Birch Bay Village Community Club
BUDGET TOWN MEETING

September 4, 2025

Agenda

- Introductions
- FY 2026 Budget Overview
  - Operating
  - Reserves
- Budget Comments and Questions

Important Meeting Dates

- **Thursday, September 4, 2025 – 4pm. –** Budget Town Hall Review
- **Saturday, September 6, 2025 – 11:30am. –** Budget Town Hall Review
- **Ongoing additional committee input and sub-committee work in preparation for final budget**
- **Thursday, September 19th, 5:00pm –** Final Board review and adoption for 2026 dues

Important Meeting Dates

- **Week of September 20th –** Budget Packets are prepared for on-line voting (and mailed as necessary)
- **Voting takes place via on-line, drop off box and postal mail**
- **Friday, November 7th @ 7pm –** Annual Budget Meeting (BBV Clubhouse)

BIRCH BAY VILLAGE
BUDGETS
2026

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.
- Income - Expense = $0.00
- Misc. Income + Assessment Income = Expense
- Assessment Income = Expense – Misc. Income

The Budgeting Process

Manager prepares budget, with input from:

- Board, Committees, Staff, 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

- Develop Reserve Study with department managers, committee chairs and reserve consultants
- Operating Budget reviewed by Finance Committee
- Town Hall meetings to communicate draft and to members and receive member input
- Final review by Finance Committee and recommendation to Board of Directors for approval
- Board votes to approve 2026 Budget – Thursday, September 18th
- Annual Budget Meeting, November 7, 2025

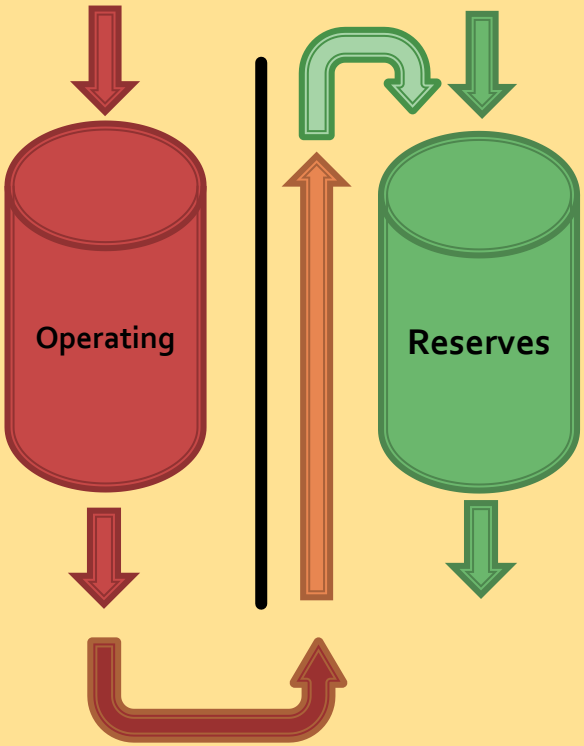
The Budgeting Process

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

Fund Accounting

Community Funds



Budget Philosophy and the Economics of an HOA

Definition of Economics

<u>The allocation of scarce resources amongst users</u>

- **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. Highest and Best Use.
- **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?"

Operating Budget - Components

Components of the Operating Budget

- Administration
- Maintenance
- Golf
- Pro Shop
- Pool
- Marina
- Security
- Clubhouse
- General

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 & Drainage
  - **Other Services** – Marina, Recreation, Security
- Funds not spent do not carry over into next year
- Unspent funds, if any, are transferred and allocated to reserves

2026 Operating Budget - Highlights

- Continued Incremental Increase in Employee Compensation
- Improve Level of Service (Compliance Hours)
- Improve Buildings and Grounds
- Increased project management activity
- Develop & Implement Community Plan
- Convert BBVCC to RCW 64.90
- Software conversion (Financial & HOA)

FY 2026 Operating - Admin

	2024 Actual	2025 Budget	2025 Projected	2026 Proposed Budget	Variance to 2025 Budget	% variance
Income	119,504	109,450	139,349	103,900	(5,550)	(5%)
Expense	716,087	933,221	978,322	973,666	40,445	4%
Net Income	(596,583)	(823,771)	(838,972)	(869,766)	(45,995)	(6%)

Major Drivers of Budget Change:

- ❖ COLA & wage adjustments for staff
- ❖ $177K Insurance & Staff overhead shifted to Marina
- ❖ Insource Bookkeeping
- ❖ Convert to RCW 64.90 (legal fees)

FY 2026 Operating - Maintenance

	2024 Actual	2025 Budget	2025 Projected	2026 Proposed Budget	Variance to 2025 Budget	% variance
Income	2,460	750	60	0	(750)	-100%
Expense	489,606	768,254	567,914	757,764	(10,490)	-1%
Net Income	(487,146)	(767,504)	(567,854)	(757,764)	9,740	1%

Major Drivers of Budget Change:

- COLA increase. Overall department labor budget decrease. Project management shifted to Admin Assisitant GM
- Outsource Janitorial
- Increase Facilities Maintenance, Buildings & Grounds Improvements

FY 2026 Operating - Golf

	2024 Actual	2025 Budget	2025 Projected	2026 Proposed Budget	Variance to 2024 Budget	% variance
Income	120,643	156,842	137,096	152,500	(4,342)	(3%)
Expense	255,231	319,528	293,404	322,670	3,142	1%
Net Income	(134,588)	(162,686)	(156,309)	(170,170)	(7,484)	(5%)

Major Drivers of Budget Change:

- ❖ Increase fees Member fees 5%. Guests 14%
- ❖ Decrease expected income local HOA members
- ❖ Increase staff compensation closer to market
- ❖ Decrease water consumption, repairs (new equipment)

FY 2026 Operating – Pro Shop

	2024 Actual	2025 Budget	20254 Projected	2026 Proposed Budget	Variance to 2025 Budget	% variance
Income	35,393	44,600	37,827	43,100	(1,500)	-3%
Expense	160,887	169,083	182,108	194,735	25,652	15%
Net Income	(125,494)	(124,483)	(144,281)	(151,635)	(27,152)	(22%)

Major Drivers of Budget Change:

- ❖ Increase staff wages to market
- ❖ Lower expected sales of F&B, ancillary sales

FY 2026 Operating - Marina

	2024 Actual	2025 Budget	2025 Projected	2026 Proposed Budget	Variance to 2025 Budget	% variance
Income	516,673	652,658	602,350	637,429	(15,229)	-2%
Expense	122,237	132,658	181,404	326,902	(161,410)	-122%
Net Income	394,436	520,000	420,946	310,527	(209,473)	-40%
Reserve Contribution	425,236	548,200	548,200	672,577	124,377	23%

Major Drivers of Budget Changes:

- 3% moorage increase
- Shift $178K in operating expense to Marina cost center from Admin
- Increase Marina Reserve contribution by property owners from $25/lot/year to $285/lot/year. Same expense as Golf.
- All Marina Net income to Marina Reserves

FY 2026 Operating - Pool

	2024 Actual	2025 Budget	2025 Projected	2026 Proposed Budget	Variance to 2025 Budget	% variance
Income	17,419	16,000	14,870	19,760	3,760	24%
Expense	44,775	47,289	39,266	43,065	(4,224)	-9%
Net Income	(27,356)	(31,289)	(24,396)	(23,305)	(7,984)	26%

Major Drivers of Budget change:

- Increase pool pass $5 from $55 to $60
- Decreased chemical cost

FY 2026 Operating - Security

	2024 Actual	2025 Budget	2025 Projected	2026 Proposed Budget	Variance to 2025 Budget	% variance
Income	0	0	0	0	0	0
Expense	323,930	364,956	337,167	355,049	4,133	1.1%
Net Income	323,930	364,956	337,167	355,049	(4,133)	-1.1%

Major Drivers of Budget Changes:

- Continues contracted service increase CPI
- Cost to run security camera system much less than anticipated

2026 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 2 Reserve Study Updates: August 2025

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

2026 Reserve Study - General

Beginning Fund Balance Est. (January 1, 2026)	$470,916
Fully Funded Balance	2,201,405
Annual Contribution (2025)	331,913
Fully Funded Contribution	324,382
Reserve Study Recommended Baseline	310,413
Proposed Funding 2026	310,413
Current/Lot/Year	294/yr
Increase (decrease) per Lot	(19)/yr
2025 General Reserve/Lot/Year	$275/yr

Upcoming General Reserve Spend

Recreation Bathrooms Marina & Sand Dollar - 2026	$147,000
Sunset Park Deck Replacement - 2026	24,150
Pro Shop Window Replacement - 2027	21,630
Golf Equipment - 2027	154,655
Pool Resurfacing- 2027	340,672
Stairs and Fencing - 2027	77,323
Gate House - 2027	8,652
Capital Building Fund - 2027	129,780
Sand Dollar Play Equipment - 2027	64,890
Total	$968,752

The board, management, and staff will continue to reevaluate replacement timing of the items listed in the reserve study

2026 Reserve Study – Roads & Drainage

Beginning Fund Balance (January 1, 2026)	$1,372,318
Fully Funded Balance	3,291,062
Annual Contribution	278,184
Fully Funded Contribution	351,632
Reserve Study Recommended Baseline	357,415
Board Proposed Reserve Funding 2026	357,415
Current/Lot/Year	246
Increase (decrease) per Lot	70
2026 General Reserve/Lot/Year	$316/yr

Upcoming Roads & Drainage Spend

Asphalt Paving - Phase 2 -2026	**$687,000**
Asphalt Paving - Crack Repair/Seal - 2026	**15,000**
Beaver Pond Splash Pad -2026	**105,000**
Culvert Replacement/Modifications - Phase 1 - 2026	**660,500**
Kwann Lake Emergency In/Out -2026	**104,000**
Asphalt Seal - 2027	**15,450**
Total	**$1,586,950**

Cost share agreement with Whatcom County may significantly reduce Kwann Lake Project.

2026 Reserve Study - Marina

Beginning Fund Balance (Jan. 1, 2026)	$604,739
Fully Funded Balance	2,811,456
Annual Contribution	548,200
Fully Funded Contribution	2,650,000
Reserve Study Recommended Baseline	870,595
Board Proposed Funding 2026 (Combo HOA, Marina Operating Net Income)	632,292
Current/Lot/Year	25
Increase (decrease) per Lot	$260

Upcoming Marina Spend

Launch Concrete Ramp Replacement	**$125,000**
Marina Engineering Project - 2026	**126,250**
Permits All Marina Projects - 2026	**70,000**
A-D Dock Gangway Replacement - 2027	**494,400**
Dredging – Entrance - 2028	**407,386**
Fuel Dock Replacement - 2029	**524,509**
Piling Replacements - 2029	**717,922**
Harbor Bank Reinforcement - 2029	**2,656,432**
Total	**$5,121,899**

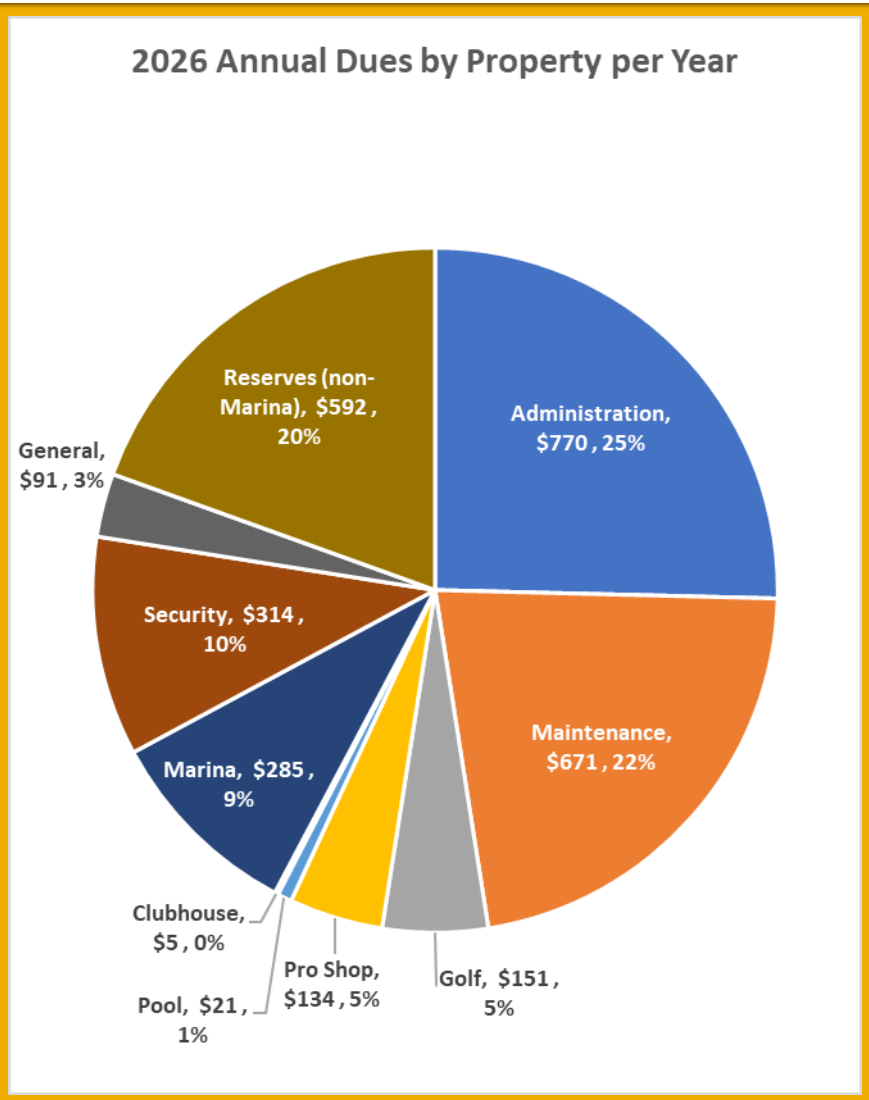
Marina consultants have provided cost estimates for major projects over the next 10 years. Construction costs are more reasonable than first estimated, but mitigations costs are far greater than anticipated. We are working to avoid these cost if possible.

So, What Does It All Mean?

Bottom Line Impact 2026

2026 Allocation of Annual Assessment		Per lot	Per month
Administration	**869,766**	770	64
Maintenance	**757,764**	671	56
Golf	**170,170**	151	13
Pro Shop	**151,635**	134	11
Pool	**23,305**	21	2
Clubhouse	**5,600**	5	0
Marina	**321,765**	285	24
Security	**355,049**	314	26
General	**102,600**	91	8
Reserves (non-Marina)	**667,828**	592	49
Total	**3,425,482**	**$3,034**	**$253**

Bottom Line Impact 2026



Bottom Line Dues Impact 2026 vs 2025

	2025 Dues	2026 Dues	$$ Change	% Change
Total	$2,923,116	$3,425,482	$502,366	17.2%
Reserves	$1,158,297	$1,300,120	$141,823	12.2%
Total Dues per Lot	$2,589	$3,034	$445	17.2%

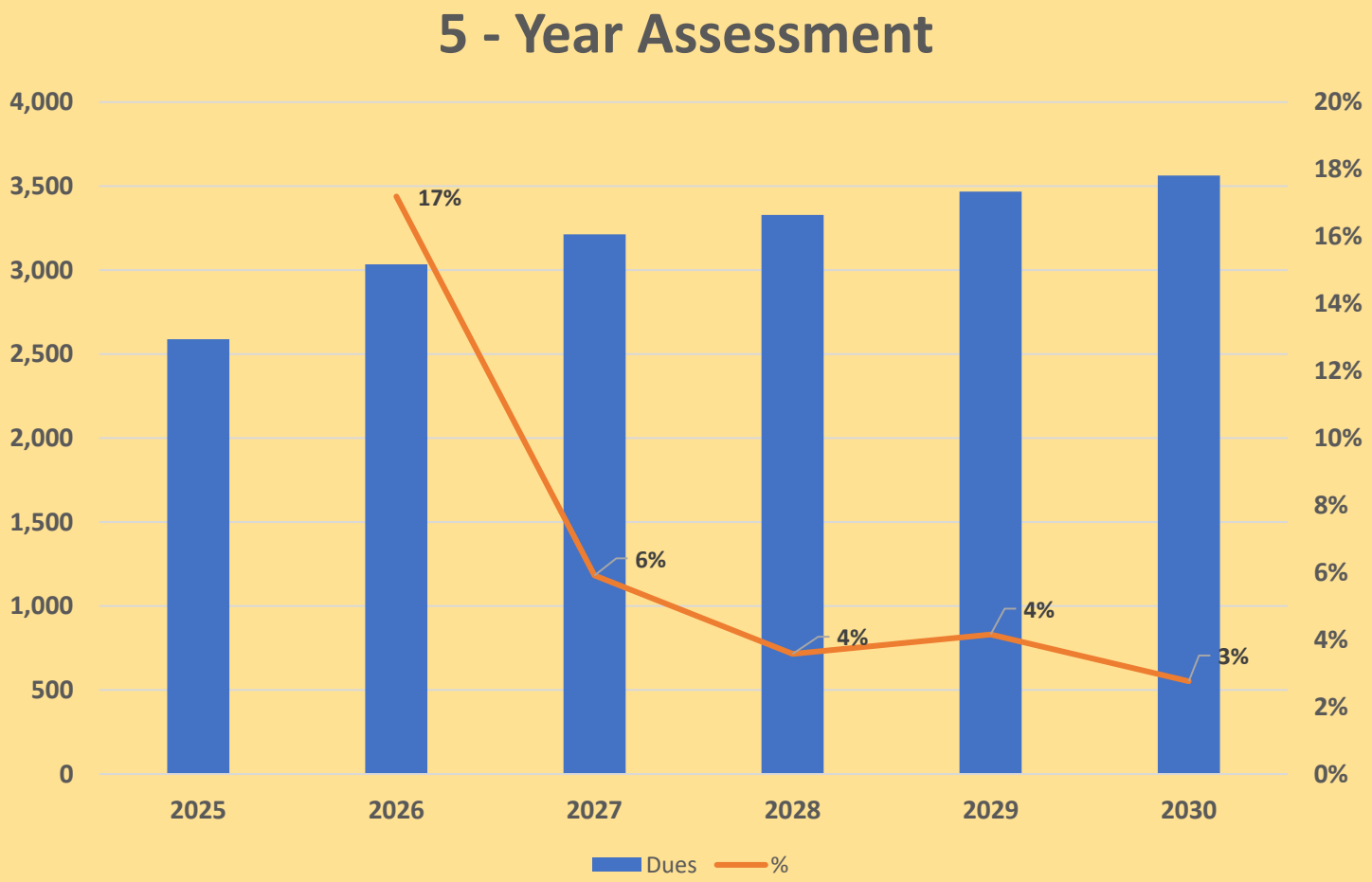
2026 Birch Bay Village Dues

	2025	2026	Change	% Change
Year	$2,589	$3,034	$445	17.2%
Monthly	$216	$253	$37	17.2%
Daily	$7.09	$8.31	$1.22	17.2%

5-Year Budget Forecast
(based on funding strategy and planned expense)

	2025 Budget	2026 Proposed Budget	2027	2028	2029	2030
Total Income	4,031,436	4,433,071	4,693,079	4,882,025	5,086,529	5,245,101
%	*19.9%*	*10.0%*	*5.9%*	*4.0%*	*4.2%*	*3.1%*
Operating Expense	2,828,139	3,132,951	3,334,060	3,490,123	3,656,601	3,836,550
%		*10.8%*	*6.4%*	*4.7%*	*4.8%*	*4.9%*
Reserves	1,158,297	1,300,120	1,359,020	1,391,902	1,429,928	1,408,551
%		*12.2%*	*4.5%*	*2.4%*	*2.7%*	*-1.5%*
Dues	2,589	3,034	3,213	3,328	3,467	3,562
%	*19.9%*	17.2%	5.9%	3.6%	4.2%	2.8%

5 -Year Assessment Outlook



FY 2026 Budgets
Why Continued Increase?

- **Capital Projects and Aging Infrastructure**–Birch Bay Village 50 years old and it requires more maintenance effort and capital investment than when it was brand new. This increased level of effort requires staff or outsourcing.
- **Inadequate Reserve Assessments Over the Past 50 year** – Assessment used to be low because they never adequately covered the cost of depreciation of Village assets. Had more money been collected in the past, less money would need to be collected now.
- **"Can't we just wait?" - Deferred Maintenance is Not a Plan –**When you defer maintenance or replacements you do not relieve yourself for the obligation. You pile more expenses into future years when everything will come do at once and cost more. Since 2019, construction costs have increased 40.5%. 14% increase alone between 2023 -2024 *
- **Increased Staff** - With increased project activity and increased level of service, there is a need for more people to manage increased requests and project volumes.

(*Data from CBRE, the world larges commercial real estate service firm)

Best Reason for Why Increase Now?

- To avoid a special assessment later

Questions and Comments on the Budget?