

Dear Residents,

From the budget committee set up to review the association's regular expenses and incomes, here is the proposal along with the supporting data:

We call it our "Bijli, Sadak, Pani" proposal.

Status of finances:

1. The association current income is about Rs. 23L per year (assuming all members pay their dues during the year - including vacant plot owners who have become members). Despite persistent collection effort by volunteers, the actual collection rate hovers around 60%.
2. If we add untraceable vacant plot owners, this goes up to about Rs. 27L
3. The planned maintenance expenses for the current year are projected at Rs. 23L - based on numbers provided by the SC members. This number is up from about Rs. 21L in previous year, but does not take into account any major upgradation or fixes such as water or sewage lines.
4. In addition, there are one-time expenses such as park upgrade, office building and others, which are likely to come up for consideration during the year and are felt to be needed by many association members.
5. With this status, it is clear that a maintenance fee increase is warranted

Road Project:

- The road committee led by Basheer and Naveen have received quotations for resurfacing the roads of entire layout from approximately Rs. 35 to 50 L.
- With required road maintenance and other expenses, we would like to budget Rs. 40L for this project for better roads that will last for next 3 years or more.

Maintenance and other Fees Proposal:

We have two proposals to be voted on. The road improvement proposal is a Yes/No vote while the maintenance fee requires a choice between Plan A and B. The details are elaborated in the table below.

Members/Tenants types and current dues	Residents, existing rate Rs1,500 per month	Vacant plot owners, existing Re 1 per sft per annum	Apartment owners, 2 nd tenants, existing ~600 per month
Road Improvement project	500 per month for 36 months	0.50 ps per sft per annum	500 per month for 36 months
Plan A	Increase by Rs 250 per month	Increase by Re 1 per sq ft per annum	Increase by Rs 400 per month
Plan B	Increase by Rs 500 per month	Increase by Rs 1.50 per sq ft per annum	Increase by Rs 600 per month

Road Improvement:

- Since the road project is not a “capital” expense like STP, we decided to tie it to regular maintenance over a period of 3 years instead of collecting one-time fee like we did for STP.
- Resident’s contribution for road project is Rs. 500. This fee is for 3 years only, and changes will be reviewed at that point. Plot owners pay Rs 0.50 per sq ft per annum.

PLAN A:

- The residents’ dues will go up to Rs. 1,750 per month. The increase of Rs. 250 covers increased maintenance charges .
- The vacant plot owners’ rate will go up to Rs. 2 per sq ft per year. This increase will reflect the increased maintenance charges and is still below what is prevalent in similar communities across Bangalore.
- The maintenance fees for houses with additional tenants (second household in the same house) and all apartments will increase to Rs. 1000 per month.

PLAN B:

- The residents’ dues will go up to Rs 2,000 per month and the additional Rs 250 to create a corpus fund and to meet other capital expenditures.
- The charges for vacant plot owners increases to Rs 2.50 per sq ft per annum to be in line with the other layouts plus to supplement our revenue stream and earmark funds to build a corpus of 30 to 40 L over 3 years.
- The maintenance fees for houses with additional tenants (second household in the same house) and all apartments will increase to Rs. 1200 per month.

Others

- The construction start fees will go up to Rs. 25,000 (will be renamed construction plus road fees). The houses under construction at the time of the passage of this resolution will be asked to contribute additional Rs. 10,000. This is to recognize that their contribution to road decay is the largest. This fee will be enforced starting Jan 1, 2010.
- Membership and admission fees for new members will increase to Rs. 5000 beginning Jan 1 2010.
- The Road Improvement and Plan A/B increases will be effective **from April 1, 2010**.
- With the proposed increase, we will be able to
 - have an annual income of about Rs. 30 ~ 40L to support our increasing expenditures and growing community needs.
 - cover the road project – which is expected to be completed within 3 months of start – enabling the members to enjoy the benefits of improvement prior to paying for it.
 - Create a small corpus of Rs.10-12Lper annum for any unplanned expenses
- Currently, we appear to have enough cashflow to support the initial funding of road improvement project completion. However, if the situation at the start of the project calls for extra fund availability, the association will go for a scheme of prepayment of maintenance fees to the residents.

Rationale For Increasing Maintenance Fees

Assumptions	6-10 new members per year (equal number change hands through selling of plots) Maintenance fee increase by Rs. 250 or Rs 500 per month for residents Maintenance fee increase by Rs. 1.50 or Rs 2 per square foot for plot owners
Current income (only maintenance) @ Rs. 1500 per month (residents) and Rs. 1 per sqft (empty plots)	23L leaving aside about 75 untraceable plots (@ 75% collection rate, about 17.5L)
Current expense over last 3 yrs Projected expense for 2010 - 2011 (only maintenance) One time projects - gate, park, gazebo, storage, office building, toilets, etc Addition to corpus (sinking) fund set apart for contingencies	Averages 20L (increasing year on year) 23L 20L Rs 5L to 10 L per year minimum
Projected income for 2010 - 2011 (with raise in maintenance)	30L to 40 L leaving aside 70 untraceable plots @ 75% collection rate, it is about 22L to 30L
Other sources of income	Membership fees, NOC, Penalties for non-payment, tenants
Benchmarking	We have the lowest fees of apartments and houses in the area and we would like to enhance our offerings

In service,

The LW Service Committee plus friends

November 2009