

Briarwood Falls Condo Association
Executive Board Special Meeting Minutes
December 6, 2021 10:00 AM (approved 12/09/2021)

5) Adjourn

- Karen made motion to adjourn
- Joe 2nd motion
- Meeting was adjourned at 10:50 AM

Attachment: CALCULATION METHOD FOR DETERMING
ANNUAL INCOME, RESERVE AND CONDO FEE
Rev 0 – 12/6/2021

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CALCULATION METHOD FOR DETERMINING
ANNUAL INCOME, RESERVE AND CONDO FEE
Rev 0 – 12/5/2021

What you're looking for is the number, when you subtract a % from it, gives you a number you know: i.e., the number you know is the total line-item expenses without the Reserve. You have 2 unknowns; the Budget X and Reserve R and the Reserve is a percentage of the Budget.

We want the Reserve R to be a chosen % of X the Budget or Income from Fees.

The Math is done as follows:

$$[X - R] = T$$

$$R = (\%/100) X$$

Then,

$$[X - (\%/100) X] = T$$

Where X is what you're looking for, the Year's Budget or Year's Income from Fees.

The % is what is proposed to be allocated for the Reserve

T is the total expenses of the budget line items without Reserve

Solving for X the math is:

$$[X - (\%/100) X] = T$$

$$X [(1 - (\%/100))] = T$$

$$X = T / [(1 - (\%/100))]$$

So, in the case where: Line-Item Expenses T = \$276,976, and
% To Reserve is 12 %

$$X = \$276,976 / (1 - 0.12)$$

$$X = \$276,976 / 0.88 = \$314,745 \text{ and,}$$

the Reserve is $(X - T) = \$37,769$

Condo Fee = $X / (\text{Total Sq. ft.})$ as stated in latest Schedule A2

If you roll over a cash balance C from previous year's budget/expenses,
the formula to use is:

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$$[X - (\%/100) X] = T - C$$

Amount of Budget to Reserve

Currently, Connecticut only requires that the Board allocate a reasonable amount to reserves based on the expected future expenses for repair and replacement of elements. As learned from the 2020 Reserve Study findings, a reasonably funded reserve is typically in the range of 25 - 40 percent of the annual income from fees. Since 2006 BWF Association has been allocating only 10% to reserves. It is recommended in the 2020 Reserve Study to increase the reserve allocation by 2% each year for the next 15 years to meet expected costs from 2022 -2050. This strategy should be evaluated every 5 years in conjunction with update of the Reserve Study.

The FHA, Fannie Mae & Freddie Mac, in order for them to issue a mortgage to prospective Unit buyers, require that a Condo Association put at least 10 % of the annual income from fees into Reserve.