

Budget Committee meeting

August 11, 2013

at the home of Pam Vermillion

In attendance, Sara Mullins, Pam Vermillion, Donna Coffey, Teri Knapp,
Dick Zwall

Pam Vermillion to take over as chair of the committee.

Summary of meeting:

1. It is the recommendation of the committee that the Board conduct a reserve study. There are two parts to a reserve study: the physical analysis and the financial analysis. The committee believes this could be a three year process. The funding phase is not presently believed critical as the financial crisis has been dealt with by the Board with a special assessment in 2014. The funding phase must follow the physical phase.
2. An operating reserve is necessary and we recommend to the Board that the operating reserve eventually reach the 50% mark of the annual operating budget. It should be the first line item in the budget. The goal should be to fund the operating reserve to increase its percentage by 10% each year. The 2015 budget should reflect any end of year surplus plus "X" dollars to equal 10% of the operating budget. The same equation would apply to 2016 budget for operating reserves to be 20% of the 2016 operating budget. The 2017 budget would be 30%, the 2018 budget 40% and the 2019 budget 50%. There would undoubtedly be dues changes to provide for the percentage increases as expenditures are sure to be drawn from the operating reserve fund at differing rates for unanticipated maintenance during the period from 2015 to 2019.
3. The committee agreed to invite Steve and Kim Terry, Jerry Coffey and Mark DeFluiter to our next meeting on August 25 to solicit their help in developing a component list of items in the commons area that should be included in the reserve study. Components should include items with a life expectancy of less than 30 years but more than one year and not included in the annual maintenance budget. The committee recommends to the board the 30 year number and items with projected replacement costs of \$500.00 or more be the criteria for inclusion in the component list. Items costing less should be projected as an annual maintenance item.

4. The committee recommends that the board provide the membership in 2015, within the 2016 budget, with a cost analysis for the replacement costs of the components identified in the component list created in 2014.
5. The committee recommends that the board develop a financial analysis and funding plan for replacement of the identified components in 2016 in order to budget for replacement from a reserve fund rather than return again to a crisis management situation that has developed more than once in the past 32 years of the LMHOA existence.
6. The committee recommends to that board that the 2017 budget include a reserve budget line item. This line item need not be by component but a single line items that takes into consideration all of the components collectively and begins the funding process for long term financial planning.
7. The committee also discussed the need for an “as built” plan for the commons area to use as a guide for future maintenance and community plans. The committee is not yet prepared to make a recommendation to the board on this matter.
8. The committee will continue to review reserve study guidelines for the LMHOA and provide copies of the guidelines for those involved in the study.
9. The committee concluded that the budget process must be in compliance with existing bylaws and thus discussed placing boat slip rental agreements on a calendar year cycle.