)	\$4,329	\$5,093	
Tax Prep Fees and Taxes	\$6	\$279	\$285	(\$5)	\$280	\$0	\$280	\$300	Estimate provided by Realty One
Trash Removal	\$4,194	\$999	\$5,193	\$150	\$5,344	\$200	\$5,544	\$5,750	~4% increase
Tree Maintenance	\$17,650	(\$11,505)	\$6,145	\$755	\$6,900	\$1,997	\$8,897	\$6,000	\$5,200=bid for spring 2022 tree trimming from Arthur Castillo. Limit trimming in 2022 because trees were trimmed very well in 2021.
Utilities-Water	\$15,492	(\$1,150)	\$14,342	\$6,290	\$20,632	(\$2,223)	\$18,409	\$17,500	Approximate 4-year average
Total Operating Expense	\$124,616	(\$12,211)	\$112,405	\$17,780	\$130,185	(\$10,612)	\$119,573	\$106,180	
Over/Under Operating Expense	(\$42,616)	\$24,699	(\$17,917)	(\$8,340)	(\$26,257)	\$12,089	(\$14,168)	\$0	
Reserve to Checking-Actual per Year	\$24,310	(\$4,310)	\$20,000	\$2,200	\$22,200	(\$10,801)	\$11,399		