

**CABIN BRANCH HOMEOWNERS ASSOCIATION
2027 BUDGET NOTES
September 15, 2026**

I. INCOME

1. Assessment Income – All members pay an equal amount for the General Assessment. For 2027, we are proposing a 0% change in the general assessment.
2. Landscape Assessment – The Association's lawn contractor mows all private yards in Cabin Branch. Each townhome and single-family owner is responsible for reimbursing the Association for the cost of this service at a rate determined by the type of property owned.

The cost of this service is reflected in Acct. #7600 – Reimbursable Landscape Service. Because it is a pass-through expense, the expense and income should be equal. The draft budget assumes a 10% increase in the cost for 2027. The actual cost will be determined once the 2027 lawn contract is approved.

3. Late Fee Income – Due to the change in management companies, late fees were not charged in January through March 2026. An average of 110 households per month have been charged a late fee since May 2026. The 2027 budget is based on a \$15 late fee charged to an average of 100 households per month each month except December.
4. Legal Fees Reimbursement - If a homeowner's account is forwarded to the Association's attorney for the collection of delinquent assessments, the legal fees incurred are paid by the Association and then applied to the homeowner's account. When the homeowner settles their account, the Association is reimbursed. The amount to be reimbursed is accrued as income and is not actual cash received.

It occasionally is necessary to waive legal fees to settle an account or due to foreclosures or bankruptcies; therefore, the Legal Fees Reimbursement income is slightly lower than the amount shown in Acct. #7165 – Legal-Collections expense.

5. NSF Income - When a homeowner's payment is returned for insufficient funds, TMGA charges the Association, and this charge is reflected as an expense (see Acct. #7880 - Miscellaneous Homeowner Administrative Fees). The fee is added to the delinquent homeowner's account to be reimbursed to the Association. When the fee is added to the homeowner's account, it is recorded as income under this line item. This represents accrued income and not actual cash received.
6. Pool Fees Income – The income earned from the sale of guest pool passes at \$2 per pass. In addition, pool members can purchase paper passes for a fee of \$5 per pass. Access Granted

charges \$1 per pass + \$3 per household mailing fee. The income is recorded in this line item. The expense is recorded under Acct. #9765 – Pool Pass Expense.

7. Miscellaneous Homeowner Income – Miscellaneous fees due from homeowners. Through July 2026, this included reimbursement of the cost to repair a common area fence that was vandalized (\$385) and the amount charged to a clubhouse renter for not picking up their key during business hours (\$25).
8. Room Rental Income – Income obtained from the rental of the clubhouse for private events. Due to a pipe break that occurred in January 2026, the room was unavailable for rental for two months. The 2027 fee is based on an average of 7 rentals per month at \$417.50 per rental and cleaning fees of \$115 per rental.
9. Insurance Proceeds – Payment received from State Farm for the January 2026 pipe break, less the \$5,000 deductible.
10. Operating Interest Income - Interest generated by operating funds deposited in interest bearing accounts.
11. Interest Income – Reserve Accounts – This income is typically not shown on the operating budget or income statement.

II. EXPENSES - GENERAL AND ADMINISTRATIVE

1. Dues and Subscriptions – The 2027 budget includes the following:
 - CCOC fees – 1,570 homes x \$6.50 per unit
 - Google Workspace Fees - \$190/month
 - Survey Monkey - \$585/year
2. Office Supplies – Supplies needed for the on-site office such as paper, pens, and toner ink.
3. Payroll Services – The On Site Manager is no longer an Association employee; therefore, all payroll related expenses are included in the management fee.
4. Bank Charges – The Association maintains two accounts at Merrill Lynch with an annual account management fee of \$300 each. This line item also includes the \$5 transaction fee that is charged by Vantaca Pay when a homeowner's online payment via eCheck or credit card does not go through.
5. Printing and Postage – Most printing and postage costs are included in the management fee. A small amount has been set aside for unusual printing expenses, such as for oversized site plans or flyers for community events.

6. Bad Debt – The amount by which the auditors may increase the Allowance for Bad Debt account. The Allowance account represents funds set aside for the write-off of bad debts.
7. Operating Contingency – Funds set aside for unanticipated expenses.
8. Community Initiative Grants – This line item is currently unfunded but is being used as a placeholder for future discussion.
9. Miscellaneous Homeowner Admin. Fees – See NSF Income above. In addition, this line item includes the cost for TMGA to issue late notices and courtesy letters to delinquent owners. As discussed at the March 2026 Board of Directors meeting, these fees can no longer be charged back to homeowners due to a recent court decision. Therefore, these fees are charged to this expense but there is no corresponding income.
10. Miscellaneous General & Administrative – The cost for miscellaneous administrative expenses. Through July 31, 2026, this included \$3,012.76 for repairs to the on-site computers.

III. PAYROLL & BENEFITS

The On Site Manager is no longer an Association employee; therefore, all payroll and associated taxes are included in the management fee.

IV. INSURANCE

1. Group Health Insurance Premiums – The cost for employee health insurance is included in the management fee.
2. Workers Compensation Insurance Premiums – This cost is included in the management fee.
3. Insurance Premiums - The cost to maintain general liability, Directors and Officers and fidelity bond (crime) insurance. Due to the pipe break that occurred in January 2026 and several natural disasters, the premium for general liability insurance increased significantly upon renewal on July 22, 2026. We estimate a 5% increase in the D&O and Crime premiums upon 2026 renewal and a similar increase for all policies upon renewal in 2027.

Policy	2025-2026 Premium	2026-2027 Premium	2027-2028 Premium (estimated)	Renewal Date
General Liability	\$23,179	\$32,140	\$33,747	7/22/26
Umbrella	\$2,666	\$2,666	\$2,800	7/22/26
D&O	\$4,979	\$5,193	\$5,420	11/13/26

	Includes \$690 broker fee	(estimated)		
Crime	\$2,087	\$2,191 (estimated)	\$2,300	11/13/26

We are working with Sahouri Insurance to try to obtain lower premiums upon renewal.

11. Insurance Claim Expenses – The costs incurred to repair the clubhouse after the January 2026 pipe break.

V. UTILITIES

1. Electricity – During the pool season (June – August), the cost increases to an average of \$4,092 per month. For all other months, the average cost is \$1,938. We assumed a 5% increase in electricity costs in 2027.
2. Water & Sewer – The actual expenses incurred since 2021 are as follows:

Year	Total Expense
2021	\$7,257.12
2022	\$10,528.54
2023	\$18,474.75
2024	\$20,921.72
2025	\$29,494.41

Through July 31, 2026, the Association is averaging \$2,159/month. This average is slightly skewed due to the January 2026 pipe break. From May 9 – July 9, this expense increased to an average of \$3,947/month while the pool is open. Based on the historical costs and the average year to date expense, we estimate that the water and sewer costs will be significantly over budget for 2026. We anticipate a 5% rate increase for 2027.

3. Telephone Service – The Association pays \$89.99/month for internet service and \$367.66 for phone service. We kept this line item steady for 2027 but will investigate lower rates.

VI. LANDSCAPING

1. Grounds and Landscaping Contract – We proposed a 10% increase in 2027 over the 2026 projected cost. This increase is to account for changes made to the contract specifications to improve the quality of service. This contract will be bid out for 2027 to try to obtain the best value.
2. Landscape Repair & Maintenance – Funds set aside for beautification projects such as entrance monument relandscaping and tree installation, and maintenance projects such as turf renovation

and erosion control. The 2027 budget was reduced by \$10,000 to allocate funds to the Garden Committee (see Committee Expenses below).

VII. CONTRACT SERVICES

1. Trash Service – The fee to pick up trash twice weekly. The current contract with J&J Trash Service is for \$10.92/unit/month through July 31, 2027 at which time the contract will expire. We assumed a 5% increase in cost upon renewal. However, we also noted that their cost is higher than what they charge other communities of a similar size and have reached out to them to negotiate a better rate.
2. Building Maintenance Service – This line item has been eliminated for 2027.
3. Fire Prevention and Protection – The clubhouse does not have an irrigation system but does maintain 9 fire extinguishers. The cost to inspect and recharge the extinguishers annually is \$331.85. We added an allowance for the repair/replacement of the extinguishers as needed.
4. HVAC Services – The Association’s contract with Recurrent expires on May 26, 2027 and renews annually thereafter until terminated. We assumed a 5% increase for 2027.
5. Janitorial Services – The Association’s contract with Knoble expires on December 31, 2026. We currently pay \$1,325 per month plus \$115 per rental. We assumed a 3% increase in the base cost for 2027 and no increase in the post-rental cleaning fee. The budget is based on an average of 7 rentals per month, for a total of \$8,050 in cleaning fees. Per discussion at the September 2026 meeting, the cleaning fees will be passed on to clubhouse renters.
6. Pest Control – The cost for extermination services as needed.
7. Pet Station and Trash Can Maintenance – In the 2026 budget, this expense was budgeted under Common Areas Repairs and Maintenance. Because it is a large expense, we created a new line item for it. Atlantic Maintenance Group services 61 trash cans and 30 pet waste stations weekly and supplies all needed trash bags and pet waste mitts. Their rates are:

Item	Cost	Billing Frequency	Notes
Trash Can Service	\$366	Weekly	
Pet Station Service	\$285	Weekly	
Pet Mitts	\$870 (average)	Monthly	12,000 mitts \$145/2000 mitts x 6 cases
Dog Waste Can Liners	\$266 (average)	Monthly	700 liners \$38/100 liners x 7

			cases
Trash Bags	\$189 (average)	Monthly	300 trash bags \$31.50/50 bags x 6 cases

This contract will be bid out for 2028. In addition, we are looking into whether it would be more cost effective for the Association to purchase the needed supplies.

8. Pool Management – The contract with Georgetown Aquatics expired at the end of the 2026 season. We assumed a 0% increase for 2027 because, although the minimum wage will increase again on July 1, 2027, the pool season is one week shorter than in 2026.
9. Pool Pass Expense – See Account #6370-Pool Fees Income.
10. Clubhouse Monitoring (formerly Surveillance Contract) – The Association has a 60-month contract with Strat Security that began on June 1, 2026 for the following services:

Item	Monthly Cost	Tax	Monthly Total
Video System Access and Storage	\$69.93	\$4.20	\$74.13
Alarm System Monitoring	\$45.00	\$2.70	\$47.70

We anticipated a 5% increase for 2027.

11. Snow Removal Services – The cost to remove snow and ice from the common area streets and sidewalks.

VIII. POOL AND CLUBHOUSE

1. Clubhouse Repairs & Maintenance – The cost for non-reserve repairs to the clubhouse. This includes plumbing, painting, appliance repairs, and miscellaneous maintenance.
2. Clubhouse Improvements – Funds set aside for clubhouse enhancements such as a sound system or signage.
3. Pool Repairs & Maintenance – The cost for non-reserve repairs to the pool and shower areas.
4. Pool Supplies – The cost for supplies needed to operate the pool. These include janitorial supplies, pool equipment such as backboards and skimmer baskets and similar expenses.

5. Pool Improvements – Funds set aside for pool facility enhancements such as the purchase of additional furniture.
6. Lifeguard Bonuses – Funding available to reward lifeguards for exceptional service, to be used at the Board’s discretion.
7. Swim Team Contribution – We included this line item as a placeholder for now, pending Board discussion regarding the operation of the Swim Team. In most communities, the Swim Team is operated by homeowner volunteers and is funded through a combination of Swim Team membership fees and a contribution from the community. If the Board chooses to take this approach, then approximately \$10,000 should be set aside in the initial year for this purpose. Note, this amount can be reduced in future years after the initial startup expenses are paid for (e.g., starting system, sound system, etc.).

IX. REPAIRS & MAINTENANCE

1. Common Area Repairs and Maintenance – The cost for miscellaneous maintenance that is not a reserve expense or landscaping. This includes sign repairs and installation, fence repairs, trash pickup, and similar expenses.
2. Cyclical Repairs – Cyclical repairs are large maintenance expenses that are incurred on a regularly scheduled basis. These include, for example, pressure washing the community playgrounds, benches and entrance monuments and tot lot inspections.
3. Electrical Supplies, Repairs & Maintenance – The cost to repair common area lights and other electrical components.
4. General Maintenance Supplies – This cost is included in Common Area Repairs and Maintenance.
5. Plumbing Supplies, Repairs & Maintenance – This cost is included in Common Area Repairs and Maintenance.
6. Signage Repairs & Maintenance - This cost is included in Common Area Repairs and Maintenance.
7. Trash Removal Bulk - This cost is included in Common Area Repairs and Maintenance.
8. Other Supplies, Repairs & Maintenance - This cost is included in Common Area Repairs and Maintenance.

9. Irrigation System Testing and Maintenance – The cost for required annual testing of the backflow preventers at a cost of \$1,751 plus a small allowance for repairs. Starting the systems in the spring and winterizing them are included in the lawn maintenance contract fee.

X. PROFESSIONAL SERVICES

1. Management Fees – Cabin Branch will be in the second year of a three-year contract with TMGA. The budget reflects the actual contract cost with a 0% increase for 2027.
2. Seasonable Labor – The cost for part time office staff during the summer.
3. Legal Services – The cost for legal services not related to the collection of delinquent accounts.
4. Legal – Collections – The cost to pursue collection of delinquent accounts. See Legal Fees Reimbursement.
5. Audit & Tax Services – 2027 represents the second year of a two-year contract with Strauss Associates. The budget reflects the actual contract cost with a 0% increase for 2027.
6. Consulting Services – The 2026 expense represents the cost to inspect the retaining wall behind 121 Gull Street (\$6,390) and to assess all of the retaining walls in the community (\$6,000). The Association is due to update its reserve study in 2027. We budgeted for a Level I reserve study to be done next year.

XI. COMMITTEE EXPENSES

This section of the budget is new for 2027. We requested each Committee Chair to advise of any anticipated expenses for 2027 so that we could budget accordingly. In general, there were no projects that required 2027 funding except as noted below:

1. Activity Manager – The cost for a person or firm to coordinate community activities, including social events.
2. Grounds Committee - Improvement projects are funded under Landscaping Improvements.
3. Garden Committee – The Garden Committee requested funding to add pollinator landscaping, install new garden beds, and improve the fence, gate, and signage infrastructure.
4. Social Committee – We increased the budget for 2027 to allow the Committee the flexibility to plan additional events.

XII. REIMBURSABLE EXPENSES

1. Reimbursable Landscape Service – The cost for lawn maintenance of private yards. This cost is reimbursed by all non-Condominium owners. See Landscape Assessment above.

XIII. TAXES

1. Federal & State Income Tax – Taxes due on interest earned and non-assessment income. The Association's tax liability for 2025 was:

- Federal - \$30,740
- State - \$13,175

We assumed a 5% increase for the 2027 budget.

2. Property/Real Estate Taxes – The Association does not owe any personal property taxes; however, it is responsible for paying water quality protection charges to Montgomery County. The WQPC charge is determined by the Montgomery County Council each year and has been steadily rising for several years as follows:

Fiscal Year	Rate/ERU
2011	\$49.00
2012	\$70.50
2013	\$92.60
2014	\$88.40
2015	\$88.40
2016	\$88.40
2017	\$95.00
2018	\$104.25
2019	\$104.25
2020	\$108.10
2021	\$113.50
2022	\$119.50
2023	\$126.00
2024	\$136.50
2025	\$147.00
2026	\$147.00
2027	\$157.50

The 2027 budget reflects a 7.1% increase. Note, the fiscal year runs from July 1st through June 30th, and the charges are prepaid and expensed each month.

XIV. RESERVE CONTRIBUTION EXPENSE

1. Reserve Contribution – Per the reserve study prepared by Becht Engineering in 2022, three separate reserve funding options were proposed:

Funding Option	Recommended 12/31/25 Reserve Fund Balance	2026 Contribution Per Reserve Study	2027 Contribution Per Reserve Study
Component	\$2,415,308	\$287,143	\$295,758
5% of Replacement Cost	\$2,102,057	\$197,496	\$203,421
10% of Replacement Cost	\$2,123,117	\$203,050	\$209,142

As of December 31, 2025, your actual reserve fund balance was \$2,305,209.

\$250,000 was budgeted for the 2026 reserve fund contribution, which is not consistent with the reserve study. Under both Replacement Cost scenarios, your reserves are slightly overfunded and the 2026 reserve contribution exceeded the recommended amount.

Because the reserve study is due to be updated in 2027, we took a conservative approach and budgeted at the amount recommended under the 10% of Replacement Cost option.

2. Reserve Interest Transfer – Interest earned on the reserve funds is not included on the operating fund budget.