BELL PARK GARDENS | BOARD BULLETIN

Report to Shareholders on Financial Condition of Bell Park Gardens

November 29, 2018[1]

This report discusses highlights from our most recent fiscal year, which ended August 31, 2018; a planned maintenance increase to be effective January 1, 2019; and a planned reduction in the flip tax percentage, effective January 1, 2019. You should read this entire memo very carefully as it contains critical information about the financial condition of the Corporation.

Highlights from 8/31/2018 Financials

Overall, the most recent fiscal year (September 1, 2017 through August 31, 2018) was positive for our corporation. We increased our reserves to nearly $1.6 million, Board decisions cut many expenses considerably, and we continued our efforts to increase our recurring revenue to match our recurring expenses.

Following is a summarized version of our income statement, which shows revenues and expenses for the fiscal year ending August 31, 2018, compared to the previous fiscal year, ending August 31, 2017:

[1] This is a two sided document. Please read both sides.

Revenues:	8/31/2018	8/31/2017	Change
Maintenance Revenue	$ 5,605,358	$ 4,970,159	$ 635,199
Abatement Assessment	$ 1,042,933	$ 1,179,391	$ (136,458)
Flip Tax on Seller	$ 1,540,576	$ 1,270,900	$ 269,676
Flip Tax on Buyer	$ 54,021	$ 37,382	$ 16,639
Parking, Laundry, and Other	$ 372,446	$ 272,266	$ 100,180
Interest on Reserves	$ 13,882	$ 4,537	$ 9,345
Real Estate Tax Reduction	$ 272,470	$ -	$ 272,470
Total Revenues	**$ 8,901,686**	**$ 7,734,635**	**$ 1,167,051**
Expenses:			
Administrative Expenses	$ 316,325	$ 324,170	$ (7,845)
Attorney Fee: Real Estate Tax Reduction	$ 127,762		
Other Operating Expenses	$ 1,872,823	$ 1,876,628	$ (3,805)
Maintenance Expenses	$ 808,186	$ 763,837	$ 44,349
Taxes and Insurance	$ 5,129,505	$ 4,800,925	$ 328,580
Depreciation	$ 199,882	$ 192,580	$ 7,302
Total Expenses	**$ 8,454,483**	**$ 7,958,140**	**$ 496,343**
Excess / (Deficiency)	**$ 447,203**	**$ (223,505)**	**$ 670,708**

Revenues

The additional revenue recognized by Bell Park enabled the Board, through a transfer into the reserves during the latest year to nearly double its balance—from $803,564 on 8/31/2017 to $1,524,867 on 8/31/2018. The Board also recently approved a transfer to the reserves of $475,000 during its 11/20/2018 board meeting, which brings our reserve balance to over $2 million. The Corporation will need these reserves as it begins to address significant infrastructure needs in the coming months and years. We must continue to increase our reserves to protect the Corporation, its shareholders, and its shareholders' investments.

The Corporation experienced a high sales volume during the last fiscal year, which generated flip tax revenue of over $1.5 million. Though the flip tax revenue was a crucial element of this past year's positive result, we must continue to take steps to make sure we have consistent revenue, not uncertain revenue dependent on uncertain conditions in the housing market. The maintenance increase was a crucial factor, as well—without the 10% maintenance increase, effective 9/1/2017, the fiscal year would have ended in a deficit and, we could not have increased our reserve balance.

Administrative Expenses

Administrative expenses, excluding the fee we paid to our tax certiorari attorney for successfully protesting our real estate tax assessment in previous years, went down. We realized this savings by reducing the combined amount of office salaries. We accomplished this by reducing office staff from three full-time employees to two full-time employees and one part-timer. The Board of Directors is pleased to see the office run effectively and efficiently with fewer staff, thereby savings costs while still meeting shareholders' needs.

This savings was partially offset due to additional spending on professional fees. Much of this resulted from additional costs from work done by our outside law firm to deal with violations of our coop rules and/or the proprietary lease. The Board vigorously works with outside counsel to maintain and improve our quality of life by ensuring compliance with the rules designed for that purpose.

Other Operating Expenses

The Corporation's electricity expense was $116,999 for the year ending 8/31/2018, as compared to $139,050 the previous year. This over $20,000 savings resulted from the Board's LED lighting program. Much of the work is complete, so further savings will be realized as we will soon be 100% LED. Other lighting projects, such as adding timers to laundry rooms, will help the corporation save on electricity.

Heating gas costs rose by about $90,000, due to a longer and colder winter. The Board of Directors continues to study ways to make the boiler system more efficient. The previous Board made serious errors in its purchase – without professional guidance – of oversized burners for our boilers. The Board is looking for ways to mitigate the results of those errors.

Maintenance Expenses

The corporation incurred about $110,000 in additional repair and maintenance costs in the year ending 8/31/2018 as compared to the year ending 8/31/2017. Numerous important projects neglected for many years completed during the past fiscal year, driving this increase. This increase was partially offset by the savings from outsourcing the landscaping contract and reducing our in-house grounds staff from six employees to two.

Taxes and Insurance

Out of control property tax increases are one of the biggest threats to our development. An unfair assessment system—imputing rental income to us as if we were a rental property, as well as the inapplicability of the of property tax cap available to private homes -- leave us with skyrocketing property taxes. Our property taxes rose to $4,460,344 from $4,123,310, an increase of over $336,000 in just one year. Our total property tax expense make up nearly 54% of our total expenses. The Board is involved politically with neighboring coops to try to secure help from our local elected officials. Treasurer Mark M. Ulrich, CPA, serves as Vice President of the PCCC (Presidents of Coops and Condos Council), recently met with State Senator-Elect John Liu, who has promised to help fight for a property tax cap for coops when he gets to Albany in January. The property tax issue is a crisis, and, if the law does not change soon, Bell Park and other coops will cease to be affordable for the middle class.

The Corporation won a property tax protest, which reduced our tax assessment for certain previous years. The net benefit, after paying attorney fees, is about $1 million. Part of the award came as a refund during the past fiscal year ($272,470), and the remainder will be received as credits on our Corporation's tax bill in forthcoming years. However, the City has already increased our current year's assessment, which threatens to eliminate the benefit of our previous successful tax protest. We continue to retain counsel to challenge the most recent assessment.

Summary

The Board is pleased with the most recent fiscal results, but significant challenges remain. The property tax spiral and our serious infrastructure needs will demand significant resources. The Board must take steps to insure we have the resources to satisfy those obligations.

Significantly, recurring revenue is still not enough to cover recurring expenses. Out of our revenue of $8.9 million, only about $6 million comes from recurring maintenance revenue and parking fees. About $1 million of additional revenue resulted from an assessment that offsets the coop abatement tax credit. If the government ever discontinues that abatement we would need to make up the shortfall via maintenance increase. We received nearly $1.7 million in revenue from the flip tax, which depends completely on apartment sales, a very uncertain, unpredictable source of income. It is unwise for a housing corporation to make financial commitments based on such income uncertainty. The previous board did just that, leaving maintenance flat for many years while our recurring expenses—specifically, property taxes --rose. The previous board used the flip tax revenue, which at an earlier time went straight to the reserve fund to pay recurring day to day expenses. When apartment sales slowed during early 2017, the Corporation's reserves went down to about $600,000—a dangerously low amount for a complex of this size. The current Board acted quickly to deal with the crisis and imposed necessary increases, while simultaneously cutting expenses, to change our financial direction and put us on the path to a stronger financial position.

Besides it uncertainty as a revenue source, the flip tax negatively affects the Corporation in other ways. It depresses the value of our apartments, and prevents potential shareholders from obtaining mortgages from banks that will not lend to borrowers seeking high flip tax apartments. Similarly, because some banks stay away from high flip tax developments, it reduces the sources from which current shareholders can obtain a home equity loan or a home equity line of credit.

For all of these reasons, the Board is committed to reducing the flip tax and offsetting the revenue loss with an increase in maintenance charges.

Maintenance Increase and Flip Tax Reduction

The Board has recently voted to reduce the flip tax from 15% to 10% for all sales contracted entered into on or after January 1, 2019. Simultaneously, the Board recently voted to raise maintenance by 5%, effective January 1, 2019, to offset the reduced flip tax revenue. This change is important to bring the amount of our recurring revenue closer to that of our current expenses.

The Board is sensitive to all shareholders—including those on a fixed income. The Board has tried to limit this year's increase to only offsetting the reduction of the flip tax, since we have been successful in reducing other costs. The Board will continue to fight the City for its grossly unfair tax practices, and attempt to keep Bell Park as affordable as possible by managing what expenses we can. Unfortunately, most of our expenses are out of our control.

The full financial statements for the period ending 8/31/2018 are available to all shareholders upon request. In the coming weeks, the Board will attempt to organize an open shareholder meeting to discuss the Corporation's financial situation.

Board of Directors

Brian S. Sokoloff, Esq., President
Robert Arra, Vice President
Kevin O'Brien, Vice President
Mark Ulrich, CPA, Treasurer
Michelle Boniello, Secretary
John Farrell, Member
Michael Spinner, Member