

Treasurer's/Finance Committee Report

Annual General Meeting – November 3, 2018

Finance Committee Members: This year's committee members included Carol Houlton, Treasurer and Chair; Eric Trower, Board member; and community members Rick Gray, Tony Louzao, Collin Morrow, Paula Birchler and Penny Carter.

Highlights for 2018

Special General Meeting (SGM) – Operations Special Assessment

In April a Special General Meeting (SGM) was initiated by several Members of the community seeking a successful community vote for an Operations Special Assessment to pay for recreation maintenance, operations, and Member enjoyment of the Community Center main pool, quiet pool, and gym, as well as parks and trails. This measure passed and the special assessment will run for sixty (60) months. A Recreation Manager and several employees were hired to manage and staff this new department. All special assessment dues and Recreation income from outside sources is recorded into a separate account, set up specifically to track all income and expenses of this new department and related activities.

Washington Uniform Common Interest Ownership Act (WUCIOA)

This Act was amended this year in a way that changed the procedures our Association uses for budgeting. The most significant change involves how our dues will be approved post July 1, 2018. Previously, our budget was voted as one measure. The dues measures were voted separately which required a 60% approval from the Members that voted or the measure failed. With this change, the budget and dues are now combined and are approved unless 50% plus 1 of all eligible voters vote the budget down.

Additionally, there are more explicit requirements for funding the Reserve Study and for informing the Members of the status of our Reserve Study funding. You may have noticed a much more complex Budget Measure this year as a result.

The dues to fund 2019's budget reflects a significant increase, but it still falls far short of what is needed to fund the repairs, maintenance and replacement scheduled in our Reserve Study. The Board is charged with walking a fine line between their fiduciary responsibility to fund the reserves and a concern for individual Members' budget concerns.

Collections

The annual collections rate as of September 30, 2018 is at 96.8%. This is exceptional and is due to consistent follow-up from our Accounting Department to ensure owners are provided every opportunity to remain current. The 2018 budget is based on a 93% collections rate, and each percentage point over that rate provides us with an additional \$17,400 in Operations dues. The 2019 budget is based on a very conservative 91% collections rate which we feel is prudent given the significant increase in projected dues for the year. We still feel confident that we will maintain this commitment from our members, but it may take some families a little while to work the new dues into their personal budgets.

As of the end of September we have about 30 owners on payment plans totaling approximately \$70k in dues, down from 50 owners and \$98k at this time last year.

We still have over \$224k in more challenging delinquent accounts being pursued through a collections agency. Those funds have already been written off as uncollectible, so any we are able to collect will be unexpected income.

2017 Audit

The 2017 audit was presented to the Board of Directors on May 24, 2018. Our independent auditors, Larson Gross, noted in their management letter that there were, once again, no material or significant deficiencies found. Their only comment for suggested corrections were to review the reserve study and implement the suggested changes and to prepare a detailed preventative maintenance program. The maintenance program is being completed at this writing and should provide us with good guidelines to anticipate future cash expenditures to maintain our assets. Additionally they stated, *“We also recommend that the Association compare the capital funding suggestions noted on the reserve study along with the current operational expenses and inflation to determine if monthly association dues are adequate to meet both the operational and capital needs required by the Association.”* The budget the Board is recommending for 2019 includes dues that will be a step in the right direction towards meeting those requirements.

In 2019, we will be soliciting bids from CPA/audit firms, as is our practice every three years, to complete the 2018 audit.

Reserve Study

The 2018 Reserve Study was a Level III study which means our consultant used the 2017 study and updated it without an onsite visit and using our asset list for adjustments, removing or adding assets as appropriate. Next year a full Level I study be conducted for the year 2020 which will include a site visit by our Reserve Study consultants and a fresh look at all assets. This will be a very important tool in planning our future maintenance needs for our Roads, facilities and other assets.

Capital Repairs & Replacement Reserve (CRRRF) Fund / CRRRF Projects

Following is a list of all of this year's CRRRF projects:

CRRRF Project Name	Approved	Spent	Better/(Worse) Than Approved
Maintenance Bldg Roof Replacement	\$ 17,473	\$ 16,267	\$ 1,206
Clubhouse Retaining Wall Construction	73,000	-	73,000
Pool Renovation Design	76,310	76,287	23
Maintenance Vehicles	103,067	45,662	57,405
Sand / Salt Spreader	6,745	6,422	323
Golf Carts - Capital Lease	160,500	144,720	Open
Maintenance Software	49,785	45,448	Open
Barn 8 Stairs design and construction	30,000	29,999	Open
ADA Door Opener	5,121	4,893	Open
Clubhouse HVAC Capital Repair	6,968	6,968	Open
Rebuild Bunkers on 13th Green	13,530	2,443	Open
Clubhouse HVAC Replacement	118,741	47,651	Open
Marina Standpipe & Gangways A&E / Construction	248,979	65,445	Open
Marina Soft Armoring A&E / Construction	467,757	79,290	Open
Barn 6 Demolition / Sprung Structure	398,971	219,539	Open
Pool Liners / Decks / ADA Compliance Construction	633,071	563,699	Open
Project Manager	80,000	27,860	Open
Total	\$ 2,490,018	\$ 1,382,592	\$ 131,957

The major projects completed this year included the renovation of both Pools, the Marina Standpipe and the Gangways.

Those projects that have been completed and closed have all returned funds to the appropriate reserve account as can be seen in the last column. Several other projects are complete and we are waiting the final paperwork before they are closed. Those still in progress include:

- Clubhouse HVAC Replacement and Marina Soft Armoring are in progress.
- The Clubhouse Retaining Wall project was completed but moved to the Roads Fund. No monies were expended from CRRRF.
- Barn 6 Demolition / Sprung Structure is on hold. Area Z contamination is now considered mitigated pending one final test, therefore it was decided to place the Sprung-type structure directly at Area Z rather than to demolish Barn 6 and place it temporarily on the remaining foundation. Additional work, permitting and Fire Marshall regulations have delayed this project until June 2019.
- Project Manager fee will remain open to cover emergent issues.

In 2017 the Board approved securing a \$1.125 million loan to help fund both Pools, Marina Standpipe, Gangways, the demolition of Barn 6 and the erection of a Sprung-type structure for snowplow equipment and supplies on the Barn 6 site. The Sprung-type structure was to be moved at a future time to Area Z. When it became apparent that Area Z was nearing a final determination of being contamination-free, it was decided to place the structure directly at Area Z. Additional work and permitting were required as a result and the Board approved an additional \$500k loan to cover those costs. The increased loan payback will be covered by an additional \$1.82 per month per member which is included in the 2019 budget.

Roads Fund / Roads Projects

The following were the major Roads projects for this year:

Roads Project Name	Approved	Spent	Better/(Worse) Than Approved
Polo Park Culvert 29.1 & 29.2 Design	\$ 26,564	\$ 25,298	Open
SV Dr Culvert 166 Design	16,107	15,170	Open
Louise View Culvert 225 Design	21,035	19,740	Open
SV Drive Culvert 130 & 131 Design	46,758	43,465	Open
Roads & Culverts Plan Consolidation	36,685	36,275	Open
Culvert 447 Design	37,840	37,335	Open
Windward Dr Retaining Wall Construction	55,400	-	Open
Gate 28 Hazard Evaluation	26,325	15,376	Open
2018 On-Call Engineering	21,855	16,936	Open
2018 Roads Surfacing	220,000	28,352	Open
2018 Roads Culvert Construction	350,216	264,172	Open
2018 Ditches, Culverts & Swales	138,607	86,316	Open
2018 Roads & Ditch Repair	82,757	75,925	Open
124 Grand View Lane Roadwork	7,387	6,157	Open
Southern Court Mitigation	32,320	-	Open
Clubhouse Retaining Wall	138,769	24,886	Open
Total	\$ 1,258,625	\$ 695,401	\$ -

Roads projects include roads, culverts, ditches, and bridges. These are all included in the December 2014 Phase II Stormwater Master Plan & Capital Improvement Plan (CIP), a 10-year plan that has been used to schedule ongoing repairs and maintenance each year. Some of these projects were approved in 2016 and 2017. It takes at least two years for most Roads projects to be complete, the first year for design work and the next year or two for actual construction. Some listed above will close by the end of the year, while others will remain open until the next construction season beginning in June 2019.

Note that the Ditches, Culverts & Swales project continues as was voted on by the Members in the 2016 Special General Meeting (SGM). That work is expected to take approximately ten years to complete and will be seen as a part of each year's Roads plan. This year much of that work was done in Gate 3.

The Southern Court Mitigation is a three-step plan, with only the first step approved for this year. The Clubhouse Retaining Wall is complete and awaiting final paperwork.

The 2018 Roads Surfacing project was delayed due to a strike of the laborers, and once it was settled poor weather prevented work to be done this year. A similar funding amount will be requested for approval next year and it is expected that both will be completed in 2019, barring any other unforeseen delays.

Undesignated Reserve (UDR), Board Density Reduction & Mailbox Projects Funded

There were several emergent projects which were not included in the spending plan this year that were funded from other reserve accounts:

Project Name	Fund	Approved	Spent	Better/(Worse) Than Approved
Hazard Tree Removal	UDR	34,254	31,140	3,115
Clearance Lot Auction Expenses	BDR	8,281	8,281	-
Mailbox Replacement - Gate 13	Mailbox	2,755	2,756	(1)
Special General Meeting	UDR	13,580	13,580	-
Hazard Tree Removal- 12 trees	UDR	8,597	6,252	2,345
Area Z Mitigation	UDR	178,290	137,148	Open
GM Recruiting Expenses	UDR	32,725	-	Open
Totals		278,482		\$ 5,459

Most of these unbudgeted projects have been closed. The Area Z Mitigation should be complete by the end of the year, and the GM Recruiting Expense will be complete when a new GM is selected and in place in Sudden Valley.

Respectfully submitted,

Carol Houlton, Treasurer
Sudden Valley Community Association