

**GLENKIRK ESTATES HOMEOWNERS ASSOCIATION**  
**2011 BUDGET NARRATIVE**

**INCOME**

Member Fees – It is estimated that 401 homes will be sold and settled in 2011. At \$275.00 per quarter or \$1,100.00 per year, a total of \$441,100.00 will be collected for the year.

Builder Lot Fees – Pursuant to the Declaration, the Developer, Drees Homes, is required to pay 25% of the annual assessment for any unoccupied lots it owns that have been recorded. It is estimated that the income from this source will be \$4,500.00 in 2011.

Late Fees & Carrying Charges - The Association will net approximately \$3,900.00 in late fees from homeowners who remit their fee payments after the due date. The late charge is \$25.00 per quarter on any outstanding balance.

Interest Income - The Association's funds are currently in interest-bearing money market and checking accounts. The Association also holds several Certificates of Deposit at local banks. If the interest rates in 2011 average 1.7 percent, the Association will earn approximately \$3,000.00 in interest income in 2011.

Pool Pass Income – The association does impose a nominal fee for replacing lost pool passes.

Facility Rental – The clubhouse is available to homeowners for private functions. There is a rental fee for using of the facility.

Outside Pool Memberships – Until Glenkirk Estates nears completion, the Board of Directors will sell associate pool memberships to families outside Glenkirk in order to raise additional revenue. Approximately 18 outside memberships will be sold at \$475.00 per family.

Miscellaneous Income - The association does not expect to receive any in miscellaneous income in 2011.

**EXPENSES**

**Administrative**

Management Reimbursement – This line item covers reimbursement to TWC Association Management, Inc. (TWC) for postage and copying costs for mailing correspondence and information to the Board of Directors and homeowners. Based on 2010 expenditures, \$3,600.00 has been budgeted for 2011.

Management Fees - Covers the cost for services by TWC Association Management for sending bills to owners, collecting fees, pursuing delinquent accounts, making monthly disbursements to vendors, preparing monthly financial reports, negotiating service contracts, supervising service contractors, attending Board meetings, processing Architectural Review Board applications, issuing pool passes, overseeing the operation of the recreational facilities and managing the day to day affairs of the association. A multi-year contract with TWC was negotiated, and the annual cost for services in 2011 will be \$45,900.00.

Legal Fees - From time to time, the Association consults with its attorney for legal advice on various issues and expects to do so in 2011. Expenses related to the collection of delinquent fees and homeowner violations are also covered by this line item.

Communications/Website– This line item will be used by the association to produce and mail periodic newsletters to the community. It also covers the monthly web site expenses as well as the services of a webmaster.

Secretarial Services – The association intends to hire a recording secretary to take minutes at the quarterly meetings and the annual meeting. The cost for this is approximately \$160.00 per meeting.

Audit & Tax Preparation - The cost to hire a certified public accountant to perform the 2010 year-end audit and prepare the Association's state and federal income tax returns will be \$2,500.00. Goldklang, Cavanaugh & Associates is the firm that has been retained to perform these services.

State & Federal Income Tax - As a homeowners association, Glenkirk Estates must pay both state and federal tax on interest income and other non-member income earned. The tax rate is approximately 15% of the interest earned.

Bad Debt Expense - This category covers losses for uncollectible fees due to foreclosures and bankruptcies. In these cases, the association is legally prohibited from recovering past due fees and they must be written off. The association expects to have some foreclosures in 2011.

Miscellaneous Administrative Expenses - Covers printing and copying costs for reports and notices when the copying done by outside vendors other than TWC. Also included are costs for check printing charges, bank service charges, envelopes, supplies and other miscellaneous operating expenses.

**General Operating**

Electricity - The monthly charge from NOVEC to operate the entrance lights and irrigation systems at the main entrance and clubhouse will be approximately \$50.00 per month or \$600.00 for the year.

Irrigation System Water - The cost for water from the Prince William Water Authority to run the irrigation systems at the entrances and clubhouse will be approximately \$2,400.00 in 2011.

Trash Removal - Glenkirk is currently under contract with American Disposal. Services include twice weekly trash pick up and one recycling pick up each week. The cost is \$18.00 per home per month. This calculates to \$86,616.00 for 2011. Some variance is expected because of fuel surcharges and a possible land fill rate increase, so \$87,950.00 has been budgeted.

Lawn & Grounds Maintenance - The contract price for services by Heritage Landscapes in 2011 will be \$62,400.00. Services include mowing, trimming, weed control, fertilizing, pruning, seeding etc, of all the common ground owned by Glenkirk Estates Homeowners Association, including the entrance, clubhouse grounds, and turf along Estate Manor Drive. Other open space parcels throughout the community including the utility strips in front of the homes will receive limited services. They will be mowed and periodically edged, but they will not receive any chemical treatments.

Landscaping - This fund covers the cost of purchasing and installing two rotations of annual flowers at the entrances to Glenkirk Estates and the clubhouse. Planting the large decorative pots at the clubhouse entrance and on the pool deck is also covered. Watering unirrigated areas is included as well.

Irrigation System Maintenance - This account covers routine maintenance of the irrigation systems at the main entrance and the clubhouse as well as repairs to the system components (heads, lines, valves, etc.) as needed. Hydrotech will be maintaining the irrigation system.

Pond Maintenance - The storm detention pond on Anchor Mill Place will be maintained professionally by Angler Environmental Services in order to keep the water free of trash and to prevent algae from growing on it. Services include monthly visits from the pond maintenance contractor.

Tree Maintenance & Pruning - The trees in the natural wooded areas that surround the community belong to the homeowners association. If they die or become dangerous, they must be removed. The cost to take down one large tree is \$1,800.00. We are estimating that the association will lose several trees each year until the natural areas stabilize.

Snow Removal - The clubhouse parking lot will be plowed and the sidewalks that are not in front of any homes will be shoveled as needed by a contractor hired by Glenkirk Estates HOA. The streets in the complex are dedicated or will soon be dedicated to VDOT, so plowing them is not the association's responsibility. Sidewalk shoveling in the front of each home is the responsibility of the homeowners.

General Maintenance & Repairs - This category includes minor repairs to the clubhouse, fences, entrance monuments, the installation of signs, correction of drainage problems, etc.

Pest Control - The association is responsible for exterminating bees, wasps, rodents and other pests in the common area and inside the clubhouse.

Electrical Repairs & Lighting - This category covers the cost to hire an electrician to repair and replace light bulbs and parts on the light fixtures at the entrances and the clubhouse. Monthly lighting inspections and bulb replacement are also included.

Clubhouse Security System - Includes monitoring costs and electronics to operate the entry system. Guardian monitors the system.

Insurance - The premiums for general liability insurance, fidelity bond coverage and directors and officer's liability insurance will cost the Homeowners Association \$6,900.00 in 2011. The current policies are with State Farm and CNA Insurance.

**Pool & Recreation Facilities Operation**

Pool Service Contract – Premier Aquatics has been selected to manage the Glenkirk Estates pool. The 2011 annual contract price will be \$57,900.00. Services include preparing the pool for opening in May, monitoring and operating the mechanical equipment, ordering chemicals and supplies, providing and supervising lifeguards and closing the pool at the end of the season which is Labor Day.

Pool Water & Sewer - Based on 2010 actual expenses, the cost for water and sewer for the pool and clubhouse will be \$6,600.00 in 2011.

Pool Electric - The cost for electricity to operate the pool pumps, filters, mechanical equipment and clubhouse lights should be \$9,000.00 in 2011.

HVAC Repairs & Maintenance - This fund covers the cost of a maintenance contract for the heating and air conditioning systems in the clubhouse. It also includes the cost for repairs not included under the maintenance contract.

Pool Telephone - Covers the monthly cost for the telephone in the clubhouse that is required by Prince William County.

Pool Repair & Maintenance - This line item includes the ongoing repairs and maintenance to the pool, pool deck and pump room equipment. It also covers costs to prepare the pool to open for the season. Based on data from the 2010 season, \$3,600.00 has been budgeted for 2011.

Painting - Approximately \$1,200.00 will be spent to repaint sections inside the clubhouse in the fall of 2011. This is an annual maintenance requirement necessitated by high volume use related to the pool.

Pool Supplies - Miscellaneous supplies (thermometers, test kits, first aid items, safety equipment, paper towels, trash bags, toilet paper, janitorial supplies, etc.) and chemicals needed to run the pool are covered by this line item.

Passes & Rules - Covers the annual cost to print and distribute the pool rules and regulations, pool passes and pass validation stickers for residents.

Activities & Socials – The Homeowners Association may sponsor social events throughout the year. The activities may include a 4<sup>th</sup> of July picnic, teen socials, a Halloween party, a pool opening day event, and winter holiday activities.

Permits and Fees - Covers the cost for permits and fees required by the Prince William County to operate the pool.

Janitorial - A contractor cleans the clubhouse interior every other week when the pool is closed and weekly while the pool is open. The cost for this service in 2011 will be \$4,800.00. Carpet cleaning is also included in this category.

Furniture Storage – The pool furniture has to be stored off site during the winter because storage area in the clubhouse is limited.

**Reserves**

The replacement costs and years of remaining useful life for each of the components listed below were determined by a comprehensive reserve study of Glenkirk Estates Homeowners Association that was completed in 2007 by an independent engineering firm. These studies are required by Virginia Statute every five years. The reserve study determined that \$54,000 should be allocated to the reserve funds annually starting in 2007, and a 3% annual inflation rate should be used to calculate cost increases over a twenty year period. Contributions will reach the recommended funding level of \$62,600.00 for the first time in 2011, but there is still some catching up to do.

General - This fund covers replacement of association property not listed elsewhere in the reserve schedule such as masonry retaining walls, metal railings, wood posts, etc. It also covers drainage work and miscellaneous improvements determined necessary by the Board.

Clubhouse Exterior - This category covers the cost to paint as needed and replace the wood siding, gutters, downspouts, windows, wood trim, etc. on the outside of the building. Annual allocations will have to increase in future years.

Clubhouse Roof - The useful life of the shingled roof is 17 years and the replacement cost is \$23,768.00. Major repairs to the roof are also covered by this fund.

Asphalt Roads & Pathways - The parking lot at the recreation center will need to be resealed every 5 to 7 years at a cost of \$2,500.00 per application. The eventual resurfacing of the lot in 12 years will cost approximately \$25,000.00. The asphalt paths in the community are also covered by this fund.

Irrigation System - This fund covers both replacement of the systems and major repairs when needed. The association currently has two separate systems.

Concrete Sidewalks – This fund covers the cost to replace the sidewalks and steps at the clubhouse as needed. Annual allocations of \$2,400.00 should be adequate to cover this expense.

Fences & Entrance Monuments - This fund covers the replacement of these specific items which are located at the main entrance and the recreation center.

Tot Lot - This fund is for repair and/or eventual replacement of the three existing playgrounds in the community and at the recreation center. The average life expectancy is about 13 years and the cost to replace each playground will be \$30,000.00.

Clubhouse Interior - The replacement is estimated as follows:

	<b>Useful Life</b>	<b>Remaining Useful Life</b>	<b>Total Cost</b>	<b>Annual Allocation</b>
Carpet	4 Years	4 Years	\$5,400.00	\$600.00
Tile	10 Years	7 Years	15,800.00	1,580.00
HVAC	8 Years	5 Years	9,200.00	1,150.00
Miscellaneous *	9 – 17 Years	6 – 14 Years	16,650.00	970.00
Appliances	8 Years	5 Years	6,400.00	800.00
		<b>TOTALS:</b>	<b>\$53,450.00</b>	<b>\$5,100.00</b>

\*(Cabinets, lighting fixtures, counter tops, doors, plumbing, wood trim, wiring, windows, fireplace, window coverings, windows)  
This reserve account is under funded at the present time, but allocations will increase as the number of homeowner's increases.

Pool Mechanical - This fund covers the pumps, motors, filters, chlorinator, plumbing and other mechanical equipment needed to run the pool. The cost to replace all motors and pumps will be \$38,000.00.

Pool Whitecoat - The whitecoat surface on each pool has a useful life of 4 to 5 years. The cost to replace the white coat in the main pool in 2012 or 2013 will be \$19,300.00. It will cost \$5,500 to replace the whitecoat on the wading pool.

Pool Furniture – The association has a considerable inventory of deck chairs, tables, umbrellas, picnic tables, plant pots, decorative trash cans, etc. Some of the older items will have to be replaced each year. This fund also covers restrapping and repainting the existing furniture every 3 to 4 years as well as additional purchases.

Storm Detention Ponds – The two large ponds on Anchor Mill have fencing, inlets and other structures that need to be maintained.

Landscaping - A landscape fund has been established for either replacements or improvements to the existing landscaping throughout the common area.

Clubhouse Furniture – This category will be minimally funded in 2011. The cost to replace the interior furniture is \$40,000.00.

Lighting – The lights outside the clubhouse and at the entrance are covered by this fund.

Pool Deck & Fence - The cost to recaulk the deck joints every three years is \$2,100 or \$700 per year. The cost to replace the concrete is \$5.95 per square foot. Approximately 40% of the deck surface (6,400 square feet) will have to be replaced as needed, and funds must be set aside for this purpose.