



Daylesford Lake Condominium Association
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November 29, 2016

To: Daylesford Lake Homeowner

Re: Association Budget, Responsibilities and Expenses

The purpose of this letter is to explain how the Board determines which services will be provided to the community and how they will be paid for within the Association's areas of responsibility as defined by the governing documents and financial constraints of the community.

- 1. Types of Services provided by the Association:** Types of services provided by the Association are defined in the governing documents. These include ongoing budgeted expenses pertaining to common areas, which benefit the entire community and non-budgeted expenses pertaining to limited common expenses, which benefit one or less than all homeowners. Finally homeowners are responsible for certain exterior items.
- 2. Common Area Budgeted Expenses:** Landscape maintenance, building maintenance, waste and snow removal are provided to all residents on an ongoing basis.
- 3. Administrative Budgeted Expenses:** Administrative expenses are shared by the entire community. These include insurance, management fees, legal and professional fees as well as office supplies, telephone and internet. The Association is required by the governing documents to be managed professionally and maintain a certain level of insurance.
- 4. Limited Common Expenses:** Limited common expenses are items for which the homeowner is responsible but under certain circumstances the Association may need to assess the owner for the cost of repairs. Sidewalks, driveways, decks and patios are a homeowner responsibility that the owner is required to maintain. If the homeowner fails to maintain these adequately, the Association may assess the owner for the cost of repairs or replacement.
- 5. Limited Non-Budgeted Expenses:** The Association can assess individual homeowners for the cost of repairs or maintenance or other items if that cost only benefits that owner or fewer than all owners. For example, snow removal or lawn maintenance benefits all

owners. But repairing a leak or installing new landscaping in front of a unit, affects that homeowner only. In these cases the cost of the work can be assessed to the individual owner.

6. **Fees and Assessments:** There are four ways the Association can fund regular operations and capital projects. The most important of these is through the monthly fees or assessments. Monthly fees fund administrative, common area and reserve expenses. Special assessments are used to fund special or large capital or reserve projects such as roof and chimney replacement if there are not adequate reserves available. Special assessments can also be used for special projects such as funding a shortfall in the cost of snow removal after a bad winter. A special landscaping project could also be funded through a special assessment. Individual owners can be assessed through limited assessments for work that only benefits their unit. This could apply to specific repairs such as fixing a leak, painting a garage door or repairing a deck if the owner fails to do so in a timely manner. The final way that Associations can fund projects is through borrowing from a bank. This method was used to fund the roofing and chimney project in full and the recladding project in part.
7. **Financial Constraints:** The Association is required to provide certain services such as administrative and common expenses described above that are included in the governing documents. In addition to these expenses the Association must adequately fund reserves for future capital improvements and replacements. There is a limit on the amount of monthly fees or special assessments that homeowners in an Association can bear to ensure that the condominium remains financially healthy and that homes can be sold in a timely fashion. There are also limits on the amount that an Association can borrow to fund projects. The Board works with the Property management company, its vendors and homeowners to determine what the appropriate balance of assessments and spending is for the community. There are certain minimum services that are required such as insurance, administration, snow removal, landscaping and waste removal for example. These cannot be removed from the budget. There are also obligations to repay existing loans and fund reserves at a minimum level. Once these expenses are taken into account, there is generally only a small amount of funds available for discretionary spending. If owners expect increases in services provided such as the installation of new landscaping, drainage or grading or a higher level of building and grounds maintenance, the additional cost will have to be funded in one of the ways mentioned above. If monthly fees and assessments cannot be increased, the only remaining options are through special assessments or individual limited assessments. If the additional services will only benefit fewer than all owners, individual limited assessing is the only method available to the Association. When a homeowner needs a service that is not provided to all owners, the fairest way to do this is through individual limited assessments.
8. **Common Area and Limited Common Area:** As mentioned above, common areas consist of the exterior of the building and the ground throughout the community with the exception of the limited common area described previously. The Association is responsible for maintaining the exterior of the buildings, the grounds and trees with some exceptions such

as windows, doors and limited common areas: The Association performs lawn maintenance, tree pruning and snow removal for example. **Owners cannot make any changes to the common area such as prune trees or cut grass.** Owners can, however, plant flowers and bushes in flower beds around their units once the plans are approved by the Association. The Association maintains the common area employing vendors who provide services in accordance with the terms of negotiated contracts that are within budgetary limits. Vendors cannot provide personalized services to individual homeowners for landscaping or other items. Similarly, individual homeowners cannot ask vendors to do work on the common area without prior approval from the Association.

9. **Homeowner versus Association responsibilities:** Although the Association is responsible for many items, homeowners can help maintain limited common elements, their windows and doors and plantings around their unit. The landscapers will prune and weed the beds around the front of your unit and side if appropriate, but you should consider installing new plantings to rejuvenate the area. The Association performs routine maintenance such as mowing, pruning and gutter cleaning on a schedule and cannot provide additional services on a personalized basis.
10. **The Budget Process:** Starting in August of each year, the Board works with the Property manager and vendors to develop a budget for the following year. Activities during the past year are reviewed to determine where savings can be made and where services need to be expanded. In some cases contracts with vendors have to be renegotiated and new bids requested. From this a preliminary budget is developed. At the same time funding for the proposed budget is reviewed to determine how it will affect the monthly fees and assessments and whether special assessments will be required. The final budget is reached after adjustments are made to income and expenses to. Obviously not all items can be funded at optimal levels. Some projects may have to be deferred or scaled back. Others may need to be funded through individual limited assessments. The Association budget is developed to see that all homeowners share costs evenly and that all owners receive similar levels of service wherever possible. Once the budget has been finalized, the Board members vote and approve it. The budget is included in the information package which is mailed to all owners a few weeks prior to the end of the year.

If you have any questions regarding the budget process please email the Property Manager at manager@daylesford-lake.com

Sincerely,

Daylesford Lake Board of Directors