

**SAMPLE
OWNER EXPLANATION OF INCOME AND EXPENSE ESTIMATES**

BUDGET LINE #	DESCRIPTION OF ACCOUNT	SAMPLE EXPLANATION
6210	Advertising and Renting Expense	Includes: 1) \$200 for periodic ads in local newspaper; and 2) the cost of credit reports on new applicants.
6351	Bookkeeping Payroll and Services	Includes this project's share of centralized accounting operation. Costs are prorated over all the 20 projects managed by our agent, Professional Management, Inc. Costs are prorated according to each project's relative volume of transactions.
6310	Clerical and Occupancy Salaries	Includes one-fourth of one occupancy clerk's time. Occupancy clerk also works for XYZ Apartments and Evergreen Apartments.
6311	Office Supplies	Projects a 4 % inflationary increase over the prior year's actual expense.
6330	Manager's Salary	Includes manager's salary plus contract rent on a 2-bedroom apartment. As payroll schedule shows, manager will receive a \$100 per month increase for cost-of-living and performance bonuses.
6340	Legal	This represents retainer for an attorney who handles all routine project matters. This is less than last year's actual expense. Last year, a larger than usual number of evictions were required because of the former agent's failure to effectively screen applicants. That agent was removed 6 months ago.
6350	Auditing	Represents the contract price for the annual audit required by Handbook 2000.4. After obtaining proposals from two other firms, we executed a contract with Jones and Smith, Inc. Their bid was \$1,200 less than the other bids, and we understand that HUD Field Offices have found their work acceptable.
6360	Telephone and Answering Services	Includes local telephone service and answering service for evenings and Sunday. Allows for \$15 per month increase in answering service, effective November 1, and \$5 increase in base telephone service rate.
6390	Misc Administrative	Last year's actual.
6450	Electricity	Reflects 4% rate increase and 5% decrease in consumption as described in our cover letter. NOTE: Utility company has requested a 6% increase. Since the Commissioner usually approves only about 2/3 of the requested rate, we are budgeting for only a 4% increase. We are assuming that the increase will become effective February 1, 1986, the date requested by the utility company.

6451	Water	This is a 10 % decrease over last fiscal year's actual costs. While no rate changes are expected, consumption should decline somewhat. Last year's consumption was increased by: 1) drought conditions; and 2) watering of newly seeded lawns.
6452	Gas	Reflects 5% rate increase that has been approved by the utility commission and will become effective December 1985.
6453	Sewer	Represents a 10 % decrease from last year's actual. Sewer expense is 1/3 of the water expense is expected to decrease for reasons discussed above.
6545	Elevator	Cost of service contract with Elevators, Inc. This amount was the lowest of the three bids we obtained last Spring.
6510	Janitorial and Cleaning	Last year's actual, plus 4% inflationary increase.
6570	Motor Vehicle	Last year's actual.
6519	Exterminating	Project's contract with Bug-Off provides for one visit per month at cost of \$100 each. This amount was \$10 higher per visit than other proposals but we accepted this proposal because contractor's performance over past 3 years has been excellent.
6525	Trash Removal	Contract rate increased by \$30 to \$380/month, effective last May. This increase is partly reflected in the partial year's HUD-92410 and fully reflected in the budget. Trash is removed twice a week.
6530	Security	Cost of new deadbolt locks for 15 units on Evans Street. There have been several break-ins at single family homes near that side of the project. We also have asked the police department to increase patrols in that area.
6537	Grounds	Contract with Evergreen Grounds covers supplies and labor at \$6,000/year. Contract expires in December 1986.
6560	Decorating and Interior Painting	Represents cost of repainting 12 units. Apartments of long-term residents are repainted every 4 years. Replacement reserves will pay for any needed drapery or carpet replacement.
6541	Repairs Materials	Represents last year's repairs plus a 4% inflationary increase. None of the prior period's repair expenses were reimbursed out of replacement reserves; all were routine repairs.
6540	Repairs Payroll	Includes: a) salary expense for two maintenance men at rates shown in the attached payroll schedule; and b) a 50% discount on one maintenance men's rent.
6710	Property Taxes	The county has increased the assessed value by 5%; tax rate is unchanged. Two years ago, we successfully appealed the county's calculation of the project's assessed value. At that time, the calculation has used incorrect assumptions on income and expense levels. Since the new, increased assessed value used the revised assumptions agreed to in the appeal, we are accepting the assessed value as accurate.
6711	Payroll Taxes	Budgeted at 11% (6.7% FICA, 4.3 percent combined State and Federal unemployment) of salaries listed in the attached payroll schedule. Increased cost is due to cost-of-living increases in employee's base pay.

6719	Miscellaneous Taxes and License	Includes local licensing fees for project elevators.
6720	Property and Liability Insurance	Cost of an all-risk policy with Safeguard, Inc.
6722	Workmen Compensation	Policy covers all of agent's employees. This is project's prorated share of the total cost of the policy; the proration covers the employees listed on the attached payroll schedule.
	Replacement Reserve	Includes \$15 PUM increase in monthly deposits to be implemented with this rent increase. Deposits have not been increased since project commenced occupancy in 1978. Attached is an Agreement formalizing this increase in deposits.
	Project Improvements	Includes 1/4 of the cost of painting the project exterior. (Future exterior painting costs will be paid from the replacement reserve. Costs of exterior painting were considered in establishing the new deposit.)
	Service Income	Average of actual income for last 2 years. Laundry machines are leased from Wash and Dry, Incorporated. Income has consistently stayed at this level.
	Investment Income	\$6,000 to the \$48,000 replacement reserve (balance as of May 31, 1985) will be withdrawn for roof repairs. The remaining \$42,000 will be invested as follows: \$34,000 in Treasury Notes at 9.24%. \$8,000 in insured money market account at 8.5%.
		NOTE: All replacement reserve interest is deposited in the project operating account. State law requires that interest earned on tenant security deposits be passed through to tenants.
	Vacancy Loss	Decreased from prior year because we expect new agent to reduce tenant turnover and more aggressively market units.
	Management Fees	Will request a ½% increase in fees, effective March 1, 1983, if new agent performs as expected. Agent has already made significant progress in turning the project around.

NOTE:

- Line items should reference the specific HUD-92410 Account Code. Where the increase is less than 5%, no justification is required.
- Capital expenditures should not be included in 92410 line item Budget but in other Cash expense.
- If the rent increase is based on capital expenditures (non-reoccurring) a reserve analysis should be included.