

To the Board of Directors

We have received a letter from Paul Brockmeier, #92 (which was given to me for comment and clarification since I was the chairman when the controversy first surfaced.) He is requesting the board to adhere to the language in the 1979 Amendment to the Declaration of the Association. He feels that when the assessments were raised beginning with the first quarter of 1991 that we ignored the provisions in the amendment by not using the formula that was developed at the time the amendment was passed and became a part of the Declaration.

On the following pages, I will demonstrate that we in fact did "allocate the expenses *** to all units equally."

Following is the 1992 budget using the formula that has been used since 1980. (This was not implemented for reasons which will become apparent.)

<u>1992 Budget Items</u>	<u>Total</u>	<u>Variable Amount to each Unit</u>	<u>Equal Amount to each Unit</u>
Insurance	\$5,328	\$5,328	
1/3 of Maintenance	3,696		\$3,696
2/3 of Maintenance	7,504	7,504	
Roof Treatment	1,300		1,300
Landscaping	11,794		11,794
Painting	5,500	5,500	
Gas & Water	700		700
Office Supplies	150		150
Other	300		300
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Totals	\$36,272	\$18,332	\$17,940

Variable expenses are those that are defined to normally vary with the size of the dwelling.

Equal expenses are those that are defined to be normally equal for each dwelling.

Equal expenses per dwelling for 1992: $\$17,940 \div 38 = \472.11 each.

Variable expenses are allocated on a square footage basis:

9 units X 2700 sq. ft. each = 24,300
 2 units X 2500 sq. ft. each = 5,000
 27 units X 1700 sq. ft. each = 45,900
 75,200 sq. ft.

$\$18,332$ (var. exp.) \div 75,200 (total footage) = .24377 per sq. ft.

<u>9 large units</u>	<u>2 med. units</u>	<u>27 small units</u>
.24377 X 2700 = 658.18	.24377 X 2500 = 609.42	.24377 X 1700 = 414.40
472.11 X 1 = <u>472.11</u>	472.11 X 1 = <u>472.11</u>	472.11 X 1 = <u>472.11</u>
1130.29	1081.53	886.51
÷ 4 (qtr) 282.57	270.38	221.62
9 X 4 X 282.57 = \$10,173		
2 X 4 X 270.38 = 2,163		
27 X 4 X 221.62 <u>23,935</u>		

This would raise - \$36,271 (budget was \$36,272)

When rounded off to \$283, \$270 and \$222, these amounts would increase the large units \$18, the medium units \$18 and the small units \$24. No way was this formula fair to the small unit owners and so the considered opinion of the Board was that assessments should be raised 10% for all units, which meant the large units were raised \$27 a quarter, the medium units \$25 and the small units \$20. This seemed to the board at that time (and still does seem) a fairer way to apportion the increase among the units.

Paul wrote several letters in December 1991 and January 1992 insisting that "the only fair apportionment is one that is based upon the procedure that was approved by a majority as being fair and that is in the amendment to the Declaration." (A copy of the amendment is attached which does not state a procedure to be followed other than that the variable expenses are to be calculated on square footage and the uniform expenses to be allocated equally.)

The Board felt that the 10% raise for all units was fair rather than reworking the formula, and all unit owners except for Paul thought so too. As proved above, the formula doesn't begin to be a fair allocation of the expenses.

In going over Paul's latest letter with its attachments, it became apparent to me that the square footages which had been used since 1980 were very wrong. It states on the plat that the small units are 1,700 sq. ft., the medium units are 2,592 sq. ft. and the large units (which vary from 2,662 to 2,749) are calculated to be on the average - 2,700 sq. ft. Yet when you look at the sketch of Paul's unit, the areas which are not part of the livable space (for the most part entryways and in the second or third levels - air) have been excepted on all three floors from the total footage, which makes the square footage 2,436 which he has chosen to round off at 2,500.

By the same token, the similar areas in the smaller units should also have been excepted from the total square footage but were not, and the footage for all 27 units has been carried as 1,700 since 1980. If the footage for these areas, which is

96 sq. ft. for the two floors, is deducted from the 1,729 as shown on the plat, it becomes 1,633.

In reworking the formula used above, I have left the footages for the medium and large units as they are and have used 1,633 for the small units. I have also put the entire maintenance budget into variable.

<u>1992 Budget Items</u>	<u>Total</u>	<u>Variable Amount to each Unit</u>	<u>Equal Amount to each Unit</u>
Insurance	\$ 5,328	\$ 5,328	
Maintenance	11,200	11,200	
Roof Treatment	1,300		\$ 1,300
Landscaping	11,794		11,794
Painting	5,500	5,500	
Gas & Water	700		700
Office Supplies	150		150
Other	300		300
Totals	\$36,272	\$22,028	\$14,244

Variable expenses are those that are defined to normally vary with the size of the dwelling.

Equal expenses are those that are defined to be normally equal for each dwelling.

Equal expenses per dwelling for 1992: $\$14,244 \div 38 = \374.84 each.

Variable expenses are allocated on a square footage basis:

9 units X 2700 sq. ft. each = 24,300
 2 units X 2500 sq. ft. each = 5,000
 27 units X 1633 sq. ft. each = 44,091
 73,391 sq. ft.

$\$22,028 - 73,391 = .30015$ per sq. ft.

<u>9 large units</u>	<u>2 med. units</u>	<u>27 small units</u>
$.30015 \times 2700 = 810.40$	$.30015 \times 2500 = 750.37$	$.30015 \times 1633 = 490.14$
$374.84 \times 1 = \underline{374.84}$	$374.84 \times 1 = \underline{374.84}$	$374.84 \times 1 = \underline{374.84}$
1185.24	1125.21	864.98
$\div 4$ (qtr) 296.31	281.30	216.24
$9 \times 4 \times 295.31 = \$10,631$	$2 \times 4 \times 281.30 = 2,250$	
	<u>23,354</u>	

This would raise - $\$36,235$ (budget was $\$36,272$)

When rounded off to \$296, \$281 and \$216, these amounts increase the large units \$31, the medium units \$29 and the small units \$18. I think these figures are eminently fair and properly reflect the square footage of the units and the variable and fixed expenses relating to them.

History of assessment raises since 1972

- 1972-1977 - All units \$90 per quarter
- 1978 - All units \$120 per quarter (a raise of \$30)
- 1980 - 9 large units - \$177 (a raise of \$57)
2 med. units - \$167 (a raise of \$47)
27 small units - \$128 (a raise of \$8)

The raise of \$8 for the small units was apparently done to make up in some small way for the fact that the assessments had been the same for all units for 8 years.

- 1984 - 9 large units - \$200 (a raise of \$23)
- 2 med. units - \$189 (a raise of \$22)
27 small units - \$147 (a raise of \$19)
- 1988 (Proposed by the Board of Directors and subsequently revised by majority vote of members)
 - 9 large units - \$305 (a raise of \$105)
 - 2 med. units - \$290 (a raise of \$101)
 - 27 small units - \$228 (a raise of \$81)
- 1988 (As modified and implemented for 1989)
 - 9 large units - \$265 (a raise of \$65)
 - 2 med. units - \$252 (a raise of \$63)
 - 27 small units - \$198 (a raise of \$51)
- 1992 (A flat raise of 10% for all units)
 - 9 large units - \$292 (a raise of \$27)
 - 2 med. units - \$277 (a raise of \$25)
 - 27 small units - \$218 (a raise of \$20)

Comparing these quarterly assessment figures with the ones obtained in the last formula used above, the amounts we are now using are not that much different from those using the formula as I have revised it. I feel that the previous board did not make an infringement of the rules as suggested in Paul's letter. Considering the hundreds of dollars that have been paid by the small unit owners because of the error in the square footage of the units, I think the best thing we can do now is to use the formula as I have presented it for future assessment raises. Perhaps in ten years or so, we will have evened things out for everybody.