

Tamarack Trails Budget Hearing

Wednesday, September 27 at 6:30 p.m.

At the Clubhouse

Date: September 18, 2017

To: Tamarack Trails Residents

From: George Meyer, Treasurer

Please find attached a draft of the proposed Tamarack Trails Budget for 2018. The budget is the result of the efforts of our Property Manager, Lou Glauner, the Finance Committee chaired by Prudy Stewart and the Board chaired by Larry Wolfinger. Valuable input was provided by the Maintenance, Amenities, Resident Activities, Human Resources and Welcoming Committees.

This information is being distributed to you because it will be the subject of discussion at the Budget Hearing on Wednesday, September 27 at 6:30 p.m. The meeting will be held on the second floor of the Tamarack Clubhouse. At that time, a brief overview of the Budget will be provided followed by an opportunity for you to ask questions and provide feedback.

Thank you for reviewing the Budget document.

Tamarack Trails 2018 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 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. This year includes a significant increase for employee wages (to maintain competitive salaries), a 17% jump in property insurance and a 5.5% increase in the grounds & snow plowing contract. An additional \$1/month is also being added to the AMA to continue to build a reserve for future replacement of water and sewer mains.

Following are some important changes from the 2018 Budget. These changes will affect your monthly AMA (average monthly assessment) which fund ongoing costs and improvements.

Employee Pay Increase--- Based on the tight labor market and to maintain competitive wage rates the budget includes the HR Committee recommended 6.9% increase from current wages for the full-time staff. This represents a \$12,799 total increase from 2017 (+\$3.33 to the AMA).

Property Insurance---- The premium for property insurance coverage with Travelers increases by (\$11,522) 17%. This adds \$3.00 to the AMA.

Grounds & Snow Plowing Contract ---The renewal contract with Maple Leaf will increase by 5,553 in 2018 adding \$1.45 to the AMA. There is no increase in years two and three of the contract. (2019 - 2020).

Sewer and Water Replacement Fund---The current age of TTs sewer and water lines varies between 39 and 43 years. This year Monona Plumbing filmed and is mapping sewer mains. Based on discussions with Tory Miller (Monona Plumbing) the estimate for replacing all of the water and sewer mains in Tamarack was increased to \$3.2 million. Over the next 20 to 40 years we can anticipate the need for more major repairs and eventual replacement of sewer and water lines. The 2018 Budget includes a \$1 increase in the Average Monthly Assessment to continue building our reserves for these future major expenditures.

To offset some of these major increases and maintain an average monthly assessment increase at the 3% annual goal of the Finance Committee and the Board, the 2018 budget includes shortening the pool season by two weeks (will remain open one-week past Labor Day), reducing the contingency assessment and using a portion of the hail damage insurance proceeds for major equipment purchases (pickup truck, salt spreader and power broom for snow removal from city walks).

The bottom line on the 2018 Budget is that it proposes to increase the average monthly assessment (AMA) by \$9.80 (3.1%) from \$319 in 2017 to \$329 in 2018. \$8.30 of the increase is designated for the operating budget and \$1.50 is designated for the reserve fund.

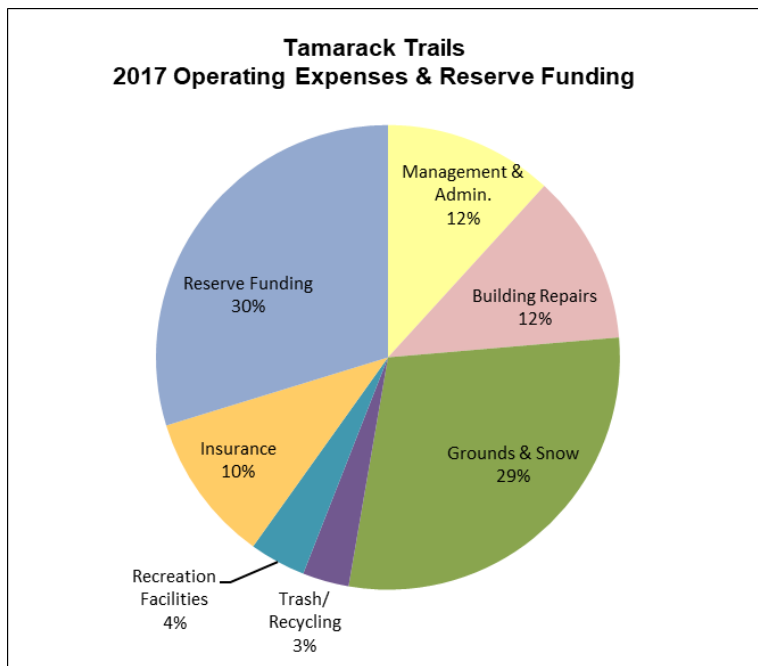
How the AMA for each dwelling unit is calculated is explained later in this report.

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.

2018 Budget Summary

The 2018 Budget checks in at an AMA increase of \$9.80 (3.1%).

AMA (Average Monthly Assessment)	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Budget 2018	% Change from 2017	AMA Change from 2017
Operating	\$206	\$213	\$222	\$226.90	\$235.20	3.7%	\$8.30
Reserve	\$89	\$91	\$90	\$92.40	\$93.90	1.6%	\$1.50
Total	\$295	\$304	\$311	\$319	\$329	3.1%	\$9.80
% Increase	3.5%	3.1%	2.4%	2.5%			
Lowest Assessment	\$250	\$258	\$264	\$270	\$279		
Highest Assessment	\$389	\$400	\$411	\$420	\$432		



Long Term Reserve Fund

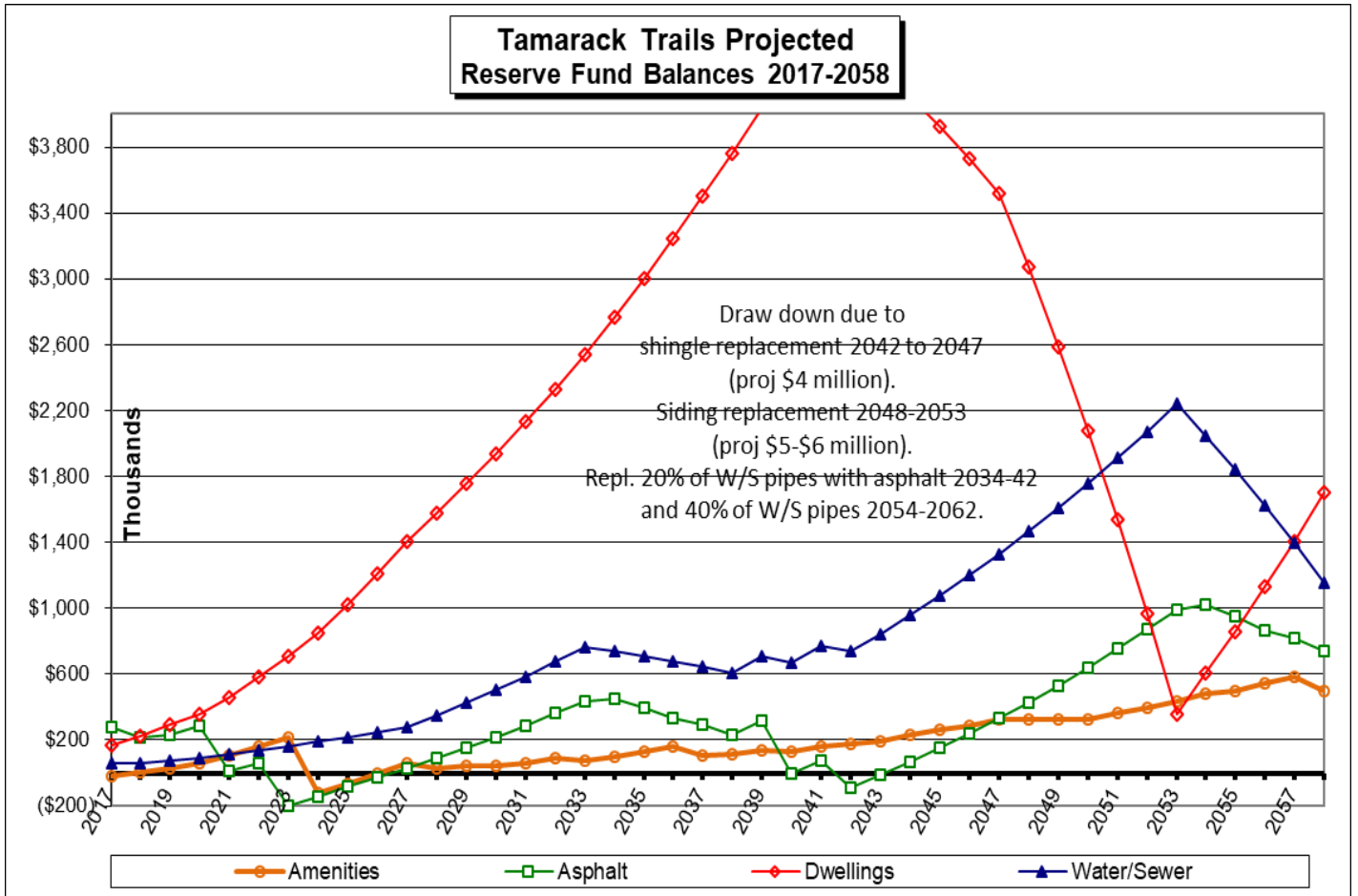
A question that is often asked by owners, especially new owners, is what is funded through Tamarack’s Long Term Reserve Fund. As owners, this is a critically important question in assuring us that there will be few if any surprises down the road which would require a special assessment. The Long Term 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 =(A-B)	D =4% Return	Prior Year +C+D		A	B	C =(A-B)	D =4% Return	Prior Year +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
2017	\$355	\$306	\$49	\$18	\$488	2033	\$479	\$256	\$223	\$138	\$3,815
2018	\$361	\$357	\$4	\$20	\$512	2034	\$487	\$407	\$80	\$153	\$4,047
2019	\$371	\$277	\$94	\$20	\$626	2035	\$494	\$469	\$25	\$162	\$4,233
2020	\$381	\$240	\$141	\$25	\$792	2036	\$501	\$487	\$15	\$169	\$4,417
2021	\$391	\$526	(\$134)	\$32	\$690	2037	\$509	\$563	(\$55)	\$177	\$4,540
2022	\$402	\$181	\$221	\$28	\$938	2038	\$516	\$514	\$3	\$182	\$4,724
2023	\$409	\$493	(\$84)	\$38	\$892	2039	\$524	\$242	\$282	\$189	\$5,195
2024	\$416	\$564	(\$148)	\$36	\$780	2040	\$532	\$818	(\$286)	\$208	\$5,117
2025	\$422	\$149	\$274	\$31	\$1,084	2041	\$540	\$237	\$303	\$205	\$5,625
2026	\$429	\$135	\$293	\$43	\$1,421	2042	\$548	\$1,144	(\$596)	\$225	\$5,255
2027	\$436	\$140	\$296	\$57	\$1,774	2043	\$557	\$722	(\$166)	\$210	\$5,299
2028	\$443	\$242	\$200	\$71	\$2,045	2044	\$565	\$715	(\$150)	\$212	\$5,361
2029	\$450	\$203	\$247	\$82	\$2,374	2045	\$573	\$730	(\$157)	\$214	\$5,419
2030	\$457	\$218	\$239	\$95	\$2,707	2046	\$582	\$757	(\$175)	\$217	\$5,461
2031	\$464	\$216	\$248	\$108	\$3,064	2047	\$591	\$759	(\$168)	\$218	\$5,511
2032	\$471	\$205	\$267	\$123	\$3,454	2048	\$600	\$1,043	(\$443)	\$220	\$5,288
	Repl Pool in 2024 \$400,000						Asphalt replacement + 20% Water/Sewer Pipes (2034-2042)				
	Amenities Rate Down by \$9 and W/S Rate +\$9 in 2028						Shingle replacement (2042-2047)				
							Siding replacement (2048-2053)				
						2054	Asphalt replacement + 40% Water/Sewer Pipes (2054-2062)				

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 2.0% 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

2018 Budget Summary

Rev 09/08/17

	Footnote/ Details	2016 Actual	2017 Budget	2017 Projected	2018 Budget	% Change from '17	
						Budget	Projected
Operating Income:							
Assessments-Operating		834,547	855,059	855,059	890,657	4.2%	4.2%
Other Income	(1)	<u>24,726</u>	<u>26,000</u>	<u>24,500</u>	<u>25,000</u>	(3.8%)	2.0%
Total Operating Income		<u>859,273</u>	<u>881,059</u>	<u>879,559</u>	<u>915,657</u>	3.9%	4.1%
Operating Expenses:							
Management & Admin.	(page 2)	186,720	191,328	192,438	191,384	0.0%	(0.5%)
Maintenance	(page 3)	518,311	542,928	532,374	567,033	4.4%	6.5%
Clubhouse	(page 4)	13,442	15,950	16,925	16,770	5.1%	(0.9%)
Recreation	(page 4)	35,471	35,285	35,265	33,380	(5.4%)	(5.3%)
Dwelling Insurance		91,503	91,768	93,631	103,290	12.6%	10.3%
Other Expense	(2)	<u>1,645</u>	<u>3,800</u>	<u>1,800</u>	<u>3,800</u>	0.0%	111.1%
Total Operating Expenses		<u>847,092</u>	<u>881,059</u>	<u>872,433</u>	<u>915,657</u>	3.9%	5.0%
Net Operating Income (Loss)		<u>12,181</u>	<u>0</u>	<u>7,126</u>	<u>0</u>		
Contingency Assessment	(3)	16,140	16,140	16,140	12,300	(23.8%)	
Contingency Expense		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Net Contingency Income (Loss)		<u>16,140</u>	<u>16,140</u>	<u>16,140</u>	<u>12,300</u>		
Funds Allocated to Contingency (3)		28,321	16,140	23,266	12,300		
Contingency/Oper Fund Balance (4)		<u>30,606</u>	<u>35,388</u>	<u>53,872</u>	<u>66,172</u>		
Reserves Income:							
Reserve Assessment Income		344,825	354,686	354,687	360,653	1.7%	1.7%
Investment Income	(5)	15,189	17,871	17,871	19,537		
Special Assessment		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Total Reserve Income		<u>360,014</u>	<u>372,557</u>	<u>372,558</u>	<u>380,190</u>	2.0%	2.0%
Reserves Expenses:							
Dwellings	(page 5)	156,511	154,061	145,980	176,468		
Amenities		38,180	68,725	68,600	49,400		
Asphalt, Water/Sewer Mains (6)		90,032	97,705	91,400	130,798		
Total Reserve Expenses	(page 5)	<u>284,723</u>	<u>320,491</u>	<u>305,980</u>	<u>356,666</u>	11.3%	16.6%
Net Reserve Income (Loss)		<u>75,291</u>	<u>52,066</u>	<u>66,578</u>	<u>23,524</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>421,837</u>	<u>498,836</u>	<u>488,415</u>	<u>511,939</u>		

(1) Other Income - late fees, checking acct. interest, garden plots, vending, Clubhouse use fee \$4,000 (+1,000) and \$21,000 est income from billable work for Tamarack residents (\$2,000 less that 2017).

(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).

(3) Contingency assessment is reduced from \$4.20 to \$3.20 per month (Oper/Contingency Fund is nearing goal).

(4) The projected 2017 Year End balance for the Contingency Fund is \$53,872. The 2018 Budget includes a \$3.20 per month fee which will generate \$12,300.

(5) Investment income - is calculated at a 4% return on previous year end balance (same as '14 - '17)

(6) 2018 - Replace asphalt all of Phase 2 + two drives in Phase 6, trim painting in Phase 1 and part of Phase 2

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

2018 Budget Proposals

Rev 8/30/17	Proposals abbreviations Maintenance Committee (MC), Finance Committee (FC), HR (Human Resources)	2017	2018	Change/ Exp Amt	AMA (+/-)
TT Staff Operating Payroll/ Benefits	Two administrative staff full-time. <u>Building Maint.</u> - Three maintenance persons full-time. Operating Labor is 60% of their hours or approximately 3,800 hrs. <u>Grounds Staff</u> - Two persons full time. One person for 10 months and one three-month summer staff (+200 hours from 2017). <u>Includes recommended HR pay increases which were strongly supported by the MC. Wages +12,796; Health Ins. -\$2,853; +200 hours grounds +3,904</u>	\$391,882	\$405,730	\$13,848	\$3.61
Payroll/ Benefits	Add Dental Benefits for the TT Staff with TT paying 75% for employee only \$2,200. 60% Maint to Oper & 100% of Grounds to Operating. If extended to spouse/family \$3,600. Six of the seven staff members would sign up.	0	1,540	\$1,540	\$0.40
Management & Admin					
2018 Budget Summary (Page 1)	Dwelling/Property Insurance (Was projected at 4%). Actual renewal quote was +17%. Travelers increased the property value to \$89 million (10%). Currently in process of verifying rebuilding cost estimate with independent appraiser.	91,768	103,290	\$11,522	\$3.00
Liability & Work Comp 406	Workers Comp Exp Mod increased from 0.80 to 1.09 due to pay out for one staff foot injury last year. (Work Comp is \$21,000). Loss of 20% exp mod discount = \$4,200 + Liab Ins Increase	24,091	29,524	\$5,433	\$1.41
Clubhouse					
Janatorial 605	From Amenities Committee – Clubhouse cleaning service 2 x per month.	700	2,200	\$1,500	\$0.39
Maintenance					
Trash Coll. 503	Waste Management - 3% increase in trash & recycling contract.	40,184	41,390	\$1,206	\$0.31
Acct 524 and 550	Maple Leaf – Grounds & Plowing Contract 2018-2020 (no increase in 2019 or 2020)	\$127,300	\$132,853	\$5,553	\$1.45
Depr- eciation	Equipment Depreciation – (net change) . FC recommended purchase of equipment with hail damage insurance proceeds (\$38,400). Will decrease Depreciation expense by \$1.43 from 2018-2025. <i>* With purch of power broom reduced salt budget by \$500</i>	18,000	18,500	\$500	\$0.13
<p><u>Purchase in 2017 with hail damage insurance proceeds</u> Pickup 4x4 with V-plow (used) \$30,000 depreciated for 7 years. Salt spreader for Bobcat \$ 3,800 depreciated for 7 years. Power broom (60") for Bobcat \$ 4,600 depreciated for 7 years.</p> <p><u>Purchase in 2018</u> Club Car Turf 2 Cart (used) \$4,400 replace cart sold in Aug '17 Trade in 2007 Kawasaki Mule and replace with two to three year old Polaris Utility Vehicle \$8,500</p>					
Pool Expense	Close pool one week after Labor Day. Shortens pool season by 2 weeks (from 17 to 15 weeks) Costs \$1,900/week to operate pool. Savings \$3,800.			(\$3,800)	(\$0.99)
Mulch	Only apply a light top coat of mulch to beds in 2018. Budget for 400 instead of 500 yards of mulch. -100 yards at \$23/yard = \$2,300			(\$2,300)	(\$0.60)
Contingency Assessment	The Contingency Income Rate (CIR) is currently set at \$4.20. As the Contingency/Operating Fund is nearing its goal the CIR could be reduced by \$1 to \$3.20 which would still generate \$12,288			(\$3,840)	(\$1.00)
	Net increase/decrease from all other Operating Expenses includes increases in utilities, city water, salt, lifeguard wages			\$596.03	\$0.16
Net Change to AMA				\$31,757	\$8.27

Rev 9/6/17	Reserve Projects.. (do not impact Reserve Rate/AMA)	2017 Projected	2018 Budgeted	Expense Change	MC Priority
Painting 901	<p>No trim painting will be done in 2017. Work completed will include fences, deck rails and deck staining in Phase 1. Completing 40 trim, fence and deck rail work orders in Aug. Some deck rails in Ph 2 in Sept. Some fences by inspection in Ph 2-4 in Oct.</p> <p>For 2018 - Trim painting: Clubhouse, Ph 1 + 10 homes in Ph 2. Allow 200 hours to finish high area painting in Phase 6 (bldg 4-8). Will continue to wash, sand, prime and paint in an effort to increase the painting cycle from 6 to 10 years. Projected expenses for 2017 are \$26,000.</p> <p>Receive one quote from Thrift Painting for Phase 1: \$50,578 for trim, \$10,897 for fences, and \$12,671 for fourteen deck rails.</p>	\$26,000	\$42,368	\$16,368	1
Concrete Replace. 903 & 933	<p>Toured Ph 1 & 2 in 2016, and Ph 3 & 6 in 2017. Based on tours we need to maintain the current amounts for sidewalk and patio replacement (sections are separating).</p> <p>2017 included City Street Special Assess \$15,000 and 1/3 of walking trails \$8,100.</p> <p>Projected 2018: 903 Dwellings - sidewalk and patio replacement \$15,500</p> <ul style="list-style-type: none"> • 933 Common Area - 1/3 of walking trail behind White Pine and Pin Oak (asphalt to concrete) \$8,100 + \$200 to replace 2-3 sect of walk. 	\$37,600	\$23,800	(\$13,800)	1
UG Wires & Post Lights 906	<p>2018 purchase and install 100 post light fixtures (+50 from the past 3 years).</p> <p>This will take us to 300 fixtures replaced. \$115/fixt + 1 hr. labor*100 fixt = \$14,700.</p> <p>Gradually replace all UG feeder wires from the garage to the individual post lamps - (6 hrs. labor + \$20 mat)*370 UG wires = \$85,100</p> <ul style="list-style-type: none"> - Over 10 years = \$8,500 per year from 2025-2035. - Will only replace wires as necessary from 2015-2024. 	\$7,400	\$14,700	\$7,300	1
CH Parking Lot 906	<p>Parking lot lighting improvement. Based on initial discussion with PKK Lighting, will need more than original \$1,500 from 2017 Budget.</p> <p>2018 Budget an addl. \$2,000. At the 7/12 forum the question was raised about the necessity for increasing the amount of lighting. From FC - DO - would like more lighting. From MC recommends no exp for 2018</p>	\$1,500	\$0	(\$1,500)	2
Decks 911	<p>Based on inspections in Phase 4 and 6, replace 15 decks in 2018.</p> <p>\$33,000 plus \$5,000 to cover sanding and staining 10 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; If deck has previous solid color stain, the cost to sand & two coat stain is \$4.50/sf. Currently using Azek or treated lumber and a penetrating stain. It is actually costing less to replace the decking than it is to sand off the solid stain, and then use penetrating stain on the deck.</i></p>	\$39,000	\$38,000	(\$1,000)	2
Wood Trim 915	<p>Work being done primarily from requests. For reference, it is estimated that only half of the trim was replaced during the 2011-2012 major renovation. While the discovery of significant hidden rot has decreased slightly the amount of trim replacement remains constant. Most rot is found around the lower 1x12 trim board and high rakes. • 2018 Budget 800 hours Labor plus \$7,000 material & rot reimbursements</p>	\$35,000	\$35,000	\$0	1

Rev 8/30/17	Reserve Projects.. (do not impact Reserve Rate/AMA)	2017 Projected	2018 Budgeted	Expense Change	MC Priority
Chimney Caps Found. Coat Other 916	Replace 120 chimney caps and wrap vertical trim - \$84,000 over 10 yrs. • Continue at \$8,400 for 2018 (no change) Replace all foundation insulation coating. (\$600 TT Lbr+\$200 mat=\$800/home. • Four homes for 2018 (\$800 * 4 = \$3,200). Two done in 2017 to date. Other (no change from 2017)- • 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 reimbursement - (\$3,500 no change).	\$16,000	\$16,100	\$100	1 3
	addl. 916	Chimney tops – Est 350 tops. 200 tops will need to be custom made \$200 and 150 are smaller and can be purchase for approx \$90. Avg replacement cost - \$215 each mat and installation = \$75,250. Do 20 per year (\$4,300)	\$0	\$4,300	\$4,300
Clubhouse 938	Amenities Committee - projects for 2018 - remodel first floor of the clubhouse // In Aug decreased expense request from \$23,200 to \$18,200.	\$9,800	\$18,200	\$8,400	
Drainage 960	Drainage project: Regrade the swale that runs behind the homes from 15 to 61 Oak Creek. Two trees may need to be removed and the entire swale lowered by 6 to 8". This swale feeds the main drainage swale thru a pipe under the asphalt between 70-72 Oak Creek. Other minor areas are silting in and will need to be regraded in future years. Initial Proj. \$5,000/year for next 3 years. Modified to \$7,000 for 2018-2020 to include landscaping/trees.	\$12,500	\$7,000	(\$5,500)	1
Rockwalls 961	Rockwalls – did five in 2016 for \$9,100. Estimate doing five in 2017 for \$11,250 (slightly larger walls). Based on tour of Phase 6 will need to continue to budget for at least five mid-sized rock walls per year. 2018 Budget - six rockwalls \$2,250 each x 6 = \$13,500. Started touring rockwalls this summer. There are 32 rockwalls in Phase 6 alone. Bob will continue tour of rock walls in December/January (plants currently obscure the rock walls in the summer).	\$11,200	\$13,500	\$2,300	2
Asphalt 963	Asphalt replacement – For 2018 - All of Phase 2 and two drives in Phase 6 and some repair work in Phase 5. 2019 – Remainder of Phase 6 (21 homes). Replacement rate remains the same based on 2017 price quotes - \$21.50 per square yard. This covers asphalt removal and repaving in two 1-1/2" lifts. 2017 work was - 30 homes in Phase 6 (Tree Lane) plus repair work in Phase 2, 4 and 6.	\$82,000	\$121,068	\$39,068	1
Water/ Sewer 964	Water/Sewer - Monona Plumbing filmed sewer mains and laterals in Ph 1-3 in 2017. Will have Monona Plumbing locate and map water mains/laterals in Ph 1-3 in 2018.	\$6,000	\$6,800	\$800	2
Other Reserves	Reserve expenses for siding, roofing, gutters, fences, tennis courts, and income tax on reserve interest income	\$21,980	\$15,830	(\$6,150)	
	Totals	\$305,980	\$356,666	\$50,686	

Priority - 1 = Important maintenance (safety or increased cost if delayed); 2 = Not essential now but item is deteriorating;
3 = Looks bad but no additional cost if work is delayed; 4 = Special Project