



questions. I also want to thank all of the finance committee members and board members who participated in this process, and I especially want to thank Cam White and also Jim Mixer who devoted a substantial amount of their time outside of these meetings modeling different scenarios and making recommendations, many of which have been incorporated into this process.

- The budget we are presenting is a sound budget and financial plan. I would **not** go so far as to characterize this as an austerity budget, yet I feel confident in saying that we've taken a very disciplined approach, questioned every expense, and exercised expense control. One of the things that has come out of this process, is that we found, as we looked at the detail, that we often discovered ourselves engrossed in dialogue about some area where perhaps we could do things more efficiently, or less expensively. Perhaps we could switch to electronic billings and mailings, or run advertisements in the Friday Flyer, or maybe there is a way to operate the Marina more efficiently during the winter months, or we asked when was the last time we bid out some of our key service contracts. The conclusion we came to in each of these cases is that these things need more thorough investigation; so instead just kicking the can down the road for another year with no action, we've catalogued these ideas and the finance committee plans to submit a resolution proposal to the BOD early next year to charge a responsible party for investigating each of these items. All of that to say, while this is a disciplined budget, we see opportunities to improve our performance beyond what is reflected here.
- I will provide a high-level overview of both the operating and reserve budgets, and also make some comments about the future outlook.
  - Beginning with operations...
  - One of the more meaningful recommendations the finance committee has made from a bottom line perspective is our recommendation around full-time-equivalent staffing. The 2010 budget assumed various positions that had been approved to be filled, such as a full time recreational manager, maintenance dredging employees, and an ECC field rep. Many of these positions were not actually filled in 2010, and the finance committee has made recommendations to shift the drainage employees and recreation manager from full time to part time and to postpone hiring an ECC field rep. This, in combination with the outsourcing of the pool snack bar, reduced the 2011 budget by approximately 3 FTE's, from 63.6 to 60.7.
  - Next I'll cover some of the more impactful fee changes. This budget assumes that the BOD exercises their full 3% discretionary dues increase, and that the amount is allocated entirely to funding our reserve program. This budget also recommends a \$30 increase to the Improved Property Fee, from \$150 to \$180. The IPF fund is in a deficit position after last year's snow storm and the increase is needed to provide a cushion for additional snow cleanup costs and to adjust to the new trash and recycling contract fees and maintain the spring and fall clean-up sessions. Although these increases do represent an additional financial obligation for homeowners, the sum is far less than the proposed increase that was voted down last year, and we think we will be able to meet our reserve requirements over the next five years. The budget also includes some smaller fee changes to the pool, marina, and golf course, which you'll hear about later on by the board.
  - Operationally, from a very high level, we are budgeting to increase our dues income 3%, and allocate this entirely to reserves; we are also budgeting to continue to fund reserves at the higher level that was established in the 2010 fiscal year after the 2009 dues increase when we doubled our allocation to roads from \$25 per lot to \$50 per lot and allocated \$14 per lot to amenities. At the same time, we are budgeting to hold our operating expenses to a 1.9% increase over this year's projected level; and, because of some of the staffing positions that were budgeted for in 2010, but not filled, this

represents a 1.7% reduction from the FY2010 budgeted expenses. The net result of all of this is a budgeted 2011 \$7M net income, which is down from the projected 2010 net income of \$88M; however, more importantly, our allocations to reserves (which are included in operating expenses) are budgeted to increase \$83M beyond today's level. With the 2011 allocations added to the 2010 allocations, we are budgeting to increase our allocations to reserves \$278M annually over 2009 levels, which makes possible the funding of our five year reserve plan. In total, operationally, this budget includes income of \$5,402,862, expenses of \$5,106,131, and net income of \$296,731. Of this income, we recommend allocating \$290M to our reserve program, which represents our expected investment income, and keeping the remaining \$7M as an operating contingency.

- In the course of constructing our operating and reserve budgets, the finance committee has recommended integrating a new cost center, known as the common property cost center, which will shift some costs out of existing centers for common property, primarily depreciation expense, and seeks to provide for a clearer picture of accounting for amenities. The committee has also introduced a new combined format for showing both operating and reserve activities and a very helpful diagram illustrating the flow of funds. Again, I feel I need to recognize Cam White for all of his hard work in constructing these reports.
- I'd like to make a few comments about the five year forecast. This forecast assumes a 3% annual increase in operating expenses. In order to meet these growing needs and fund our reserve program, a 3% dues increase is applied in 2011, 2012, and 2015. The forecast also assumes an incremental reduction in golf course losses each year of 10%, and based on the investment we've made in the course, as well as some very promising ideas Mark Marshall has brought forward, I think this is reasonable. Another assumption is that ERA investment income remains constant at \$290M each year, which is allocated to reserves. I think this is likely a conservative estimation as we see more and more signs that we are climbing out of the worst recession in any of our lifetimes. Account balances are projected in this forecast for each of our reserve accounts, as well as our operating accounts. The balances support that we have adequate funding. The IPF fund balance grows to \$245M in 2015, suggesting we may be in a position to curtail our IPF at some point down the road. The PTF balance also grows to \$250M in 2015, suggesting some modest funding will be available for new initiatives.
- The forecast also reflects the committee's recommendation for funding \$800M in Dam repairs with \$600M funded in 2011, \$150M in 2012, and \$50M in 2013. I understand some of this scheduling and cost estimates have not been finalized yet. It is recommended that funding sources include the existing balanced in the PTF and Amenity Fund, as well as a \$40M allocation of ERA income and additional PTF income. Funding also includes \$62M from our existing general reserve account.
- On the new initiatives front, we reviewed around 10 different requests. Several of these either needed more information to be gathered before they could be considered, or the committee recommended delaying funding. Security brought forth some good proposals regarding our bar-code fee structure. One is to begin charging fees for "essential service" vendors, such as water companies and cable providers who would like to have bar codes, and the other is to move from a \$40 replacement bar-code fee to lower annual fee for all bar codes. The committee supported both of these proposals, with little sympathy found for charging our water service providers; however, more thought needs to be put into the second proposal before implementation. We have also recommended spending \$12.5M to build out the basement of the operations building in order to provide an emergency operations center and a secure storage room, and we've recommended a request for \$8M to purchase greens drying fans as this will help protect our substantial investment in new greens.

- In summary, when I sat here a year ago and delivered a power-point presentation on our 2010 budget I felt, and probably sounded, like the illustrious Chicken Little. I feel better today. The primary reason for this change is that we have substantially increased our allocation to reserves both in 2010 and in our budget for the future. We have also shown that we can practice some level of expense control, and I believe we have significant opportunities to make further improvements in cost saving initiatives. Also, of substantial significance, is the fact that BRG worked very hard to re-examine our future reserve requirements, particularly as it relates to the future replacement of our roads, and they have revised the estimated expenditures downward significantly. Although I applaud their efforts and have no reason to doubt the creditability of this work, we have not yet closed the loop on this with Reserve Advisors, and I think it's in our fiduciary best interest to take this step.
- In conclusion, I would encourage all interested property owners to familiarize themselves with the Budget, and to contact the finance committee with any questions or recommendations. I've been surprised during my time as chair, that I've only been contacted 2 or three times by members outside the committee with comments. We are all owners of this Association, and the more vigilance and creativity we can generate collectively, the better off we will be.
- With that, I thank you for your time.

## 5. **MEMBER COMMENTS (5 minutes per member)**

Wayne Schmidt	370/3
Cliff Altschull	90/4
Ida Swenson	121/12

## 6. **BOARD DISCUSSION**

Director Johnson thanked Finance Committee.

VP Ellen thanked Finance Committee.

Treas. Harrison thanked Finance Committee and discussed financing the dam repairs.

Director Gott thanked Finance Committee and felt they made good recommendations.

Pres. Meiss thanked Finance Committee and recognized Kym Sampsell.

## 7. **2011 BUDGET APPROVAL**

### 7.1 **New Initiatives for 2011**

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors approve the new initiatives for the greens fans in the amount of \$7,734 from the Amenities Fund and for the partial build out of the Operations Building for materials from the Property Transfer Fee not to exceed \$12,500, as presented in the Proposed 2011 Budget as of 12/4/10.”**

Motion Carried 6-0-0

**MOTION by Treas. Harrison seconded by Director Gott “that that the Board of Directors approve the concept of charging of all utility company vehicles the commercial barcode rate once all barcode use is validated with the respective utility companies.”**

Motion Carried 6-0-0

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors direct staff and the Finance Committee to pursue the concept of annual barcode fees to be billed no earlier than 2012 if it is determined that management analysis and validation prove that this change is a valid option to control barcode proliferation and restrict use by non-members of the community. The concept shall be considered as part of the 2012 budget process.”**

Motion carried 6-0-0

## **7.2 Member Dues for 2011**

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors set the 2011 numbered residential lot and Marina Point unit member dues at \$615.94, The annual Tenant Fee at \$615.94, The Tenant Registration Fee at \$45.00, and the Property Transfer Fee remains at \$650.00.”**

Motion carried 6-0-0

## **7.3 Improved Property Fee for 2011**

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors set the annual 2011 improved property fee at \$175.”**

Motion carried 6-0-0

## **7.4 Fee Schedule for 2011**

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors set the 2011 fees at the level contained in the proposed 2011 Budget as defined at the December 4 work session.”**

Motion carried 6-0-0

## **7.5 Special Study on Boating Fees and Charges for 2012**

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors direct the Finance Committee to review the overall fee structures supporting boating and provide the Board with recommendations for changes by the regular May 2011 monthly meeting.”**

Motion carried 6-0-0

## 7.6 Special Study on Golf Fees for 2012

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors directs Staff and the Golf Committee to review the overall fee and cost structures supporting golf and provide the Board with recommendations for changes by the regular May 2011 monthly meeting.”**

Motion carried 6-0-0

## 7.7 Operating Budget for 2011

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors approve the 2011 Operating Budget containing income of \$5,402,862; expenses of \$5,106,131; and; ad a net income of \$296,731 and allocates \$75,000 in funding of the road reserves; \$150,000 in funding for general reserves, \$65,000 in general reserves for dam repairs and retaining \$6,731 as an operating contingency as presented in the Proposed 2011 Budget as of 12/4/10.”**

Motion carried 6-0-0

## 7.8 Reserve Budget for 2011

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors approve the 2011 reserve budget and the items identified in the MR&R for work in 2011 as presented in the proposed 2011 Budget dated December 4, 2010, and put a hold on the sources for the \$600,000 identified for dam repairs until after member vote at the April 2 special meeting and specific action by the Board to release the funds to reserves.”**

**Motion to amend by VP Ellen Seconded by Director Johnson “to cut the motion into two pieces”.**

The amended motion is “**that the Board of Directors approve the 2011 reserve budget and the items identified in the MR&R for work in 2011 as presented in the proposed 2011 Budget dated December 4, 2010.**”

Motion carried 6-0-0

Amended motion carried 6-0-0

**MOTION by Treas. Harrison seconded by Director Gott “that the Board of Directors put a hold on the sources for the \$600,000 identified for dam repairs until the Board releases the funds to reserves.”**

Motion failed 3-3-0 VP Ellen, Director Johnson, Sec. Dillon dissenting

## 8. ADJOURNMENT

Pres. Meiss adjourned the meeting at 8:30 PM.

by:

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Gary Dillon, Secretary