

Prospect Plaza HOA

2006 – 2007 Budget Meeting

October 9th, 2006

Operating Budget

- Increases for 2006 – 2007 year
 - Elevator Expenses
 - Insurance
 - Janitorial
 - Landscaping
 - Accounting fees (replacing Management Fees)
 - Legal fees
 - Maintenance fees

Elevator Expenses

- 2006 includes a \$4,000 charge for the repair of the elevator motor, as discussed in the last letter to the Unit Owners. The on-going maintenance is budgeted at \$3,000. Because of the design of the elevator, the fact that it is exposed to the outside where dirt can get in the mechanism, and it is also located in an unheated tower, the cost of maintenance has always been high. Additionally, Colorado Elevation has indicated that there are several other factors which may present potential problems in the future. So we have budgeted \$3,000 for 2006-2007 maintenance.

Insurance

- Insurance is projected to go up about 6% which is in-line with historic increases. Insurance included property insurance for 315 Adams Ranch, plus liability as well as D&O insurance. 313 Adams Ranch (Kinder Morgan) is covered by their own corporate policy

Janitorial

- Janitorial is currently provided by Night and Day. The Board however is also seeing whether quality janitorial services can be provided by another company at lower cost. But at this stage, we felt it prudent to budget a 5% increase in the current service cost

Landscaping

- Landscaping is budgeted at 5% over the 2006 Contract of \$3,240

Accounting Fees

- As mentioned previously, Rhea resigned her position effective August 12th. Through the end of the year, Judy will do the accounting work with no charge. Beginning January 1st, it is the Board's plan to hire someone to do the accounting at a fee of \$250 per month. Rhea was paid \$520 but had more responsibilities than simply accounting. Those other responsibilities are now being done by the Board

Legal Fees

- We have budgeted \$6,000 in legal fees. Ongoing fees are in the vicinity of \$2,000 and the additional amount relates to issues with the Parking & Access Easement granted to 648A by 648BR, as a part of the approval to split the lot in 2002. It was brought to the Board's attention at the July 26th Board Meeting that the Easements were unilaterally revoked several years ago. This Board felt it necessary to get legal advice on the matter (our Association counsel has a conflict on this matter), and to take action to protect the Association's property rights. During 2006-2007, we will also spend \$2,000 on this matter

Maintenance Fees

- The Board felt it was necessary to budget \$12,000 (or \$1,000 per month) for ongoing maintenance. This year our expenses were equal to that but the budget was not adequate enough to cover them. As a result, we have considerable payables outstanding to Mericana who is carrying much the cost of those repairs, until we can repay them. This situation cannot continue

Overall Operational Budget

- 2005 – 2006
 - \$ 86,660.98 (Income)
 - \$100,125.90 (Expense)
- 2006 – 2007
 - \$101,096.62 (Budget)
- Total increase in budget/income is 16.7%
- Total increase in expenses is less than 1%

Capital Expenditures

- Serious maintenance needs to be completed to this structure to ensure it keeps it's value
- Years have gone by without maintenance items addressed
- Here are a list of items the board has identified as needing to be done immediately

Total Capital Budget

■ Back Wall	\$35K
■ Driveway	\$10K
■ Stucco Repair	\$ 6K
■ Post & Chain	\$ 5K
■ Drainage Issues	\$ 5K
■ Fire Alarm	\$ 2K
■ Paving Payment	\$10K
■ Past Debt	\$10K
■ Contingency	<u>\$ 7K</u>
■ Total	\$90K

This amounts to approximately
\$2.70 per square foot

Revised Capital Budget

Based on Most Updated Bids (10/12/06)

■ Back Wall	\$35,000	
■ Driveway	\$ 8,485	
■ Stucco Repair	\$ 6,000	
■ Post & Chain	\$ 4,860	
■ Drainage Issues	\$ 5,000	(est)
■ Fire Alarm	\$ 2,000	(est)
■ Paving Payment	\$ 9,230	
■ Past Debt	\$11,006	
■ Contingency	<u>\$ 8,419</u>	
■ Total	\$90,000	

Capital Expenditure Budget

- Up to \$90,000 but subject to financing of 50% from the bank
- Bank requires documented bids for approval of financing
 - We don't quite have all of them yet
 - Need approval from 648B and 649 for resurfacing entrance
 - Drainage issue may be hard to quantify without spending money for further investigation

North Wall - \$35,000

- The north side of the building was “temporarily” finished when the building was first built because it was planned to build a second building which would be attached. The “temporary” siding now has holes in it, allowing water to seep in. We are proposing what we feel is the most cost effective way to do this by using a metal siding on the building

Entrance – Asphalt \$10,000

- This cost will be shared among three properties (Prospect Plaza, 648B and 649)
- Total cost will be around \$30,000
- The Board looked at repairing the potholes but we believe that it is ultimately better and more durable to completely re-asphalt properly

Stucco Repair \$6000

- Repair stucco on south side of the Building including repair of water damage & any roof/gutter leaks above the back 2-3A balcony
- The Board believes this needs to be done prior to winter to prevent further damage, particularly the severely damaged area above the back balcony

Post & Chains \$5000

- Trucks are backing into Kinder Morgan fences and into the north side of the 315 Building, barriers to prevent trucks from backing in too close are required to decrease the damage of fences and the building, which is costly to continue repairing

Drainage Issues \$5000

- Water accumulates at garage entrance because the drain does not work properly and drainage from ground level also flows into the garage area. There may be a more permanent (and costly) solution ultimately needed but we need to take some action to mitigate drainage issue.

Fire System \$2000

- Despite servicing, the system continues to beep continuously which is not proper. Need to assess and properly repaired
- There are also sprinkler heads which have recalls on them, which will need to be replaced as soon as possible
- This is critical to review fire system and bring up to code if necessary, for insurance purposes

Payment for Paving \$10,000

- Payment was made in 2004 to Telluride Gravel for paving the Association's parking easement. The Board arranged a loan from our bank to cover the remaining due to GW Concrete. But the payment was offered but never made due to a dispute arising out of a letter to the Association in March 2004 from the owners of Lot 648BR

Past Debt \$10,000

- This includes remaining fund due to Mericana for repairing leak in roof last spring and other repairs of the building. Mericana has been carrying this debt but given the change of ownership, we must put our obligations on a commercial basis. It also includes payment for the new elevator motor, which was expensed in 2005/06 but has yet to be paid

Contingency

- Due to some of these items being unknown and increases in cost from time of original bid until it will be awarded, the board feels the need for some dollars to cover these items

Financing

- Alpine Bank will finance Capital Expenditures
- Bank Requirements
 - Loan based on firm bids / invoices + contingency
 - Interest and Principal repayments must be supported by approved Assessments
 - Will review Association tax returns
 - High level owner review
 - Prime + 1.5%, currently 9.75% + 1% front end fee (financed)
- Board is recommending 50% financing if Unit Owners if individual owners wish to finance
 - Unit owners put a minimum of 50% down, finance the remainder
 - Cost of financing is \$66.47 per 1% ownership
 - Unit owners may pay in full
 - If paid in full, no financing charges accrue to that Unit owner

Capex Considerations

- Approval of Capex Budget and Special Assessment would be subject to approval of required amount of financing by bank
 - Depends on number who opt to pay up front
 - Bank requires written bids for financing
- Completion of north wall of building will require DRB approval

Situation with Capex and Kinder Morgan

- With the exception of the driveway, Kinder Morgan is not benefiting from this Capex plan
- So they are only paying for their share of the driveway
 - This is not dissimilar to how the operating budget is handled
- But Kinder Morgan also paid \$26,340 on capital improvements in 2006 which they could have requested to be added to our total capex budget
 - Improvements included staining building, repairing fencing which cars in our lot had damaged, painting railings, etc.
- If this were added to our total budget, and then Association-wide ownership percentages were applied, Kinder Morgan's overall capital expenditures would have slightly decreased, ie the 315 building would net pick some of the costs of the Kinder Morgan capex. Hence, the allocation as proposed is beneficial to the 315 building but agreeable to Kinder Morgan

Estimated Capital Expense Per Owner

	Full Amount	50% in Advance	Remaining 50% / Month	Interest Per Month	Total Per Month
Thompson	9,592.13	4,796.07	133.22	19.68	152.90
Stone Mountain	8,573.40	4,286.70	119.07	17.59	136.66
Fasolo	4,876.19	2,438.10	67.72	10.00	77.73
K&K Residential	7,142.59	3,571.30	99.20	14.65	113.86
K&K Commerical	2,941.74	1,470.87	40.86	6.04	46.89
Mericana	8,264.34	4,132.17	114.78	16.95	131.74
Livermore	7,199.82	3,599.91	100.00	14.77	114.77
Wilson Residential	5,173.80	2,586.90	71.86	10.61	82.47
Wilson Business	1,854.33	927.16	25.75	3.80	29.56
Gies	5,391.28	2,695.64	74.88	11.06	85.94
Foster	5,379.84	2,689.92	74.72	11.04	85.76
Gleason	4,761.73	2,380.86	66.14	9.77	75.90
Bailis/Adolphi	4,761.73	2,380.86	66.14	9.77	75.90
Sherry	4,681.60	2,340.80	65.02	9.60	74.63
Musclow	4,670.16	2,335.08	64.86	9.58	74.44
Double G	2,392.31	1,196.16	33.23	4.91	38.13
KN Energy	2,343.00	1,171.50	32.54	4.81	37.35
Total	90,000.00	45,000.00	1,250.00	184.64	1,434.64
			45,000.00	6,647.06	51,647.06

Operating Budget Assessment Increases

	New	Current	\$ Chg	% Chg
Boot Doctors	491.29	430.78	60.51	14.05%
Chip Wilson	598.27	513.64	84.63	16.48%
John Livermore	742.84	650.94	91.90	14.12%
K&K Concrete	865.23	744.86	120.37	16.16%
Double G Partners	246.83	216.49	30.34	14.01%
Sherry Holdings	434.17	365.62	68.55	18.75%
Stone Mountain	861.58	735.96	125.62	17.07%
Mericana	799.96	678.91	121.05	17.83%
Gies Architech	570.79	492.36	78.43	15.93%
Judy Thompson	754.27	643.15	111.12	17.28%
Steve & Stephanie Foster	423.14	359.82	63.32	17.60%
Ray Bailis & Eric Adolphi	374.55	318.60	55.95	17.56%
Matt Musclow	367.36	312.27	55.09	17.64%
Jeffery Fasolo	383.55	326.06	57.49	17.63%
KN Energy	510.88	435.35	75.53	17.35%
TOTAL	7,913.84	6,789.46	1,124.38	16.56%