

**Birch Bay Village Community  
Club  
BUDGET TOWN HALL MEETING**

**September 12, 2026**

# Agenda

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

# Important Meeting Dates

- ~~Thursday, September 3, 2026 – 4pm. – Budget Town Hall Review~~
- **Saturday, September 12, 2026 – 10:30am. – Budget Town Hall Review**
- **Ongoing additional committee input and sub-committee work in preparation for final budget**
- **Tuesday September 15<sup>th</sup> - Finance Committee final review**
- **Thursday, September 17th, 5:00pm – Final Board review and adoption of 2027 Budget**

# Important Meeting Dates

- **Week of September 21st** – 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 6<sup>th</sup> @ 7pm** – Annual Budget Meeting (BBV Clubhouse)

# **BIRCH BAY VILLAGE BUDGETS 2027**

# 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, 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 2027 Budget – Thursday, September 17th
- Annual Budget Meeting, November 6, 2026

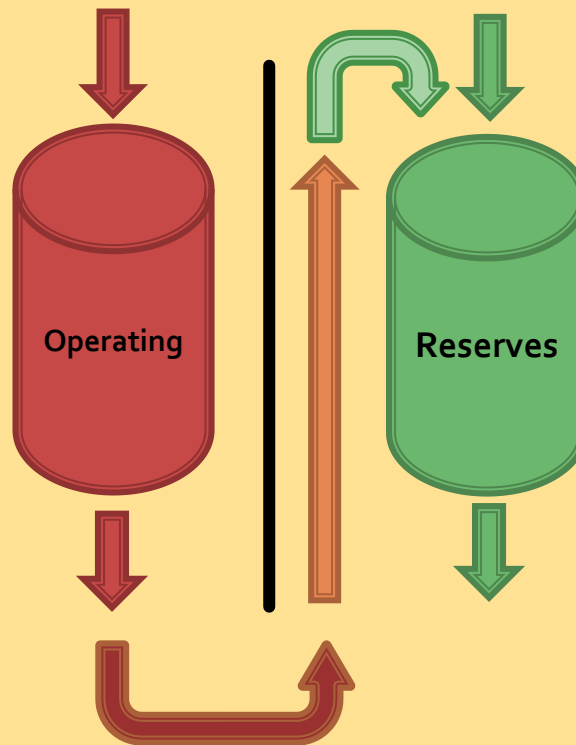
# The Budgeting Process

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

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. 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

# 2027 Operating Budget - Highlights

- Employee Compensation catch up to market completed. Only COLA
- Continued Improvements buildings and grounds
- Increased reserve project management activity
- Final development & implement Community Plan
- BBVCC election for RCW 64.90
- Complete software conversion (Financial & HOA)

# FY 2027 Operating - Admin

|               | 2025<br>Actual | 2026<br>Budget | 2026<br>Projected | 2027<br>Budget | Budget<br>Variance | %<br>Variance |
|---------------|----------------|----------------|-------------------|----------------|--------------------|---------------|
| Income        | 131,240        | 103,900        | 134,181           | 132,300        | 28,400             | 27%           |
| Expense       | 1,002,050      | 962,572        | 1,012,042         | 1,007,765      | 40,445             | 5%            |
| Net<br>Income | (870,810)      | (858,672)      | (877,861)         | (875,465)      | (16,793)           | 2%            |

## Major Drivers of Budget Change:

- ❖ COLA & wage adjustments for staff. HR costs (training)
- ❖ \$177K insurance & staff overhead shifted to Marina
- ❖ Insource Bookkeeping
- ❖ Convert to RCW 64.90 (legal fees)

# FY 2027 Operating - Maintenance

|               | 2025<br>Actual | 2026<br>Budget | 2026<br>Projected | 2027<br>Budget | Budget<br>Variance | %<br>Variance |
|---------------|----------------|----------------|-------------------|----------------|--------------------|---------------|
| Income        | 150            |                | 240               |                |                    |               |
| Expense       | 531,905        | 771,442        | 543,296           | 701,314        | (70,828)           | -9%           |
| Net<br>Income | (531,755)      | (771,442)      | (543,056)         | (701,314)      | 72,828             | 9%            |

## Major Drivers of Budget Change:

- ❖ Overall department budget decrease by \$72K. Project management shifted to Admin Assistant GM
- ❖ Outsource Janitorial
- ❖ \$42K decrease landscaping, buildings & grounds Improvements. Major improvements completed. Others moved to Reserves
- ❖ \$15K crack sealing roads moved to Reserves

# FY 2027 Operating - Marina

|              | 2025    | 2026    | 2026      | 2027    | Budget   | %        |
|--------------|---------|---------|-----------|---------|----------|----------|
|              | Budget  | Budget  | Projected | Budget  | Variance | Variance |
| Income       | 628,722 | 647,034 | 603,315   | 631,289 | (15,745) | -2%      |
| Expense      | 142,138 | 324,944 | 325,406   | 332,835 | 7,891    | 2%       |
| Net Income   | 486,583 | 322,090 | 277,908   | 298,455 | (23,636) | -7%      |
| Reserve      |         |         |           |         |          |          |
| Contribution | 486,583 | 322,090 | 277,908   | 298,455 | (23,636) | -7%      |

## Major Drivers of Budget Changes:

- ❖ 4% moorage increase
- ❖ Shift \$174K in operating expense to Marina cost center from Admin
- ❖ All Marina Net income to Marina Reserves
- ❖ Increase Marina Reserve contribution by property owners from \$285/lot/year to \$420/lot/year.

# FY 2027 Operating - Golf

|               | 2025      | 2026      | 2026      | 2027      | Budget   | %        |
|---------------|-----------|-----------|-----------|-----------|----------|----------|
|               | Actual    | Budget    | Projected | Budget    | Variance | Variance |
| Income        | 137,945   | 152,500   | 166,139   | 186,400   | 33,900   | 22%      |
| Expense       | 296,466   | 318,670   | 316,931   | 334,674   | 16,005   | 5%       |
| Net<br>Income | (158,521) | (166,170) | (150,792) | (148,274) | 17,895   | -11%     |

Major Drivers of Budget Change:

- ❖ Increase usage. Possible small increase in fees
- ❖ Water consumption and rate continues to increase

# FY 2027 Operating – Pro Shop

|            | 2025      | 2026      | 2026      | 2027      | Budget   | %        |
|------------|-----------|-----------|-----------|-----------|----------|----------|
|            | Actual    | Budget    | Projected | Budget    | Variance | Variance |
| Income     | 38,378    | 43,100    | 44,769    | 47,200    | 4,100    | 10%      |
| Expense    | 196,269   | 194,735   | 205,467   | 205,141   | 15,606   | 5%       |
| Net Income | (157,891) | (151,635) | (160,699) | (157,941) | (6,306)  | 4%       |

Major Drivers of Budget Change:

❖ Lower expected sales of F&B, ancillary sales

# FY 2027 Operating - Pool

|               | 2025     | 2026     | 2026      | 2027     | Budget   | %        |
|---------------|----------|----------|-----------|----------|----------|----------|
|               | Actual   | Budget   | Projected | Budget   | Variance | Variance |
| Income        | 18,465   | 19,760   | 17,645    | 19,745   | (15)     | 0%       |
| Expense       | 41,891   | 43,065   | 47,709    | 49,071   | 6,006    | 14%      |
| Net<br>Income | (23,426) | (23,305) | (30,064)  | (29,326) | (6,021)  | -26%     |

Major Drivers of Budget change:

- ❖ Investigating ways to reduce labor cost
- ❖ Increase chemical cost and new filters needed

# FY 2027 Operating - Security

|            | 2025    | 2026      | 2026      | 2027      | Budget   | %        |
|------------|---------|-----------|-----------|-----------|----------|----------|
|            | Actual  | Budget    | Projected | Budget    | Variance | Variance |
| Income     |         |           |           |           |          |          |
| Expense    | 357,700 | 355,049   | 378,103   | 392,545   | 37,496   | 10.6%    |
| Net Income |         | (355,049) | (378,103) | (392,545) | (37,496) | -10.6%   |

## Major Drivers of Budget Changes:

- ❖ Continues contracted service increase CPI
- ❖ New Washington Law. Security Services subject to sales tax at 8.9%

# 2027 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.

# 2026 Reserve Study Update

## Level 3 Reserve Study Updates: September 2026

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

|                                                      |                    |
|------------------------------------------------------|--------------------|
| <b>Beginning Fund Balance Est. (January 1, 2026)</b> | <b>\$1,550,526</b> |
| <b>Fully Funded Balance</b>                          | <b>2,201,405</b>   |
| <b>Annual Contribution (2026)</b>                    | <b>310,413</b>     |
| <b>Recommended Fully Funded Contribution</b>         | <b>310,413</b>     |
| <b>Recommended Baseline Contribution</b>             | <b>310,413</b>     |
| <b>Finance Committee Proposed Funding 2027</b>       | <b>388,975</b>     |
| <b>Current/Lot/Year</b>                              | <b>275/yr</b>      |
| <b>2027 General Reserve/Lot/Year</b>                 | <b>344/yr</b>      |
| <b>Increase (decrease) per Lot</b>                   | <b>\$69/yr</b>     |

# Upcoming General Reserve Spend

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

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

# 2026 Reserve Study – Roads & Drainage

|                                                 |                    |
|-------------------------------------------------|--------------------|
| <b>Beginning Fund Balance (January 1, 2026)</b> | <b>\$1,412,603</b> |
| <b>Fully Funded Balance</b>                     | <b>3,291,062</b>   |
| <b>Annual Contribution (2026)</b>               | <b>357,415</b>     |
| <b>Recommended Fully Funded Contribution</b>    | <b>357,415</b>     |
| <b>Recommended Baseline Contribution</b>        | <b>357,415</b>     |
| <b>Finance Committee Proposed Funding 2027</b>  | <b>411,027</b>     |
| <b>Current/Lot/Year</b>                         | <b>316</b>         |
| <b>2027 R &amp; D Reserve/Lot/Year</b>          | <b>364</b>         |
| <b>Increase (decrease) per Lot/Year</b>         | <b>48</b>          |

# Upcoming Roads & Drainage Spend

|                                                           |                    |
|-----------------------------------------------------------|--------------------|
| <b>Asphalt Paving - Phase 2 -2026 (delayed 2027)</b>      | <b>\$687,000</b>   |
| <b>Asphalt Paving - Crack Repair/Seal – (2026)</b>        | <b>15,000</b>      |
| <b>Beaver Pond Splash Pad -2027</b>                       | <b>105,000</b>     |
| <b>Culvert Replacement/Modifications - Phase 1 - 2026</b> | <b>660,500</b>     |
| <b>Kwann Lake Emergency In/Out -2026</b>                  | <b>104,000</b>     |
| <b>Asphalt Seal - 2027</b>                                | <b>15,450</b>      |
| <b>Total</b>                                              | <b>\$1,586,950</b> |

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

# 2026 Reserve Study - Marina

|                                                                                             |                    |
|---------------------------------------------------------------------------------------------|--------------------|
| <b>Beginning Fund Balance (Jan. 1, 2026)</b>                                                | <b>\$1,552,039</b> |
| <b>Fully Funded Balance</b>                                                                 | <b>4,416,273</b>   |
| <b>Annual Contribution (2026)</b>                                                           | <b>643,855</b>     |
| <b>Recommended Fully Funded Contribution</b>                                                | <b>1,055,211</b>   |
| <b>Recommended Baseline Contribution</b>                                                    | <b>1,151,436</b>   |
| <b>Finance Committee proposed funding 2027<br/>(Combo HOA, Marina Operating Net Income)</b> | <b>772,626</b>     |
| <b>Current/Lot/Year</b>                                                                     | <b>285</b>         |
| <b>2027 Marina Reserve proposed/Lot/Year</b>                                                | <b>420</b>         |
| <b>Increase (decrease) per Lot</b>                                                          | <b>\$135</b>       |

# Upcoming Marina Spend

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

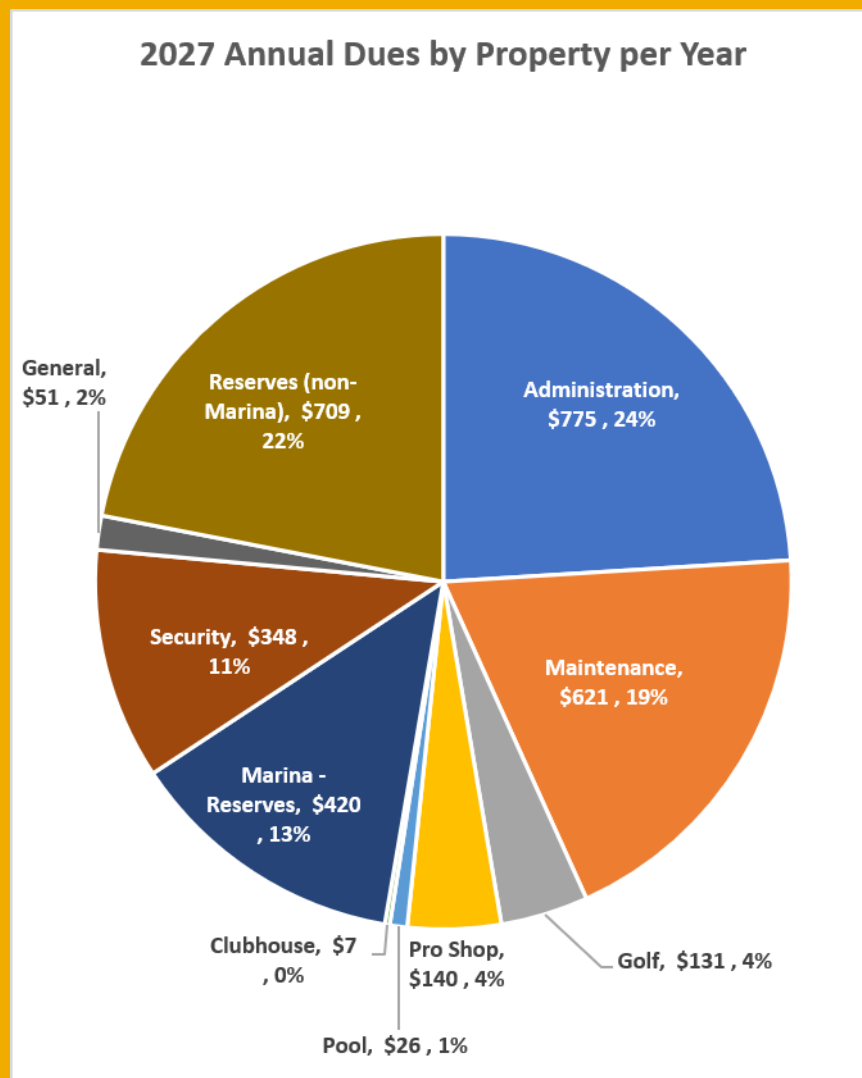
Marina consultants have provided cost estimates for major projects over the next 10 years. Construction costs are more reasonable than first estimated, but mitigations costs are far greater than anticipated. We are working to avoid these cost if possible.

**So, What Does  
It All Mean?**

# Bottom Line Impact 2027

| 2027 Allocation of Annual Assessment |                  | Per lot        | Per month    |
|--------------------------------------|------------------|----------------|--------------|
| Administration                       | 875,465          | 775            | 65           |
| Maintenance                          | 701,314          | 621            | 52           |
| Golf                                 | 148,274          | 131            | 11           |
| Pro Shop                             | 157,941          | 140            | 12           |
| Pool                                 | 29,326           | 26             | 2            |
| Clubhouse                            | 8,417            | 7              | 1            |
| Marina                               | 474,171          | 420            | 35           |
| Security                             | 392,545          | 348            | 29           |
| General                              | 57,651           | 51             | 4            |
| Reserves (non-Marina)                | 800,002          | 709            | 59           |
| <b>Total</b>                         | <b>3,645,106</b> | <b>\$3,229</b> | <b>\$269</b> |

# Bottom Line Impact 2026



# Bottom Line Dues Impact 2027 vs 2026

|                          | 2026 Dues   | 2027 Dues   | \$\$ Change | % Change |
|--------------------------|-------------|-------------|-------------|----------|
| Total                    | \$3,431,067 | \$3,645,106 | \$214,039   | 6.2%     |
|                          |             |             |             |          |
| Reserves                 | 1,158,297   | 1,572,628   | 260,945     | 19.9%    |
|                          |             |             |             |          |
| Total<br>Dues per<br>Lot | \$3,039     | \$3,229     | \$190       | 6.2%     |

# 2027 Birch Bay Village Dues

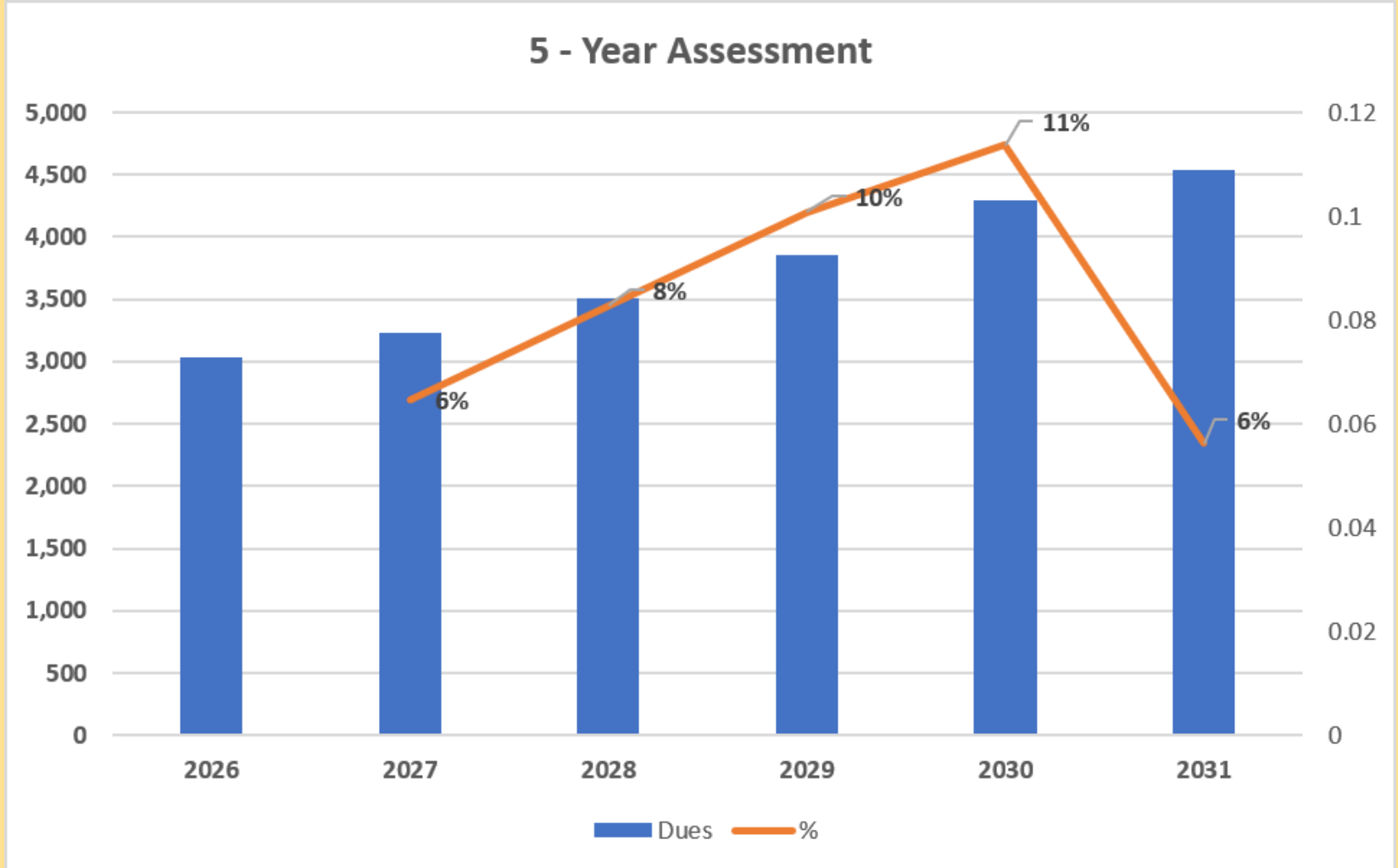
|                | 2026           | 2027           | Change        | % Change    |
|----------------|----------------|----------------|---------------|-------------|
| <b>Year</b>    | <b>\$3,039</b> | <b>\$3,229</b> | <b>\$190</b>  | <b>6.2%</b> |
| <b>Monthly</b> | <b>\$253</b>   | <b>\$269</b>   | <b>\$16</b>   | <b>6.3%</b> |
| <b>Daily</b>   | <b>\$8.32</b>  | <b>\$8.84</b>  | <b>\$0.52</b> | <b>6.2%</b> |

# 5-Year Budget Forecast

(based on funding strategy and planned expense)

|                      | 2026<br>Budget | 2027<br>Proposed<br>Budget | 2028      | 2029      | 2030      | 2031      |
|----------------------|----------------|----------------------------|-----------|-----------|-----------|-----------|
| Total<br>Income      | 4,441,260      | 4,706,041                  | 5,068,648 | 5,531,423 | 6,079,751 | 6,408,218 |
| %                    |                | 6.0%                       | 7.7%      | 9.1%      | 9.9%      | 5.4%      |
| Operating<br>Expense | 3,129,577      | 3,133,413                  | 3,258,294 | 3,419,159 | 3,592,618 | 3,779,928 |
| %                    |                | 0.1%                       | 4.0%      | 4.9%      | 5.1%      | 5.2%      |
| Reserves             | 1,311,683      | 1,572,628                  | 1,810,354 | 2,112,264 | 2,487,133 | 2,628,290 |
| %                    |                | 19.9%                      | 15.1%     | 16.7%     | 17.7%     | 5.7%      |
| Dues                 | 3,039          | 3,229                      | 3,496     | 3,849     | 4,287     | 4,528     |
| %                    |                | 6.5%                       | 8.3%      | 10.1%     | 11.4%     | 5.6%      |

# 5 -Year Assessment Outlook



# 2027 Budget

## 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.
- **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 55%. 14% increase alone between 2023 -2024 \*
- **Increased Staff or Outsourcing** - 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?