

NORBECK HILLS HOMEOWNERS ASSOCIATION
2014 BUDGET NOTES
August 5, 2013

I. INCOME

1. Assessment Income – For 2014, I have budgeted a 1% increase in assessments in order to balance the budget.
2. Resale Package Income – I have assumed the sale of 12 homes in 2014 for a fee per resale package of \$15.
3. Late Fee Income - Income derived from late fees charged to homeowners for late assessment payments.
4. Legal Fees Reimbursement - If a homeowner's account is forwarded to the Association's attorney for the collection of delinquent assessments, the legal fees incurred are applied to the homeowner's account and reflected as accrued income in this line item. Note, the budget reflects accrued income, and not actual cash received.
5. Certified/Lien/NSF Income - When Certified Notices of Intent, liens, or insufficient fund fees are charged, TMGA charges the Association, and this charge is reflected as an expense (see Miscellaneous Homeowner Administrative Fees). The charge is also applied to the homeowner's account and reflected as accrued income in this line item. Note, the budget reflects accrued income, and not actual cash received.
6. Miscellaneous Homeowner Income – This represents charges billed to homeowners for self-help work done on their property to correct maintenance violations or to pick up trash left on the common areas. Invoices for this work are paid by the Association and charged to Property Maintenance and Upkeep. The charge is billed back to the owners. The charged amount is reflected in this line item.
7. Pool Membership Income – The income received from the sale of outside pool memberships.
8. Interest Income – Operating - Interest generated on operating funds deposited in interest bearing accounts. Note, this does not include interest earned on reserve funds.
9. Reserve Contribution – The reserve study was updated in 2009. The amount budgeted reflects 100% of the funding amount recommended by the engineers as part of this study.

II. EXPENSES - GENERAL AND ADMINISTRATIVE

1. Management Fees –The Association is currently in the second year of a four year contract with TMGA. The budget reflects the actual contract amount.
2. Audit- The cost to audit the books and records and prepare the tax returns. 2013 was the second year of a three year contract with Larson, Allen. The budget reflects the actual contract cost.
3. Legal Fees – Legal expenses incurred to collect delinquent accounts and address non-delinquency related issues which may arise.
4. Bank Charges – In 2007, TMGA changed our main banking relationship for the operating checking account to RBC Centaura Bank. As part of the deal negotiated, no bank charges or lockbox fees will be incurred. We have left a slight budget in this line item to account for bank charges from other accounts maintained by the Association.
5. Postage and Mail – The postage cost for mailings and miscellaneous correspondence.
6. Mailing Handling Fees – The cost for TMGA to process mailings (envelopes, labels, handling).
7. Insurance - This item represents the cost to maintain general liability, umbrella and Directors and Officers insurance. The premiums are as follows:

Policy	Annual Premium	Policy Term
General Liability	\$3,159	1/1/13 – 12/31/13
Umbrella	\$1,471	1/1/13 – 12/31/13
D&O	Included	Included
Workers Comp	\$202	1/1/13 – 12/31/13
Crime/Fidelity	\$980	10/1/12 – 9/30/13
E&O	\$377	1/1/13 – 12/31/13

I have assumed a 2% increase in the premiums upon renewal of each policy.

8. Bad Debt –I have anticipated that the auditors will want to increase the Allowance for Bad Debt account to reflect amounts that may not be collected. I have budgeted for Bad Debt accordingly.
9. Coupon Printing – The cost to print and mail coupon booklets. This cost includes the annual printing cost as well as the cost to generate new coupon books when homeowners move in during the year.

10. Printing and Reproduction - The cost to print mailings and miscellaneous items (e.g. site plans, file copies of correspondence).
11. Newsletter – Funds needed to prepare the newsletter at a rate of \$250 per newsletter.
12. Website – The semi-annual fee for web hosting services is \$41.94. I have not anticipated an increase. I have also budgeted funds for domain name registration and other fees.
13. Taxes – The Association pays federal and state income tax on interest earned by the reserve funds and pool membership income. In addition, the Association pays Water Quality Protection Charges (WQPC) to Montgomery County. Please note that this cost went up significantly in 2012 and 2013. The WQPC charge is determined by the Montgomery County Council each year. The rate increased from \$49/ERU in 2011 to \$62/ERU in 2012 and \$92.60/ERU in 2013. I do not anticipate a significant increase for 2014.
14. Reserve Study – The reserve study should be updated every 3-5 years. It was most recently updated in 2009 and it is scheduled to be updated again in 2015 once all paving is completed.
15. Street Light Electricity - The amount budgeted includes electricity costs for all street lights.
16. Miscellaneous Homeowner Admin. Fees - See Certified/Lien/NSF Income above.
17. Miscellaneous General and Administrative - This line item sets aside funds for miscellaneous expenses which may arise.
18. GOCA – I have assumed that the Association will renew its membership in GOCA in 2014.
19. Commission on Common Ownership - The budget assumes that the Commission fees will remain steady at \$3.00 per unit per year.

III. POOL

1. Pool Contract - 2014 represents the third year of a three year contract with RSV Pools. The budget reflects the actual contract amount.
2. Pool Repairs - The cost for non-reserve related repairs.

3. Pool Supplies - The cost for miscellaneous pool supplies. The contract with RSV Pools includes the cost for most supplies needed to run the pool. It does not, however, include miscellaneous items such as janitorial equipment, etc.
4. Pool Telephone – The approximate monthly cost is \$50 (the usage is higher in the summertime).
5. Pool Electricity – The cost for electricity related to the pool.
6. Pool Water and Sewer – The cost for all water and sewer expenses related to the pool.
7. Pool Pass Processing – The cost for TMGA to prepare and process pool passes, per the management contract.
8. Swim Team Coaches' Payroll – The annual contribution made to the Swim Team to offset expenses.

IV. SITE MAINTENANCE AND REPAIRS

1. Tree Maintenance – The cost to prune, remove or replace common area trees as necessary. For 2014, I have kept the budget high, with the assumption that we will continue to prune or remove weak and damaged trees and limb up the pin oaks.
2. Street Light Repair – The cost to repair common area street lights.
3. Site Maintenance and Repairs – The cost for non-reserve repair and maintenance of the common areas.
4. Cyclical Repairs – The cost for non-reserve cyclical repairs that are needed, such as street light painting and tot lot rewoodchipping.
5. Property Maintenance and Upkeep – See Misc. Homeowner Income above.
6. Property Improvements – Funds set aside for maintenance or beautification of the common areas. This line item would be used for items such as turf renovation, additional signs, etc.

V. CONTRACT SERVICES

1. Lawn Maintenance and Landscaping – 2014 represents the second year of a three year contract with Potomac Garden Center. The budget reflects the actual contract cost.

2. Security Services –The 2014 budget assumes that the Association will remain with its current security contractor, using the same number of total hours per year.
3. Trash Removal – This price is based on the actual cost charged by Potomac Disposal.
4. Extermination – Due to rats being sighted in the common areas, Womack Pest Control was requested to install and service bait boxes in the townhome sections of the community. Now that construction of the stormwater facility has been completed, I anticipate being able to remove most of the bait boxes that have been installed in 2014.
5. Snow Removal – The cost to remove snow from sidewalks and streets throughout the community.