



Paseo Village Homeowners Association

The 2022 Proposed Budget
with Reserve Accounts
and Capital Expenditures

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Budget Report

Great news, we have a 2022 Proposed Budget!

Dear Members,

Enclosed, please find a copy of the 2022 Proposed Community Annual Operating and Reserve Budget (Expanded for Capital Expenditures) as required by NMSA Statute 47-16-7 (E)(F).

People gloss over with budget numbers; so I'll keep it as short as I can.

To be clear, the 2022 Budget is \$130.53 per month.

The Board of Director's just approve an increase from \$109 to \$114 starting in January 2022.

We are underfunded meaning we now pay \$109 a month and we need another \$21.53 to pay our bills in 2022.

For Paseo Village, this 2022 Budget is the first real budget that we've seen in years, maybe ever. It details *what it really costs to maintain our Community in "good order."* *We all know it's a "very low fee."* *The average association charges around \$200 per month.*

Our Proposed Budget provides for long term maintenance of our Community with *rolling 10 year periods*. It consists of three parts; the **Operating Budget** which covers day to day costs for the operation of the Association and the **Reserve Budget**, which provides funding for long term maintenance and lastly, a **Capital Expenditures Budget** detailing where money is **needed**. "Fully funded" budgets are best.

Sadly, all the past underfunding has just lead us to a "snowball moment" where we are now seriously underfunded so a "special assessment" is necessary. I said "seriously underfunded," to me needing \$688 is serious.

Background. There are only two ways to "manage" Association budgets. "**Bare Bones Budgets,**" meaning no increases in monthly dues, but "Special Assessments" sometimes annually to compensate for the increased costs or Associations with "**Fully Funded Budgets**" allowing for *Annual Operations and Reserves* for future needs. Fully Funded Associations do not rely on "Special Assessments" because their Budgets are completely funded with each monthly dues payment. Paseo Village has been operating on the "Bare Bones" method for far too long. The "Bare Bones" method obviously hasn't work for us because the Association now needs you to inject a sum of money. I don't like being ask to write a check for \$688 now and then but again maybe you're O.K. with it. I prefer fully funded budgets.

The Association mainly has 2 items that *overwhelmingly* consume the budget income; the **water for landscaping** and the costs of the **roads** which were never actually factored into the budgets resulting in taking money from other budget items, from time to time, or deferring their maintenance altogether. Landscaping reserves were never factored into the budget. The time has come to address the habit of "Deferred Maintenance" at Paseo Village. "Deferred Maintenance" is ignoring or postponing maintenance and the expense to use 'the over used term' "kicking can down the road." An example is our Tennis Courts which are now non functional. Sad because Tennis Courts are the *least expensive* amenity to maintain (no lights, no water, no staffing) the normal cost is .59 a month each. We aren't playing tennis because we don't want to! It's because the courts are damaged and we can't! Another example are the roads being in bad shape. **The roads are at their life's end and will begin to erode rapidly in the next 2-4 years becoming dirt again. I have a "pothole" in front of my mail box, do you?**

As many of your are aware, prior Boards have explained the drastic need for increases in dues because of normal increasing expenses of maintaining the Community. In 2019, you were sent a letter, I called it the "State of the Community Finances" by Bob Reneau (our Bookkeeper) in it he explained the *delicate situation*. Usually our past Boards only success in increasing income has been the 5% increases allowed

in the old Covenants and By-Laws. This Board has done the same for 2022. **Those minor increases no longer work so a special assessment is required.**

The board is advising owners that without proper funding there will be more budget cuts. As you know, the Handball court was the first amenity too close, then we stopped maintaining the Tennis Courts and so only the Pool is left. This coming 2022 the Community Pool will not pass inspection without needed maintenance. So without money for the repairs it will need to be closed or should I say “It will not pass County inspection.”

All Associations need some flexibility in their Budgets, we currently have none.

The Proposed Budget Recommendations:

The Board, in working with existing contractors, contacting the public entities and review of many studies realizes there are no current easy answers and so proposes three options for our Paseo Village Community going forward.

A one time Special Assessment of \$688 per member for renovation of all facilities and equipment now and any one of the following:

Option A: Pay dues of \$172 per month and fully fund the budget. This includes reserves and the new roads.

Option B: Pay dues of \$157 per month and only fund the “current” budget but with new roads.

Option C: Pay dues of \$114 per month (the current \$109 plus a 5% increase for 2022) and continue the way we have with possible closures and restrictions.

In these unsettled times, the Board is disappointed that this burden has fallen on us to be the “bad guy’s.”

Unfortunately, prior Boards bent to “public” or “member” pressure concerning any dues increases leaving this Board no choice. Or maybe, the urgency was not expressed hard enough??

In Summary,

This Board will continued to be conservative in their spending even though we’re now seriously underfunded. You can see from the Proposed Budget that we are taking our job as fiduciaries seriously to ensure that all aspects of the Community Assets are properly funded and maintained.

The December 4th *Special Road Meeting* only had the Board and 2 members in attendance! Online Zoom meetings are futile because very few members, if any, attend. I guess, this is Covid 19 related.

With no additional funding, the Board, using its legal powers, will decide how, when and where to patch and seal coat the roads using the \$50,000 in reserve and OR redirect the \$50,000 reserved for roads to where the Board thinks the money would be best spend.

Enclosed is a ballot for voting on the \$688 Special Assessment and Option A, B, or C. Please fill it out and return by the deadline so the Board can prepare accordingly.

These numbers are based on the 2022 approved dues of \$114 per month and continuing to manage the property internally (free labor and services, i.e. volunteer) without an outside professional management company. They were based on 68 lots relying on the new Covenants will be approved thus, allowing the Association to bill dues to the owners of the vacant lot #4 i.e. 69 lots.

Just so you know, when people are buying your homes the Association is required by law to provide ALL documents to the prospective owners in escrow. Including the proposed budget and minutes of board meetings and this Proposal.

Happy Holidays,

Kraig Carpenter, President
and the Paseo Village Board of Directors

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PASEO VILLAGE HOMEOWNERS ASSOCIATION
 FULL OPERATING BUDGET WITH RESERVES AND CAPITAL EXPENDITURES
 Calendar Year 2022

My personal professional observations are in this column.

OPERATING BUDGET				
INCOME				
	ANNUAL BUDGET	MONTHLY BUDGET	MONTHLY PER LOT	
Late Charges	600.00	50	0.74	
Interest - Delinquent Assessments	800.00	66.67	0.98	
Interest on Money Market	20.00	1.67	0.02	
Miscellaneous Income (Disc! Strmt Fees 4 @ \$200)	800.00	66.67	0.98	
Monthly Assessments (68 @ \$114)	93024.00	7752	114.00	
TOTAL INCOME	95,244.00	7,937.01	116.72	Your income per member. Including the 2022 increase.
EXPENSES (Before Reserves)				
Facilities - Community Pool* (See Capital Expenditures Notes)				
NM State Permit	250	20.83	0.31	
Pool Signage	35	2.91	0.04	
Contract Labor - Mr Pool	6000	500	7.35	
Pool Supplies & Equipment	2200	183.33	2.7	
Utilities (Electricity)	425	35.41	0.52	
Telephone	500	41.66	0.62	
Total Pool Expenses	9410	784.14	11.53	Your Pool Expenses per member.
Facilities - Community Tennis Courts. (Normal Expenditures)				
Misc. Equip. Nets, squeegee, etc.	500	41.66	0.59	Your Tennis Court Expenses per member. Tennis Courts cost is nothing compared to the Pool except we live in a desert and need to cool off. Still just .59cents!
Facilities - Grounds (Landscaping)				
Water	29000	2416.66	35.54	
Contract Labor - Bruno Diaz	31200	2600	38.23	
Contract Labor - Temporary Summer Help \$14 x 14 wks	7840	653.33	9.6	
Portable Toilet - Sarabia's	1035	86.25	1.27	
Equipment & Repairs/Maintenance	1500	125	1.84	
Fuel for Lawn Equipment	700	58.33	0.86	
Landscaping - New Plants and Trees	2500	208.33	3.06	
Landscaping - Lawn Aeration and Fertilizing	2250	187.5	2.76	
Sprinklers & Irrigation Supplies	2250	187.5	2.76	
Tree Maintenance & Removal	1500	125	1.84	
Road Signage	1000	83.33	1.23	
Trash Dumpster (4yd x wkly= 95+ monthly)	5252	437.66	6.44	
Total Grounds (Landscaping) Expenses	86027	7168.89	105.43	Your Landscaping Expenses per member.
Administrative Expenses				
Accounting Services Tax Preparation	350.00	29.17	0.43	
Bookkeeping Services	3,300.00	275	4.04	
Bank Charges	20.00	1.67	0.02	
Bank Charges - Square. Inc.	29.00	2.46	0.04	
Legal Fees - Kemp-Smith Law	975.00	81.25	1.19	
Legal Fees - Lien/Release Filings	500.00	41.67	0.61	
Suspense/Undistributed Expenses				
Bad Debt Write-Off	1,228.00	102.33	1.5	
Office Expenses	200.00	16.67	0.25	
Post Office Box Rental	118	9.83	0.14	
Postage & Delivery	55	4.58	0.07	
Printing & Copying	150	12.5	0.18	
Google Workspace - Virtual Office	480	40	0.59	
Milage Reimbursement	459	38.25	0.55	
Total Administrative Expenses	7,864.00	655.38	9.61	Your Admin. Expenses per member.
Fixed Costs				
Federal Income Taxes	20.00	1.67	0.025	
Business License & Permits	150.00	12.5	0.18	
Insurance	1,400.00	116.67	1.72	
Property Taxes	1,100.00	91.67	1.35	
Secretary of State Filing	80.00	6.67	0.1	
Total Fixed Costs	2,750.00	229.18	3.375	0
TOTAL OPERATING EXPENSES BEFORE RESERVES	106551.00	8879.25	130.53	Your Total Operating Expenses per member. We are projected to be underfunded by \$-13.81 for 2022.
Reserve Contributions - Maintenance on Facilities and Equipment				
Accounting Audit Review Tri-Annual (\$5,000 / 3 yrs)	5000.00	419	6.1	
Community Street Maintenance (5 year Seal Coating)	3000.00	250	3.6	
Community Swimming Pool (10 year plan) Note: the pool is VG shape.	24000	2000	29.4	
Community Tennis/Basketball Courts (10 year plan)	10000	833.33	12.3	
Community Maintenance Yard Reroof (10 year plan)	10000	833.33	12.3	
Total Reserve Expenses	79000	6000	87.7	Your Cost to have "Reserves" per member.
TOTAL OPERATING EXPENSES & RESERVE CONTRIBUTION	235551.00	19909.25	288.24	Your "Fully Funded" Dues per member. Note: If we had a fully funded assessment we would never have any needs for "Special Assessments."
Below are the Capital Expenditures listed separately in BLUE because they all have a Special Assessment. To renovate all the amenities at 1 time would be \$688.				
TOTAL CAPITAL EXPENDITURES				
(Currently we have Deferred Maintenance on our Facilities and Equipment)				
Roads				
Community Streets - Total New Repaving est. \$250,000 (All new asphalt)				
Road Proposals: Both are full repaving i.e. Removing and replacing asphalt. Choose 1				
A or B	A) Proposal - Now - Financing \$174k Loan Repay: 10yrs @ 4%	21144	1762	26 Your proposed plan cost to repave PV per member.
	B) Proposal - 8 Year Plan (no loan) - 1st yr from \$50k Reserves then every 2yrs	25000	2083.33	30.64 This is a "Special Assessment."
OTHER CAPITAL EXPENDITURES				
1 Time charge - Community Maintenance Yard (Handball Court Conversion)	15000	1250	18.38	Your additional issues you have due to always postponing the repairs and maintenance because we
1 Time charge - Community Tennis Courts *Details below.	15750	1312.5	19.3	are under funded. In other words, things just rot
1 Time charge - Road Signage	1000	83.33	1.22	away. Ex "No body uses the Tennis Courts" That's
1 Time charge - Facilities - Grounds - Equipment (New John Deere)	15000	1250	18.38	because you can't play tennis on the courts anymore. Not because people don't WANT to play Tennis.
TOTAL CAPITAL EXPENDITURES	46750.00	3895.83	57.28	Your additional expenses per member.
Facilities - Community Tennis Courts (Detail from above)				
Resurfacing of the Court	8000	666.66	9.8	
Transplanting of the Oleanders & Grading for Drainage	5000	416.66	6.13	
Windscreen	2000	166.66	2.45	
Basketball Hoops/Backboards	750	62.5	0.92	
Total Tennis Court Expenses	15750.00	1312.48	19.3	Your detailed Tennis Court Expenses per member.