

Tamarack Trails 2017 Budget Report

Overview: The majority of Tamarack Trails owners receiving this budget report have reviewed many other reports over the years and have an understanding of Tamarack's finances and the content of the Association's budget. However, we have several new owners in recent years and the intent of this narrative is to help provide detailed information to all owners about the organization's finances. The investments that we have made in our homes are of critical importance to us and therefore the Board, the Finance Committee and our staff take the financial management of the Association very seriously.

Every year there are different challenges that must be addressed in the development of the next year's Tamarack budget. Last year the challenges included significantly increased insurance costs, both property insurance and employee health insurance. This year the increased budget includes additional funds for landscaping work including ash tree removal and replacement, increased water, sewer and storm water bills, a modest wage increase for Tamarack employees and the need to start building a reserve fund for eventual replacement of Tamarack's sewer and water lines.

Following are some important changes from the 2016 Budget. These changes will affect your monthly AMA (average monthly assessment) which fund ongoing costs and improvements.

Additional Landscaping---The 2017 Budget includes an additional 380 hours for early season help on mulching and for both spring and fall seeding and plant replacement projects. This accounts for \$1.67 of the increase in the AMA (\$6,400).

Increased Water Bills---Tamarack pays city water bills for the common areas and private fire hydrants. Based on current utility rates and fees, the city water bill is projected to increase by \$2,200 for 2017. This adds \$0.57 to the AMA.

Employee Pay Increase--- The budget includes a proposed 2.0% pay increase for the full time staff. This represents a \$5,700 total increase from 2016 (+\$1.48 to the AMA).

Sewer and Water Replacement Fund---The current age of TTs sewer and water lines varies between 38 and 42 years. Tamarack retains a modest amount of money in the Reserve Fund for minor repairs. But over the next 20 to 30 years we can anticipate the need for more major repairs and eventual replacement of sewer and water lines. The 2017 Budget includes a \$1 increase in the Average Monthly Assessment to begin building our reserves to handle these long-term costs. In the next year, the Board will work with the property manager to determine the best strategy for the long term replacement and funding strategy for our sewer and water lines.

Because of the excellent work done by the Tamarack Finance Committee in scrutinizing every Tamarack Budget line and working closely with all other TT committees, the budget increase for 2017 was kept lower than both the 5 and 10 year average monthly assessment increases for Tamarack.

The bottom line on the 2017 Budget is that it proposes to increase the average monthly assessment (AMA) by \$8 (2.5%) from \$311 in 2016 to \$319 in 2017. Five dollars of the increase is designated for the operating budget and three dollars is designated for the reserve fund.

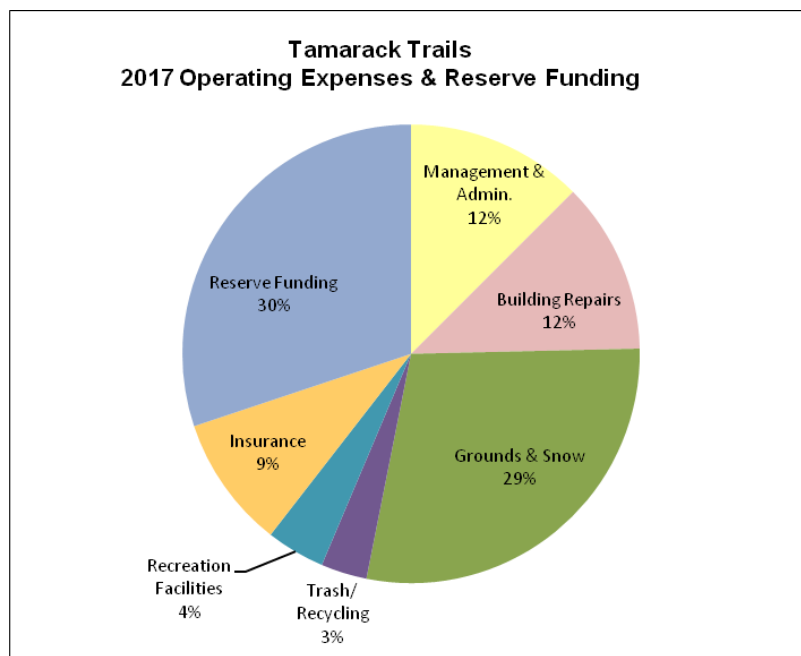
How the AMA for each dwelling unit is calculated is explained later in this report.

The following table breaks down the AMA increase and compares it to the recent past assessment increases. A very important point to always keep in mind is that the Association has not historically used special assessments to collect necessary funds like many other condominium associations. It is the Board’s intent to continue that policy.

2017 Budget Summary

The 2017 Budget checks in at an AMA increase of \$8 (2.5%).

AMA (Average Monthly Assessment)	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Budget 2017	% Change from 2016
Operating	\$197	\$206	\$213	\$222	\$227	2.3%
Reserve	\$85	\$89	\$91	\$90	\$93	3.0%
Total	\$285	\$295	\$304	\$311	\$319	2.5%
% Increase	(5.0%)	3.5%	3.1%	2.4%	2.5%	
Lowest Assessment	\$237	\$250	\$258	\$264	\$270	
Highest Assessment	\$371	\$389	\$400	\$411	\$420	



Long Term Reserve Fund

A question that is often asked by owners, especially new owners, is what is funded through Tamarack’s Long Term Reserve Fund. As owners, this is a critically important question in assuring us that there will be few if any surprises down the road which would require a special assessment. The Long Term Reserve Fund is used to fund the work done annually on the following items:

1. **Dwellings:** Shingles, Siding, Trim, Chimney Caps, Decks, Patios, Sidewalks, Post Lights (underground wiring), Fences, Foundation Covering.
2. **Common Areas:** Asphalt, Swimming Pool, Tennis Courts, Clubhouse (exterior and interior components), Common Fences (pool, tennis court, east border and split rail fences), Underground Water/Sewer Mains, Rock walls.

Recommended Reserve Funding Table and Graph - all amounts are in Thousands)

A B C D Prior Year						A B C D Prior Year					
=(A-B) =4% Return +C+D						=(A-B) =4% Return +C+D					
Year	Reserve Assessment	Reserve Expense	Net Reserve Income (Loss)	Interest on Investment	Reserve Fund Balance	Year	Reserve Income	Reserve Expense	Net Reserve Income (Loss)	Interest on Investment	Reserve Fund Balance
2016	\$345	\$258	\$86	\$14	\$447	2032	\$423	\$220	\$204	\$114	\$3,165
2017	\$355	\$320	\$34	\$18	\$499	2033	\$431	\$281	\$149	\$127	\$3,441
2018	\$361	\$311	\$50	\$20	\$569	2034	\$438	\$248	\$190	\$138	\$3,769
2019	\$368	\$231	\$137	\$23	\$729	2035	\$446	\$309	\$137	\$151	\$4,057
2020	\$375	\$346	\$29	\$29	\$786	2036	\$454	\$390	\$64	\$162	\$4,283
2021	\$381	\$331	\$51	\$31	\$868	2037	\$462	\$429	\$33	\$171	\$4,487
2022	\$388	\$321	\$68	\$35	\$971	2038	\$471	\$443	\$27	\$179	\$4,694
2023	\$396	\$344	\$52	\$39	\$1,061	2039	\$479	\$494	(\$15)	\$188	\$4,867
2024	\$403	\$553	(\$150)	\$42	\$954	2040	\$488	\$506	(\$19)	\$195	\$5,043
2025	\$375	\$141	\$234	\$38	\$1,226	2041	\$496	\$946	(\$450)	\$202	\$4,795
2026	\$381	\$145	\$236	\$49	\$1,511	2042	\$505	\$1,002	(\$497)	\$192	\$4,490
2027	\$388	\$190	\$198	\$60	\$1,770	2043	\$515	\$1,038	(\$523)	\$180	\$4,147
2028	\$395	\$238	\$157	\$71	\$1,998	2044	\$524	\$1,047	(\$523)	\$166	\$3,790
2029	\$402	\$217	\$185	\$80	\$2,263	2045	\$534	\$842	(\$308)	\$152	\$3,634
2030	\$409	\$210	\$199	\$91	\$2,553	2046	\$543	\$875	(\$332)	\$145	\$3,447
2031	\$416	\$224	\$193	\$102	\$2,847	2047	\$554	\$254	\$299	\$138	\$3,885

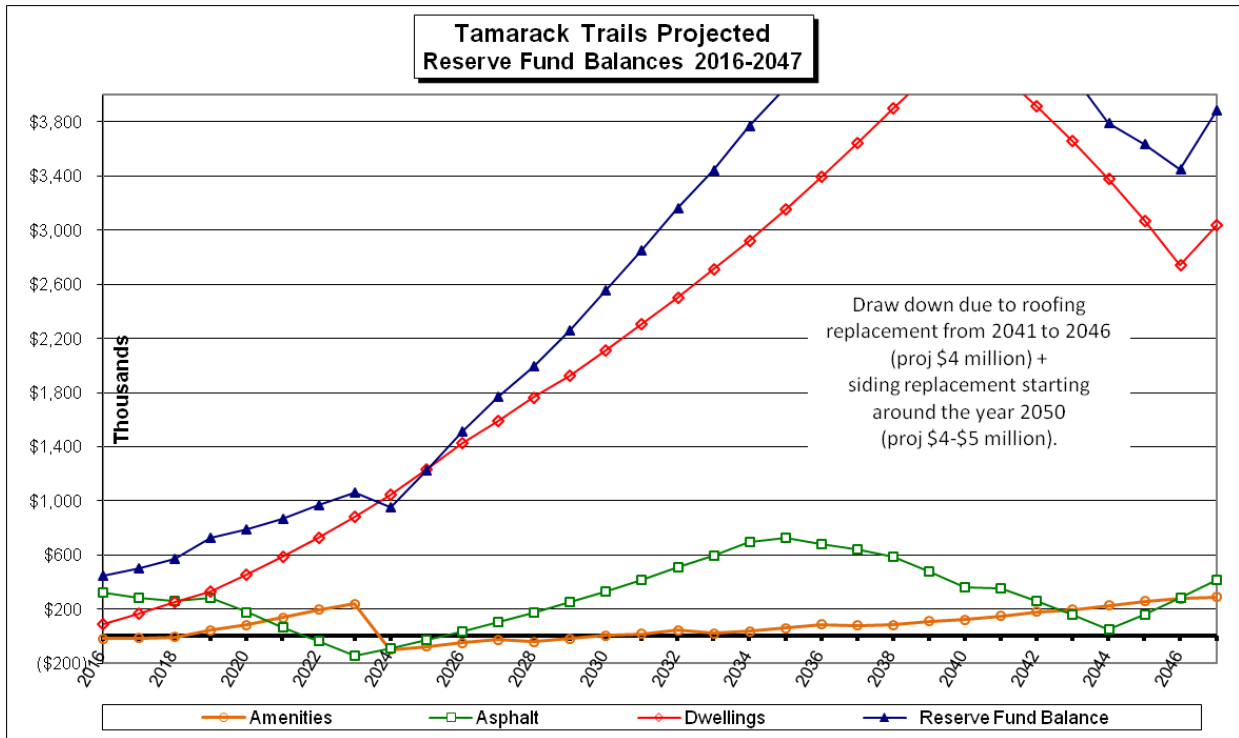
Replace Pool in 2024 \$400,000

Adjust Amenities Rate Down in 2025

Asphalt replacement cycle

Shingle replacement (2041-2046)

The Reserve Funding Table shows the projected Reserve Income, Expenditures and Interest on invested Reserve Funds over the next thirty years. Major replacement project expenditures are indicated by shaded color blocks with a brief description at the bottom of the table. The projections assume a 2.5% future inflation rate for replacement expenses and a 4.0% return on invested funds.



Another common question asked by owners is how the Annual Monthly Assessment (AMA) is calculated: The AMA consists of four basic parts.

1. Expenses for the management and maintenance of common areas are assessed equally to all homeowners.
2. Maintenance expenses for grounds and landscaping are based on the land density of each Phase.
3. Dwelling insurance is based on the estimated rebuilding cost for each dwelling using actual square footage and per square foot rebuilding costs from Marshall Swift software which is used by the insurance industry.
4. Reserve for each individual dwelling is the most detailed calculation. The assessment amount is based on the actual quantity of each building component (i.e. siding, roof, deck, and patio areas). A replacement amount is determined for each building component. The total replacement amount is used to calculate a per square foot replacement rate for each building component. The replacement rate is multiplied by the actual size of each building component to arrive at a monthly assessment amount that is unique for each dwelling.

Tamarack Trails Community Services Association

2017 Budget Summary

Rev 10/25/16

	Footnote/ Details	2015 Actual	2016 Budget	2016 Projected	2017 Budget	% Change from '16	
						Budget	Projected
Operating Income:							
Assessments-Operating		805,949	834,522	834,522	855,059	2.5%	2.5%
Other Income	(1)	<u>20,378</u>	<u>29,100</u>	<u>23,500</u>	<u>26,000</u>	(10.7%)	10.6%
Total Operating Income		<u>826,327</u>	<u>863,622</u>	<u>858,022</u>	<u>881,059</u>	2.0%	2.7%
Operating Expenses:							
Management & Admin.	(page 2)	176,122	182,060	181,433	191,328	5.1%	5.5%
Maintenance	(page 3)	494,151	529,240	526,509	542,928	2.6%	3.1%
Clubhouse	(page 4)	14,047	15,950	15,750	15,950	0.0%	1.3%
Recreation	(page 4)	34,346	33,110	33,935	35,285	6.6%	4.0%
Dwelling Insurance		109,283	99,462	95,773	91,768	(7.7%)	(4.2%)
Other Expense	(2)	<u>4,630</u>	<u>3,800</u>	<u>3,800</u>	<u>3,800</u>	0.0%	0.0%
Total Operating Expenses		<u>832,579</u>	<u>863,622</u>	<u>857,199</u>	<u>881,059</u>	2.0%	2.8%
Net Operating Income (Loss)		<u>(6,252)</u>	<u>0</u>	<u>823</u>	<u>0</u>		
Contingency Income	(3)	13,440	16,140	16,140	16,140		
Contingency Expense		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Net Contingency Income (Loss)		<u>13,440</u>	<u>16,140</u>	<u>16,140</u>	<u>16,140</u>		
Funds Allocated to Contingency (3)		7,188	16,140	16,963	16,140		
Contingency/Oper Fund Balance (4)		<u>2,285</u>	<u>8,217</u>	<u>19,248</u>	<u>35,388</u>		
Reserves Income:							
Reserve Assessment Income		348,007	344,825	344,825	354,686	2.9%	2.9%
Investment Income	(5)	(2,470)	13,737	13,737	17,871		
Special Assessment		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Total Reserve Income		<u>345,537</u>	<u>358,562</u>	<u>358,562</u>	<u>372,557</u>	3.9%	3.9%
Reserves Expenses:							
Dwellings	(page 5)	104,405	151,343	146,830	154,061		
Amenities		88,570	31,728	37,522	68,725		
Asphalt, Water/Sewer Mains (6)		95,098	81,141	73,986	97,705		
Total Reserve Expenses	(page 5)	<u>288,073</u>	<u>264,212</u>	<u>258,338</u>	<u>320,492</u>	21.3%	24.1%
Net Reserve Income (Loss)		<u>57,464</u>	<u>94,350</u>	<u>100,224</u>	<u>52,066</u>		
Funds Allocated To/From Reserves		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Reserve Fund Balance Year End (7)		<u>346,546</u>	<u>437,789</u>	<u>446,770</u>	<u>498,836</u>		

(1) Other Income - late fees, checking acct. interest, garden plots, vending, Clubhouse use fee (\$3,100); + **\$23,000** est income from billable work for Tamarack residents.

(2) Other Expense - \$3,800 is an allowance for any unanticipated overage in operating expenses (i.e. excessive snowfall, cover an insurance deductible or bad debt expense). 2015 saw \$4,210 in Bad Debt Expense

(3) Contingency Income is set at \$4.20 per month to continue rebuilding Operating/Contingency Funds

(4) The projected 2016 Year End balance for the Contingency Fund is \$19,248. The 2017 Budget includes a \$4.20 per month fee which will generate \$16,140 to rebuild this fund.

(5) Investment income - is calculated at a 4% return on previous year end balance (same as '14 - '16')

(6) 2017 - Replace asphalt at thirty homes in Phase 6 (Tree Ln) & Honeylocust + **30% for base replacement**

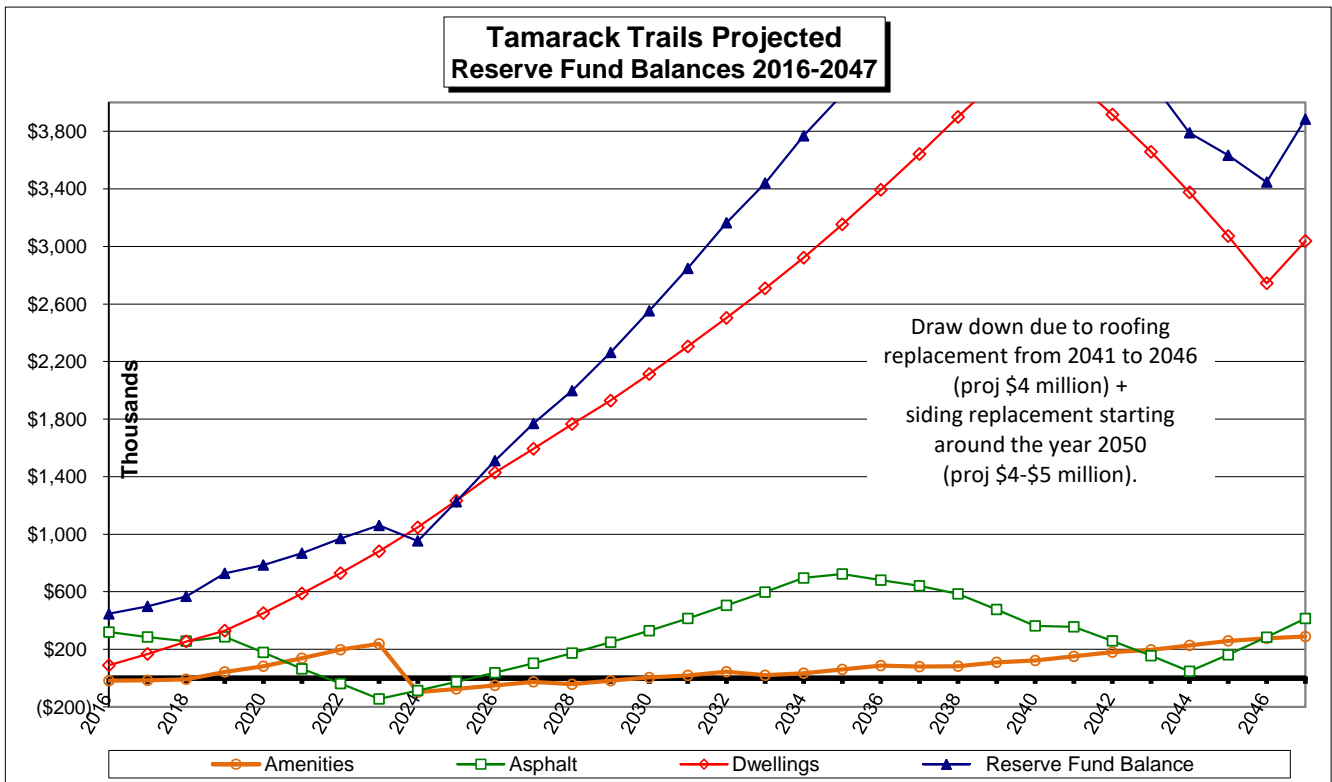
(7) Continue to rebuild Reserve Fund for future major repair/replacements.

Tamarack Trails
Recommended Reserve Funding Table and Graph
 (all amounts are in Thousands)

Rev 9/15/16

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Repl Pool in 2024 \$400,000
Asphalt replacement cycle
Adjust Amenities Rate Down in 2025
Shingle replacement (2041-2046)



Tamarack 2017 Maintenance Changes and Reserve Projects

9/19/2016

Acct.	Description	2016 Budget	2017 Budget	Change	Assess Impact
Operating Budget Expenses					
Admin Payroll 419	Increase Jean's hours from avg of 36 hrs per week to 40 hours per week.	\$138,766	\$145,437	\$6,671	1.74
Gas & Oil 505	Fuel prices hovering around \$2/gallon. May increase in 2017.	\$4,200	\$2,800	(\$1,400)	(0.36)
Utilities & Telephone 509	Monthly Water \$1,300 (includes fire protection charge per private fire hydrant and storm water fees. MG&E avg \$160/month plus TDS Phone \$40/month = \$1,500/month x 12 = \$18,000	\$15,800	\$18,000	\$2,200	0.57
Maint Payroll 510	Three maintenance persons full time. Operating Labor is 60% of their hours or approximately 3,600 hrs. Change from 2016 to 2017 due primarily to change from Single to Spouse +1 on Health insurance.	\$106,953	\$110,414	\$3,461	0.90
Grounds Maint Contractors 560	A higher priority will be given to the removal of ash trees due the presence of the Emerald Ash Borer in Middleton. TT has 88 ash trees and only 44 of the trees are currently treated against the Emerald Ash Borer.	\$36,000	\$36,000	\$0	0.00
Grounds Payroll 570	Per HR no winter lay off and wage incr to 2.0% added \$3,200 from 1st draft of the 2017 Budget. Figs from Ver 2	\$126,250	\$136,031	\$9,781	2.55
Net of Change to the Operating Assessment					5.39
Reserve Budget Expenses		2016 Budget	2017 Budget	Change	Note
Painting 901	Trim, Fence & Deck Rail Painting. – Will paint trim, fences and deck rails in Phase 1 in 2017. Will continue to wash, sand, prime and paint in an effort to increase the painting cycle from 6 to 10 year. Projected expense for 2016 Phase painting is \$32,000. Estimated savings by doing work with in house staff \$30,000 to \$40,000 per year. <ul style="list-style-type: none"> Phase painting - increase cost per year by \$8,600. Paint fence and deck rails ahead of 8 year cycle +\$1,200/year 	\$26,343	\$36,211	\$9,868	
Concrete Replacement 903 & 933	Will tour of Phase 3 and Phase 4 in March of 2017. Based on past three years we need to maintain the current amounts for sidewalk and patio replacement (sections are separating). Projected 2017: <ul style="list-style-type: none"> 903 Dwellings - sidewalk and patio replacement \$13,000 933 Common Estimated City Resurfacing Assessment \$18,90 + 1/3 of walking trail behind White Pine and Pin Oak (asphalt to concrete) \$8,100 	\$18,000	\$40,100	\$22,100	
UG Wires & Post Lights 906	2017 purchase and install 50 post light fixtures. This will take us to 200 fixtures replaced. • (\$120/fixt + 1 hr labor * 50 fixt/year = \$7,750/year. <ul style="list-style-type: none"> 2017 - install additional lighting for clubhouse parking lot \$1,500. Gradually replace all UG feeder wires from the garage to the individual post lamps - (6 hrs labor + \$20 mat)*370 UG wires = \$85,100 - Over 10 years = \$8,500 per year from 2025-2035. - Will only replace wires as necessary from 2015-2024.	\$7,000	\$9,250	\$2,250	
Decks 911	Currently using Azek or treated lumber and a penetrating stain. Based on inspections in Phase 4 and 6 (five less decks in 2017). Several decks still have 1x4 redwood decking from the mid '80. Budget is based on replacing 15 decks in 2017 (\$33,000) plus \$4,000 to cover sanding and staining 15-20 decks plus replace deck rails at 2 or 3 decks. <i>For reference - Per square foot costs: Azek Decking \$8.50/sf; Treated Decking \$1.60/sf; Cost to clean & stain deck \$0.74/sf</i>	\$47,000	\$37,000	(\$10,000)	

Reserve Budget Expenses		2016 Budget	2017 Budget	Change	Note
Wood Trim 915	Work being done in conjunction with paint crew. Full time TT staff person will work with the paint crew from June - August. For reference it is estimated that only half of the trim was replaced during the 2011-2012 major renovation. • 2017 Budget 750 hours TT Labor plus \$8,000 material	\$34,000	\$34,000	\$0	
Chimney Caps Found. Coat Other 916	Replace 120 chimney caps and wrap vertical trim - \$84,000 over 10 yrs. • Continue at \$8,400 for 2017 (no change) Replace all foundation insulation coating. (\$600 TT Lbr+\$200 mat=\$800/home. • Four homes for 2017 (\$800 * 4 = \$3,200). None done in 2016 (other projects took precedence. Other (no change from 2016)- • Covers 50% reimbursement for sump installs and sealing foundation cracks (\$1,000 no change). • TT Admin Reserve Labor 100 hours. Time on concrete, deck inspection; schedule/discuss reserve projects, sumps and rot reimbursemnt - (\$3,500 no change).	\$17,000	\$15,200	(\$1,800)	
Clubhouse 938	Amenities Committee request for 2017 - \$10,000 for first floor planning, renovate lower level, new locker room shower fixtures.	\$1,500	\$10,000	\$8,500	
Entrance Sign 939	2017 - NW corner entrance sign to Tamarack. \$2,000 to remove concrete & seed area in front of sign. A few shrubs and solar lights for the sign. On hold to accomodated increase in water/sewer main reserve	\$2,500	\$0	(\$2,500)	
Trail Ent Signs 939	33 Trail Entrance signs - 12 in 2015, 12 in 2016 (\$3,100 each year) - will purchase 9 in 2017 to finish all (Oak Creek 3, Pine Ridge 2, Cedar Creek 4)	\$2,928	\$2,925	(\$3)	
Drainage 960	Center drainage swale is silted up and water in center section is getting close to the homes. Est. cost to excavate and re-sod \$16,000 (City to cover 50% of cost \$8,000). • \$1,000 for drainage engineer survey of swale. • \$2,800 for concrete flum Bldgs 1-2 Tree Ln.	\$2,500	\$11,800	\$9,300	
Rockwalls 961	Rockwalls - Rebuilt five rock walls in 2016. Have two on the schedule for 2017 plus staff will tour and rate rock walls in October 2016 for future budgeting. Averaging \$1,800 per rock wall. • Budget five rock walls in 2017 (1,800 x 5).	\$5,000	\$9,100	\$4,100	
Asphalt 963	Based on '16 price quotes the asphalt replacement rate remains \$21.50 per square yard. This covers asphalt removal and repaving in two 1-1/2" lifts. 2017 work - thirty homes in Phase 6 (Tree Lane) and Honey Locust Trail. May need to do a portion of Mt Ash at the same time.	\$75,680	\$91,625	\$15,945	
Other Minor Reserve	Reserve expenses for siding, roofing, gutters, fences, tennis courts, water/sewer and income tax on reserve interest income	\$24,761	\$23,281	(\$1,480)	
Totals		\$264,212	\$320,492	\$56,280	

Purchased in 2016

Replace the S160 Bobcat with S130 Bobcat (cost less trade in was \$14,000)	\$26,000	7 yrs	\$3,714
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Equipment for 2017

	Cost	Depr.	Exp
Utility cart for paint crew to handle separate requests	\$3,800	7 yrs	\$543

Most Likely in 2018

1/2 ton Pickup truck (used)	\$18,000	7 yrs	\$2,571
Replace oldest Utility cart	\$3,900	7 yrs	\$557