

2012 LMOA Operating Budget Overview

Dues and Fees - Annual Dues for 2012 increase 3% to \$634.41 per lot/condo. This includes required dues contributions of \$59.14 per lot/condo for roads, \$55.54 per lot/condo for the lake, and \$18.04 per lot/condo for MR&R reserves. The Improved Property Fee is an additional \$175 per year. All fee changes are effective January 1, 2012.

Revenue and Uses of Revenue - Total revenue from all sources except amenity user fees is \$4,169,701, and total uses of revenue (operating expenses, with amenity user fees netted against amenity expenses, and contributions to reserves) are \$4,159,263 for a net surplus of \$10,438.

Major Repair and Replacement (General Reserves) - The 2012 contribution from dues is \$83,633, from depreciation is \$320,431, from interest is \$30,879, and from investment income received from the ERA an amount of \$175,000, for a total of \$609,943.

Budgeted MR&R expenditures, including deferrals from prior years, total just under \$1 million.

Road Reserves - The 2012 contribution is budgeted at \$274,173 from dues, \$9,345 from New Home/Renovation fees, \$2,000 from interest, and \$30,000 from investment income from the ERA.

Budgeted road expenditures are \$50,000.

Lake Health/Storm Water Management Reserves - The 2012 contribution is budgeted at \$257,483 from dues. Budgeted expenditures are \$253,000, including New Initiatives Watershed B work (\$55,000) and engineering of the Zephyr BMP (29,000.)

Improved Property Fee (IPF) and Fund - The 2012 will remain at \$175 per improved lot, and the fund will contribute \$21,000 to a new Weather Response Fund which will pay for snow removal and other responses to natural events.

Weather Response Fund - Will be established with \$21,000 from the IPF. A normal winter is budgeted at \$10,000 for snow removal; the remaining \$11,000 will be available for response to unusual natural events.

Property Transfer Fee Fund - 2012 revenue is budgeted at \$117,500, including \$2500 in interest. Budgeted expenditures of \$118,000 will pay off the loan used to purchase dredging equipment several years ago and pay for 2 New Initiatives.

Amenity (Pool) Fund - There are budgeted expenditures for this fund.

ERA Principal - ERA principal is not expected to change in 2012 except to the extent there are realized capital gains or losses, which cannot be forecast.

ERA Dividends and Interest (D&I) - 2012 income from dividends, interest, and proceeds from sale of covered call options is budgeted at \$280,000, with \$30,000 contributed to the Roads reserve, \$175,000 to the MR&R reserve, and \$75,000 contributed to the operating budget.

Other New Initiatives (not mentioned above) - \$7,200 for tasers for LMOA police officers, funded in the operating budget.

2012 LMOA Operating Budget Dues/Fees and Other Income

Dues and Fees

2012 budgeted dues are based on 4619 lots and 15 condos for a total of 4634 billings at \$634.41 per year, up 3% versus 2011 .Other fees are based on 190 rental houses, 175 new registrations, and 30 tenant associates.

Monthly member fee and finance charge income is based on 2011 experience.

Other Income

Other Income comes from investment income and various fees which are required to be contributed directly to reserve accounts. It is projected to total \$1,150,995 in 2012.

The largest source of income is the Emergency Reserve Account (ERA) whose income may be used by the Board of Directors "in maintenance, upkeep, general care of the amenities and assets of the corporation and capital needs." It is projected to produce \$280,000 in income in 2012. Modest amounts of interest will be earned in the various other reserve accounts.

Various fees not listed on the Dues and Fees page, such as the New Home Fee, Property Transfer Fee, Dredging Income, and Improved Property Fee also are included in Other Income.

Other income will all be contributed to the various reserve accounts as indicated in the table.

2012 LMOA Operating Budget Administration

Income

Administration income comes from miscellaneous and interest income from the operating checking account. No change is projected for 2012.

Expense

Payroll expense includes the General Manager, Administration/Accounting staff, and contract staff. A total of 11.41 full time equivalent employees are assumed, compared to 11.58 in 2011.

Total administrative expense decreases slightly as compared to the 2011 budget with increases in some categories which are more than offset by decreases elsewhere.

2012 LMOA Operating Budget Maintenance

The Maintenance department is responsible for performing the preventive maintenance and care of all LMOA grounds and facilities.

Income

Income consists primarily of mailbox installation and replacement. Income is expected to be \$200 below the 2011 budget level.

Expense

Maintenance staff has 1 Administrator, 3 full-time and 1 part-time General Maintenance employees; 3 Roads & Grounds employees (full-time); janitorial (two full-time and one part-time) and 1 full-time clerk. This budget includes the 3 seasonal employees for mowing and weed-eating and employees for drainage work, for a total of 14 full time equivalent staff, compared to 14.32 in 2011.

Payroll expense is projected to be about \$22,000 above the 2011 budget level, based on mid-range salaries.

Modest changes up and down are projected in many expense categories based on 2011 experience, with the exception of the addition of \$22,000 in cost to lease two new pieces of equipment.

Some expenses are moved out of Maintenance with the establishment of the Common Property Cost Center.

Significant credits come back to Maintenance for maintenance labor and equipment to provide services to the Common Property Cost Center and several reserve projects.

2012 LMOA Operating Budget Common Property Cost Center (CPCC)

This is a new department created to cover the expenses associated with property and assets common to all Lake Monticello members, as distinguished from property and assets associated with amenity operations for which user fees are collected.

Separating common property into this department will facilitate identifying and funding what is required to maintain common property for the benefit of all LMOA members.

Income

Income is derived from the leases to operators of the Ashlawn Grill, the Eagles Nest, and the Pool Snack bar, vending machine commissions, Room Rental, campgrounds storage, cable income, and a portion of boat registrations. This totals \$234,500 in the 2012 budget, down about \$2,000 from the 2011 budget based on 2011 experience.

Expense

Utilities, insurance, and fleet maintenance for common property, previously shown in other departments, are shown in the CPCC.

Repair and maintenance of common property buildings, grounds, and beaches is included in the CPCC, as is drainage and erosion control not included in the Lake Health and Storm Water Management reserve budget.

Depreciation, the portions attributable to common property, have been transferred from other departments; this will total about \$223,000.

2012 LMOA Operating Budget

Marina

INCOME

The Marina sells boat and auto gas, propane, batteries, oil, safety flags, bagged iced, bait and other marina/gas station supplies. Marina gas sales are increased approximately 10% due to the raise in the price in gas without ethanol which is preferred for boats.

Dockage for Marina slips and slips located at beaches are collected by the Marina and estimated to produce \$ 55,345 in slip revenue.

Locations:

Beach 1 includes 5 pontoon slips.

Beach 3 includes 3 v-hull and 18 pontoon slips.

Beach 4 includes 9 v-hull and 12 pontoon slips.

Marina slips include 54 v-hull slips inside the jetty, 10 pontoon slips on the jetty, and 16 pontoon slips on the dam side of the Marina.

Storage revenue at the Marina is projected at \$ 20,000.

Registration fees for unpowered boats have been reduced \$5 due to the relatively high fee relative to boat value and to encourage unpowered boat use and registration. Powered boat fees increased between 0 and 10% based on a study by the Finance Committee and the fact that fees were not increased last year. Boat storage fees were increased 4-8% based on a study by the Finance Committee including the cost of replacing slips as they wear out; and exception is the fee for new canoe/kayak racks on beaches is reduced from \$100 to \$75. The Marina Manager endorses these new fees.

Early 2011 the BOD requested the Finance committee to research and submit recommended boat registration fees. New fees with adjustments are based on this research and recommendations.

The marina has also implemented a new procedure for boat slip waiting list. There is a slip rental deposit of \$100 to place one's name on slip waiting list, fully applied to the rental, and if when name rises to the top and the applicant declines the slip offer, but wishes to stay on the list and drop to the bottom, a \$30 non-refundable fee is subtracted from this \$100 deposit.

The marina receives 25% of the revenue from boat registration based on the services provided by the marina, with the balance going to the new Common Property Cost Center to contribute towards costs associated with the lake.

Income from marina fuel and other item sales is projected to decline \$3000 versus the 2011 budget based on 2011 experience. Other income (registrations, storage, and slip rental) will increase about \$13,000.

EXPENSE

Total Payroll Expenses - Marina staff is budgeted for one full-time staff and part-time equivalent help for weekends, vacations, and summer peak activity.

Total Other Expenses

In this year's budget, expenses associated with common property have been transferred to the CPCC. Those which remain with the marina, including utilities, building, and other, change only modestly versus the 2011 budget.

The net income of the marina, incorporating the changes noted above, increases from about \$9,000 in the 2011 budget to about \$22,000.

**2012 LMOA Operating Budget
Pool**

INCOME

Pool fees are unchanged from 2011 except the rental fee is being reduced to encourage use. Income is projected to decline slightly from the 2011 budgeted level based on 2011 experience.

Pool Membership

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Individual	-	-	-	-	-	-	-	-	139
Family Equiv	130	110	137	155	162	156	127	110	87
Daily use	5606	4135	3789	4687	4236	4412	3176	2941	
5 Trip Books									110
20 Trip Books	146	228	201	188	250	621	239	292	221
Rain checks									151

Pool pass books will expire after two seasons, not one.

EXPENSE

The pool amenity covers the care, maintenance, and chemical stability requirements of the pool, as well as providing lifeguards for pool membership. Ratio is one lifeguard for every 25 people in the pool and pool deck area. There are no lifeguards on the main beach, which formally was covered under this budget. However, the pool staff is responsible for overall policing of the main beach. Lifeguards only cover the beach on July 4th.

Net expense of the pool amenity is projected to be about \$15,000 in 2012.

2012 LMOA Operating Budget

Tennis

Only the Ashlawn tennis courts are included in the Tennis section. The Lafayette (Tufton) courts are included in the common cost center, as they are open to the general public, no charge. Tennis fees are intended to cover the acrylic color coat that needs to be done every 6 years to protect the synthetic fabric mats from wear. They are scheduled for a color coating in 2016. Other expenses have been replacement of the windscreens (\$2,900).

The Ashlawn Courts are restricted to tennis membership or those paying a daily use fee. The courts were locked in 2004 due to vandalism and only available through tennis membership. The daily use fee was re-established in 2009, but must be "policed" by the membership. Tennis fees are not changing in 2012.

Tennis memberships

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 Budget
Individual	36	97	95	82	82	72	71	65	75	75
Ind. fee	\$35	\$45	\$45	\$50	\$50	\$61	\$63	\$65	\$65	\$65
Team Tennis					14	17	15	16	N/A	14
fee								\$32.50	32.50	\$32.50

Income

Income is projected at \$5,900 for 2012, similar to the 2011 budget.

Expense

Depreciation will decline by \$2000 versus the 2011 budget, reflecting a change in asset life assumptions. Other expenses are modest.

Tennis is budgeted to generate a net income of about \$2100.

2012 LMOA Operating Budget Golf Operations

Income

Several fee changes are being made on the recommendation of our pro. Family plan memberships are reduced \$446 to encourage more memberships. Annual 9 hole with cart is increased \$110. The daily public 18 hole VSGA increases \$4.

Overall income is budgeted to be \$14,000 above the 2011 budgeted level based on improved conditions stemming from course maintenance being contracted out to a professional management company.

Expense

The primary change in golf expenses is the contracting out of course maintenance to a professional management company. This results in increased expense compared to the 2011 budget, but it is being done to improve playing conditions, which should improve overall financial operations of the golf amenity over time.

2011 results are projected to have golf expenses exceed revenues by about \$150,000, but it is believed that this loss can be reduced in future years as improved course conditions result in more resident memberships and play, and increased use by non-residents.

2012 LMOA Operating Budget Security/Police/ECC/Compliance

Income

Police/Security income is primarily from barcodes. All barcode equipment, supplies, service contracts and gate expenses are in this department except some personnel expenses (Marina and Admin). Barcode income is derived from new homeowners, property owners' guests, new tenants and new cars in addition to commercial barcode sales. A \$10.00 annual renewal fee for residents will replace the current \$40 initial and \$10 replacement fee. For those purchasing barcodes for \$40 within the last several years will not be charged the renewal fee until they have "used" their initial \$40 fee based on how many years ago they purchased it. There is no net increase in barcode revenue projected for 2012 because of the elimination of the \$40 fees. The renewal fees will increase revenue beginning in 2013.

Bar codes for essential services vehicles will cost \$10 per year.

Having all bar codes renewed annually (and deactivating those not renewed) will reduce the number of barcodes which are on vehicles no longer owned by LMOA residents and current service vehicles whose current owners could otherwise enter our community.

Overall, 2012 barcode and ECC fee income is projected to decline a modest \$1,600 from the 2011 budgeted level based on recent experience with ECC and compliance fees.

Expense

The Police/Security Department has 8 full-time police officers, including the Chief, 5 full-time gate attendants, including the supervisor, and 5-8 part-time gate attendants. Both police and security have 24 hour uninterrupted staffing. ECC/Compliance staff includes 1 full-time administrator and 2 part-time assistants. The part-time Field Representative (currently unfilled) is postponed in this budget.

Payroll expense is projected to increase by about \$9,000.

Insurance cost, previously booked to the Administration Department, is now included.

Other expenses remain roughly unchanged, except for Non-Capital purchases, which increase \$6,400 due to the purchase of Tazers for each officer to enhance safety when officers encounter potentially violent individuals.

The net cost of the Security Department increases by a total of about \$32,000 as compared to the 2011 budget, with about half of this being the transfer of insurance costs.

OVERVIEW OF 2012 CONSOLIDATED BUDGET

CURRENT YEAR DUES AND FEES		\$ 3,039,706
<i>(Includes 3% Increase)</i>		
Less required reserve contributions		
Dedicated to Roads	\$ (274,173)	
Dedicated to Lake	\$ (257,483)	
Dedicated to MR&R	\$ (83,633)	
		<u>\$ (615,289)</u>
Net Dues & Fees		\$ 2,424,417
 <i>Operating Budget</i>		
Operations		
Administration	\$ (956,829)	
Maintenance	\$ (19,161)	
Common Property	\$ (596,140)	
Security	\$ (776,309)	
 Net Operating Expenses of Association		 <u>\$ (2,348,439)</u>
		<u>\$ 75,978</u>
 Recreation		
Marina	\$ 21,790	
Pool	\$ (14,735)	
Tennis	\$ 2,159	
Golf	\$ (149,754)	
 Net Recreation Operating Results		 \$ (140,540)
 <i>Other Income</i>		
Other Income total	\$ 1,148,720	
Less contributed to reserves	\$ (1,073,720)	
		 \$ 75,000
 NET RESULTS		 <u><u>\$ 10,438</u></u>

Major, Repairs & Replacements Reserves Highlights

Contribution to Major Repairs and Replacements Reserve

From		Per Lot
Dues	\$ 83,633	\$18
Interest	\$ 30,879	\$7
Depreciation Contribution	\$ 320,431	\$69
Investment Income	\$ 175,000	\$38

Total Contribution **\$ 609,943** **\$132**

Recommended Contribution \$135 per model

Target Reserve End of 2015

 2012 Budget \$ 693,970

 2011 Budget \$ 681,699

Contribution to Roads Reserve

From		Per Lot
Dues	\$ 274,173	\$59
New Home / Renov Fees	\$ 9,345	\$2
Interest	\$ 2,000	\$0
Investment Income	\$ 30,000	\$6

Total Contribution **\$ 315,518** **\$68**

Recommended Contribution \$70 per model

Target Reserve End of 2015

 2012 Budget \$ 633,404

 2011 Budget \$ 530,040

Details of Special Reserves, Funds and Restricted Accounts may be found in Section IV