

**Birch Bay Village Community
Club**

BUDGET TOWN MEETING

September 12, 2023

Agenda

- **Introductions**
- **FY 2024 Budget Overview**
 - **Operating**
 - **Capital Reserves**
- **Budget Comments and Questions**
- **Annual Budget Meeting**

Important Meeting Dates

- **Today, September 12, 2023 – 10a.m. & 6p.m.**
– Town Hall Review
- **Wednesday September 13, 2023 – Board workshop, budget will be primary discussion**
- **Additional committee input and sub-committee work in preparation for final budget**

Important Meeting Dates

- **Thursday, September 21, 2023 - 7 p.m.** – Board Meeting to approve the 2024 Budget
- **Week of September 25-29 2023** – Budget Packets are prepared and mailed (or emailed)
- **Voting takes place via drop off box, postal mail and validated email**
- **Week of October 30** – November 3rd instructions for last day/time to drop off ballots
- **Friday, November 3rd 7p.m.** – Annual Budget meeting

**BIRCH BAY VILLAGE
BUDGETS
2024**

What is a Budget?

- Definition: An estimate of income and expense for a certain period of time
- A budget is a plan expressed in numbers
- It prioritizes spending and highlights what is important to the organization

How is it Made?

- Homeowner Association Budgets are expense driven. This means we determine expenses first and then what income is needed to pay those expenses.
- $\text{Income} - \text{Expense} = \0.00
- $\text{Misc. Income} + \text{Assessment Income} = \text{Expense}$
- $\text{Assessment Income} = \text{Expense} - \text{Misc. Income}$

The Budgeting Process

Manager prepares budget, with input from:

- Board, Committees, Community Members
- Compare with current year financial projections
- Compare with actuals from the previous year
- Examine trends in costs
- Obtain contractor bids

The Budgeting Process

- Review Reserve Study, obtain feedback from department managers, discussion with consultant.
- Prepare Reserve Study funding recommendations vs current funding levels....YES, we are behind!
- Town Hall (x2) to review Reserve Study 2023, July 25th
- Budget Workshop to review reserve shortfall impact to budget, August 29th.
- Town Hall to discuss 2024 Budget issues, September 12th.
- Board votes to approve 2024 Budget – Thursday, September 21st.,
- Annual Budget Meeting, November , 2023

The Budgeting Process

Community Members have the power to determine if the budget is ratified.

- If **RATIFIED** by the membership, the Board's approved Budget stands and will be the Budget for the coming fiscal year
- If **REJECTED** by the membership, Community reverts to the current year's Budget until a new budget is approved and not rejected by the members

Budget Philosophy and the Economics of an HOA

Definition of Economics

The allocation of scarce resources amongst users

- **Allocation-** Efficient vs Inefficient, Equitable vs Inequitable
- **Resources** – Money, Staff, Volunteers
- **Users** – Members, Groups

Other Definitions

- **Efficiency** - The goal of economic activity. Optimal allocation. No waste.
- **Productivity** – A means to that goal. More output with less input. More output with less staff. More services with less dues.
- **Value** – The benefit of a good or service. Think of members as shareholders in a corporation. How can we increase the value in Birch Bay Village stock?
- **Equity** – The fairness of the allocation of Community resources.

Operational Philosophy

Simplicity vs Complexity

- Simplicity is more efficient to manage than complexity, making management less costly and increasing value
- When making a decision the organization should first ask, “Are we making things more complicated?” “Can we simplify?”

Strategic Philosophy - Values

Values: Make our decisions and guide our behavior by:

- Practicing transparency in all our endeavors
- Exhibiting respect for all
- Promoting effective and efficient partnering
- Practicing economic well-being
- Maintaining and protecting our infrastructure
- Leveraging community expertise and talent
- Advocating fair and equitable decision making

Strategic Philosophy - Goals

Goals: We know we are being successful when:

- Residents stay for the long-term
- Property values grow with comparable markets
- Infrastructure meets the needs of the community
- Our community is financially sound
- Stakeholder relationships are developed, improved, and nurtured

Strategic Philosophy - Strategies

Strategies: We achieve these goals by:

- Expecting that expectations will be met
- Ensuring all planning is linked to Values and Goals
- Hiring and retaining effective management and staff
- Attracting and retaining great volunteers

Operating Budget - Components

Components of the Operating Budget

- Administration
- Maintenance
- Golf
- Recreation Center
- Pool
- Marina
- Security
- Clubhouse
- General Reserves

Community Operating Budget

What Does It Do?

- Provides funding for the normal day-to-day Community Operations:
 - **Administration** – Accounting/Customer Service/Covenant & Rules Enforcement/Governance Assistance
 - **Maintenance** – Common Areas, Amenities, Roads
 - **Other Services** – Marina, Recreation, Security
- Funds not spent do not carry over into next year
- Unspent funds, if any, are allocated to reserves

2024 Operating Budget - Highlights

- Incremental increase employee compensation
- Improve Level of Service
- Improve Buildings and Grounds
- Improve Drainage

FY 2024 Operating - Admin

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
Income	93,498	64,300	96,570	75,700	11,400	18%
Expense	516,527	537,261	532,098	698,643	161,382	30%
Net Income	(423,028)	(472,961)	(435,529)	(622,943)	(149,982)	32%

Major Drivers of Budget Increase:

- ❖ Increase staff compensation closer to market
- ❖ Insurance increase 15%
- ❖ Legal & other professional Services

FY 2024 Operating - Maintenance

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
Income	34,065	15,000	10,700	15,700	700	5%
Expense	392,388	481,685	394,279	585,407	103,721	22%
Net Income	(358,323)	(466,685)	(383,579)	(569,707)	(103,021)	22%

Major Drivers of Budget Increase:

- ❖ Increase staff compensation closer to market
- ❖ Lakes and Drainage
- ❖ Landscaping increase 288%

FY 2024 Operating - Golf

2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
111,161	111,700	107,285	115,204	3,504	3%
243,881	260,129	272,737	302,754	42,625	16%
(132,721)	(148,429)	(165,452)	(187,549)	(39,120)	26%

Major Drivers of Budget Increase:

- ❖ Increase staff compensation closer to market
- ❖ Water up 20%
- ❖ Landscape and course improvements

FY 2024 Operating - Recreation

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
Income	41,899	16,456	40,735	43,000	26,544	161%
Expense	160,377	109,207	149,108	211,874	102,667	94%
Net Income	(118,479)	(92,752)	(108,373)	(168,874)	(76,123)	82%

Major Drivers of Budget Increase:

- ❖ Increase staff hours compensation closer to market

FY 2024 Operating - Marina

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
Income	441,116	501,640	501,077	576,756	75,116	15%
Expense	189,455	111,436	125,870	151,520	39,084	35%
Net Income	251,660	390,204	375,207	425,236	35,032	9%
Reserve Contribution	251,660	390,204	375,207	425,236		

Major Drivers of Budget Changes:

- ❖ 20% moorage increase
- ❖ Increase in repairs and supplies
- ❖ Permits and regulation

FY 2024 Operating - Recreation

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
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Major Drivers of Budget Increase:

- ❖ Increase staff compensation closer to market

FY 2024 Operating - Pool

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
Income	17,850	17,150	16,600	16,300	(850)	-5%
Expense	60,292	43,514	60,932	62,165	18,651	43%
Net Income	(42,442)	(26,364)	(44,333)	(45,865)	19,501	-74%

Major Drivers of Budget Increase:

- ❖ Staffing similar to actual cost in 2022
- ❖ Utilities

FY 2024 Operating - Security

	2022 Actual	2023 Budget	2023 Projected	2024 Proposed Budget	Variance to 2023 Budget	% variance
Income	0	0	0	0	0	0
Expense	442,342	430,057	359,538	433,194	(522)	-0.1%
Net Income	442,342	430,057	359,538	433,194	(522)	-0.1%

Major Drivers of Budget Changes:

- ❖ Continues contracted service
- ❖ Provides funding for patrol if needed

2024 Birch Bay Village Dues

	2023	2024	Change	% Change
Year	\$1,760	\$2,250	\$490	28%
Daily	\$4.82	\$6.17	\$1.35	28%

- Staff wage and benefit increases
- Improved landscape and drainage
- Inflation (insurance, contracted services)
- Security (if needed)

2024 Reserve Budget

- Provides funding for capital (assets) acquisitions, major repairs, replacements and special one-time projects

Differs from Operating Budget :

- Projects can run beyond the end of the fiscal year
- Fluctuate greatly from year to year
- Also provides reserve funds for future capital projects

What is a Reserve Study?

What is a Reserve Study?

- Mandated by Washington State Law to Identify:
 - **Community Assets** - (What does the Community Own)
 - **Useful Lives** - (How much longer will they last)
 - **Unit Cost** - How much does it cost in current dollars to replace
 - **Percentage of Funding** (How much money on hand to replace)

What is the Purpose of a Reserve Study ?

- To set the periodic reserve assessment to ensure funding of reserve expenses over 30 years
- Disclosure document that informs current owners and future buyers of the condition of the community's assets and their funding
- Must be provided to owners, but not mandatory to fund at levels recommended
- As importantly....a reserve study it is not a detailed project list.

Reserve Study Update

Level 3 Reserve Study Updates: May 10th, 2023

Divided into 3 asset categories:

- **General Assets** – Equipment, vehicles, courts, buildings, parks, pools
- **Roads & Drainage** – asphalt and drainage systems
- **Marina** – Docks, ramps, fuel dock, dredging

2023 Reserve Study - General

Beginning Fund Balance (January 1, 2023)	\$1,234,355
Fully Funded Balance	1,637,355
Annual Contribution	122,951
Fully Funded Contribution	239,750
Reserve Study Recommended Increase	95%
Board Proposed Increase	20%
Current/Lot/Year	109/yr
Increase per Lot	22/yr
2024 General Reserve/Lot/Year	\$131/yr

2024 RESERVE EXPENSE - GENERAL

Golf Equipment	\$324,376	Mowers, Bridge
Buildings	285,417	Capital Building Fund, Bathrooms, Stairs, Pro Shop
Security & Fencing	270,022	Security Equipment & Fencing
Vehicles & Equipment	180,209	Trucks, Excavator
Pool	43,187	Solar Heater Replacement, Cover
Other	32,659	Computers, Office Equipment, Grills
TOTAL	\$ 1,135,840	

The board, management and staff will be reevaluating the remaining useful life of many of the items listed to be replaced in 2024 reserve study. This will only defer the cost to future years and not eliminate the obligation to fund.

2023 Reserve Study – Roads & Drainage

Beginning Fund Balance (January 1, 2023)	\$1,700,343
Fully Funded Balance	3,291,187
Annual Contribution	239,328
Fully Funded Contribution	355,000
Reserve Study Recommended Increase	48%
Board Proposed Increase	21.5%
Current/Lot/Year	212/yr
Increase per Lot	42/yr
2024 General Reserve/Lot/Year	\$254/yr

2024 RESERVE EXPENSE – ROADS & DRAINAGE

Paving & Seal Coat	\$1,195,560	Likely understated expense
Drainage	437,400	Overflow conveyance pump. Anti backflow valve
TOTAL	\$1,632,960	

The board, management and staff will be reevaluating the paving schedule and plan to have a pavement assessment study performed to better inform pavement replacement decisions. This will only defer the cost to future years and not eliminate the obligation to fund.

2023 Reserve Study – Marina

Beginning Fund Balance (January 1, 2023)	-\$57,481
Fully Funded Balance	3,435,938
Annual Contribution (From Marina Net Income)	394,080
Fully Funded Contribution	655,000
Reserve Study Recommended Increase	66%
Board Proposed Increase to Moorage Rates	20%
Other Revenue (launch fees)	20%

2024 RESERVE EXPENSE – Marina

Dock Replacement A,C,&D	\$3,380,157	Late 2023
Fuel Dock Permitting	84,000	
Ramps & Gangways	50,000	
Contingency	50,000	
TOTAL	\$3,564,157	

The board, management and staff will be reviewing other major Marina infrastructure projects over the next year to better refine projection of Marina expenses over the next 5 years.

Bottom Line Impact 2024

2024 Allocation of Annual Assessment		Per lot	Per mon	
Administration	\$ 622,943	\$ 552	\$ 46	
Maintenance	\$ 564,245	\$ 500	\$ 42	
Golf	\$ 187,021	\$ 166	\$ 14	
Rec Center	\$ 168,438	\$ 149	\$ 12	
Pool	\$ 45,865	\$ 41	\$ 3	
Clubhouse	\$ 8,350	\$ 7	\$ 1	
Marina	\$ -	\$ -	\$ -	
Security	\$ 433,194	\$ 384	\$ 32	
General	\$ 63,313	\$ 56	\$ 5	
Reserves	\$ 441,086	\$ 391	\$ 33	
	\$ 2,534,456	\$ 2,245	\$ 187	
	2023 Dues	2024 Proposed	Variance	%
Operating	\$1,439	\$1,854	\$415	29%
Reserves	\$321	\$391	\$70	22%
Total	\$ 1,760	\$ 2,245	\$485	28%

Questions and Comments on the Budget?