

Summary Explanation of Measure Number 1

Ballot: Shall the SVCA’s 2016 Annual Consolidated and Optional Dues Measures Budget of \$4,731,567 be approved or rejected?

Explanation: This measure presents the annual Basic Services & Optional Dues Measures consolidated budget as follows:

Basic Services Consolidated Budget	
Operations	\$ 2,840,234
Capital Repair and Replacement Reserve Fund (CRRRF)	561,273
Roads Reserve Fund	893,061
Total Basic Services Consolidated Budget	\$ 4,294,568
Optional Operations Program Measures	
Vegetation Control and Rainwater Management	234,997
Parks & Common Grounds Maintenance	150,802
Pools & Recreation	51,200
Total Optional Program Measures	\$ 436,999
Total Consolidated Budget, incl. all optional programs	\$ 4,731,567

If this measure does not pass, then the annual budget will revert to the last membership ratified budget.

Basic Services Budget. In January 2015 the Board wanted to know what it would take to tackle the deficiencies in our community and to create a Basic environment over time. Additional funding was approved by the Board to allow us to operate in a sustainable manner for the balance of 2015. In this way we were able to determine what is required annually to slowly repair, replace and maintain our existing assets. Based on the successful results of this year we have created a budget for 2016 that will provide the essential funding required to stay the course, vote yes for success!

Optional Programs. In separate measures you will have the opportunity to determine if the Association should fund operational programs that are above the Basic Services budgeted amount. Should the Basic Services budget succeed, members may select one or all of the optional programs. If successful, the budget will be increased as follows:

Vegetation Control and Rainwater Management Budget. This measure funds tree trimming along all roads and above all rainwater ditches and cleaning of culverts and ditches throughout Sudden Valley. This work was started in 2015 and has not been done prior. This budget enables Sudden Valley to continue work year round in 2016. If this program is successfully approved, there would be an increase in the Operations portion of the budget by \$234,997.

Parks & Common Grounds Maintenance Budget. This program includes the care of all parks, gates, mailbox clusters, the Dog Park, AM/PM Beach shelters, the Lake swimming area and common areas. If this program is successfully approved, there would be an increase in the Operations portion of the budget by \$150,802.

Pools & Recreation. This service would include the opening and closing of both the Main Pool and the Adult Pool, pool repair and maintenance, maintenance of the tennis courts, basketball courts, Bocce Ball courts, and horseshoe courts. If this program is successfully approved, there would be an increase in the Operations portion of the budget by \$51,200.

See the following two pages for details regarding the consolidated budget and optional measures.

**Sudden Valley Community Association
Proposed 2016 Consolidated Budget
AGM Measure 1**

	Income & Expense Detail	2016 Budget
Operations & Optional Programs:		
1/1/2016 Forecasted Beginning Balance		\$ 36,656
Income, Operations		
Dues, Operations	1,853,187	
Golf Income	768,070	
Marina Rental Income	114,965	
Other Rental Income	30,292	
Other Income	30,020	
Views Advertising Income	28,500	
Area Z Storage Rental Income	15,200	
Total Income, Operations	2,840,234	\$ 2,840,234
Income, Optional Dues Measures		
Dues, Vegetation Control & Rainwater Management	234,997	
Dues, Parks & Common Grounds Maintenance	150,802	
Dues, Pools & Recreation	51,200	
Total Income, Optional Dues Measures	436,999	\$ 436,999
Total Income Operations & Optional Dues Measures		\$ 3,277,233
Anticipated Expenditures, Operations		
Salaries & Wages, by department		
Golf	(487,872)	
Administration	(315,732)	
Accounting	(248,101)	
Maintenance	(223,350)	
ACC / Security	(100,956)	
Facilities	(90,884)	
Total Salaries & Wages, by department	(1,466,895)	\$ (1,466,895)
Other Expenditures		
Covenants, Conditions, & Restrictions/ Mandates	(394,625)	
Maintenance & Landscaping	(289,316)	
Contracted & Professional Services	(170,333)	
Utilities	(156,971)	
Administrative Expenses	(133,310)	
Regulatory Compliance	(118,927)	
Insurance	(109,857)	
Total Other Expenditures	(1,373,339)	\$ (1,373,339)
Total Anticipated Expenditures, Operations		\$ (2,840,234)
Anticipated Expenditures Optional Measures		
Vegetation Control & Rainwater Management	(234,997)	
Parks & Common Grounds Maintenance	(150,802)	
Pools & Recreation	(51,200)	
Total Anticipated Expenditures Optional Measures	(436,999)	\$ (436,999)
Total Anticipated Expenditures Operations & Optional Measures		\$ (3,277,233)
12/31/2016 Forecasted Ending Balance		\$ 36,656

**Proposed 2016 Consolidated Budget
AGM Measure 1, continued**

	Income & Expense Detail	2016 Budget
CRRRF:		
1/1/2016 Forecasted Beginning Balance*		\$ 922,313
Income		
Dues		\$ 414,990
Anticipated Expenditures		\$ (561,273)
12/31/2016 Forecasted Ending Balance		\$ 776,030
 Roads:		
1/1/2016 Forecasted Beginning Balance		\$ 925,802
Income		
Dues		\$ 577,116
Anticipated Expenditures		\$ (893,061)
12/31/2016 Forecasted Ending Balance		\$ 609,857

*Assumes MR&R is combined with CRRRF in 2016

The result of the vote on this measure will be determined by Washington State Law (RCW 64.38.025), which provides that the budget is ratified if it is not rejected by owners holding a majority of votes in the Association.

Recommendation: All members of the Board of Directors and Finance Committee strongly endorsed this measure.

Due to the variety and extent of SVCA common facilities, with vastly different ages, SVCA's reserve study is very complex. Past reserve studies evaluating Sudden Valley's facilities and infrastructure have consistently called for increased maintenance and capital expenditures to maintain the organization's assets.

The membership has not adequately funded repairs and replacement of Sudden Valley's assets such that they are accelerating into disrepair and may be unrecoverable if not reversed now. An immediate infusion of maintenance funding, as requested in these measures, is the first essential step to halting the accelerating deterioration.

At present the Association reasonably believes it has sufficient funds to resolve unanticipated uninsured events in the two- to five-year period. A longer term strategy sustained strategy needs to be implemented to ensure the infrastructure and facilities are refurbished to reduce the demand for higher annual maintenance costs. In 2015 the Association spent in excess of revenue to reverse the trend of deterioration and provide required maintenance. This level of spending is not sustainable at the current assessment level and the cost of deferring the needed revitalization increases exponentially with each year we delay. If increases are not approved, the Association will spend its reserve funds and the only device remaining to fund uninsured catastrophic failures will be special assessments.

While the problem outlined may sound dire, the situation is recoverable if the following dues measures are approved. The first step is instituting sufficient maintenance as requested in these measures to halt the deterioration. If these measures are approved, the Board has the capability to implement a recovery plan that will

achieve facility and infrastructure stability and revitalization over a period of years.

Recommended Funding Projection per most recent reserve study, 2013

The percent funded level as of January 1, 2014 will be 34% assuming reserve contributions are made at the beginning of the fiscal year. The reserve funding projections which result from the 2013 reserve study utilize the following financial parameters:

- A minimum reserve fund balance of \$937,147.00 as of January 1, 2014
- A minimum 2014 reserve contribution of: \$1,500,000.00
- A maximum annual increase in the reserve contribution of 50% in 2015; 25.6% in 2020; and 2% in all remaining year covered by this reserve study.
- Earnings on reserve deposits: 1.0%
- Actual inflation rate: 3.0%
- Reserve fund contingency: 0.0%

Year	Recommended	Recommended	Recommended	Recommended	Recommended		Recommended
	Cash Balance	Annual	Annual	Annual	Ending Cash	Fully Funded	
	January 1	Contribution	Interest	Expenditures	Balance, December 31	Reserves	Percent Funded
2015	\$ 1,939,281	2,250,000	6,934	3,373,570	822,645	\$ 4,061,731	20%
2016	\$ 822,645	750,000	11,546	214,330	1,369,860	\$ 4,544,977	30%
2017	\$ 1,369,860	765,000	16,522	191,119	1,960,263	\$ 5,083,583	38%
2018	\$ 1,960,263	780,300	12,118	1,314,934	1,437,746	\$ 4,594,313	31%
2019	\$ 1,437,746	795,906	12,266	790,619	1,455,299	\$ 4,632,999	31%
2020	\$ 1,455,299	1,000,000	17,227	428,646	2,043,880	\$ 5,059,579	40%

Actual Funding Projection at 2016 budgeted rates, without future contribution increases

Year	Cash Balance	Projected	Projected	Projected	Projected		Projected
	January 1	Annual	Annual Interest	Annual	Ending Cash	Fully Funded	
	January 1	Contribution	Annual Interest	Expenditures	Balance, December 31	Reserves	Percent Funded
2015	\$ 1,253,922	456,772	133	907,526	803,301	\$ 4,061,731	20%
2016*	\$ 922,313	414,990	133	561,273	776,163	\$ 4,544,977	17%
2017	\$ 776,163	414,990	133	441,286	750,000	\$ 5,083,583	15%
2018	\$ 750,000	414,990	133	415,123	750,000	\$ 4,594,313	16%
2019	\$ 750,000	414,990	133	415,123	750,000	\$ 4,632,999	16%
2020	\$ 750,000	414,990	133	415,123	750,000	\$ 5,059,579	15%

*Assumes MR&R is combined with CRRRF at January 1, 2016

Summary Explanation of Measure Number 2

Ballot: Shall the SVCA’s Annual Dues for 2016 be set at \$1,062.20 per developed lot and \$891.84 per undeveloped lot to support the budget in measure 1?

Explanation: For developed lots, this amount includes a contribution of \$702.00 for SVCA Operations, plus reserve contributions of \$208.20 for Roads and \$150.00 for the CRRRF. For undeveloped lots, this amount includes a contribution of \$533.64 for SVCA Operations, plus reserve contributions of \$208.20 for Roads and \$150.00 for the CRRRF.

	Developed Lots		Undeveloped Lots	
	Monthly Dues	Annual Dues	Monthly Dues	Annual Dues
Increased Dues for Operations*				
Current (Incl. CRRRF & Roads)	\$69.40	\$832.80	\$60.05	\$720.60
Increase for Basic Services	\$18.95	\$227.40	\$14.27	\$171.24
New Total Dues – Current + Basic	\$88.35	\$1,060.20	\$74.32	\$891.84

**This assumes an 87% collection rate. There is no increase in Roads or CRRRF for 2016 and those figures are already included in the Current Dues figures.*

If this measure is not approved, facilities will be at greater risk of failure and existing staff and services will be drastically reduced.

In 2015 the SVCA Board of Directors instituted a new self-managed organizational structure designed to instill efficiency, accountability and dependability for our members. The objective was to align the staff’s roles and responsibilities to our community’s needs, to deliver excellence to the environment and the membership. The Board authorized funding to establish an organization that would achieve these goals. If this is the direction you want for our Association, we ask you vote yes for success!

- If you are pleased that our Security staff follow all school buses in and out of the community, vote yes for success!
- If you applaud the response of our staff to recent storm damage, demonstrating dependability and a commitment to community safety, vote yes for success!
- If you believe the recent revitalization of our clubhouse, marina and beach shelters demonstrates our commitment to quality in the stewardship of our assets, vote yes for success!
- If you feel safer knowing that Security travels all our roads twice a day, enforces traffic, monitors our assets and has a centralized call center with live responders, vote yes for success!
- If you see the benefits of having an annual Maintenance plan for all buildings and grounds, with work performed on a defined schedule with measurable goals, vote yes for success!
- If you agree with the marketing that has been done this year to more favorably promote our community, with the goal of increasing home values and generating non-revenue dues, vote yes for success!
- If you find the new Web Site easier to use and more informative, reflecting quality, efficiency and a welcoming outreach towards our customers, vote yes for success!
- If you are a golfer and believe the golf course is in the best condition you have experienced in many years, vote yes for success!

The result of the vote on this measure will be determined by SVCA bylaws, which provide that a dues increase is passed if 60% or more of voting members in good standing approve the measure.

Recommendation: All members of the Board of Directors and Finance Committee strongly endorsed this measure.

Summary Explanation of Measure Number 3

Ballot: Shall the SVCA’s Annual Dues for 2016 be increased by \$84.96 annually for Developed Lots and Undeveloped Lots alike to fund the optional program of Vegetation Control & Rainwater Management?

Explanation: This program would only be an option if Measure 2 passes above.

	Developed Lots		Undeveloped Lots	
	Monthly Dues	Annual Dues	Monthly Dues	Annual Dues
Vegetation Control & Rainwater Management	\$7.08	\$84.96	\$7.08	\$84.96
Basic Services	\$88.35	\$1,060.20	\$74.32	\$891.84
Total Dues – Basic + Vegetation Control	\$95.43	\$1,145.16	\$81.40	\$976.80

If this measure is not approved, roads and other infrastructure will be at greater risk of failure and existing staff and services will be drastically reduced.

Vegetation Control & Rainwater Management. Because we reside so close to Lake Whatcom, the source of Bellingham’s drinking water, there are many requirements and restrictions concerning water runoff. One of the most effective means of controlling runoff is to ensure that rainwater is diverted through the proper filtering process as it moves towards the Lake. We have recently been replacing damaged and decaying underground culverts, but much more could be done to keep these culverts from failing by reducing the environmental barriers to water flow.

- If you are pleased with the vegetation control efforts this year and have greater visibility on our roads, vote yes for success!
- If you want to stop the deterioration of our roads from uncontrolled water run-off damage, vote yes for success!
- If you find that our narrow, steep and winding roads are a bit easier to navigate this year as a result of vegetation control, vote yes for success!
- If you are committed to FireWise programs and feel the removal of dense undergrowth will make us safer from fire hazards, vote yes for success!
- If you have a culvert under your driveway that has not been cleaned out to allow for the free flow of rainwater, vote yes for success!
- If the ditches near your home are filled and ineffective in carrying large quantities of rainwater during the heavier rainy season, vote yes for success!
- If your road becomes coated and slick with an accumulation of debris and would like to see a maintenance program to clear this debris regularly, vote yes for success!
- If you favor a program that will have the greatest impact on the safety of our community and the health of our environment, vote yes for success!
- If you believe this is worth 24 cents a day, vote yes for success!

The result of the vote on this measure will be determined by SVCA bylaws, which provide that a dues increase is passed if 60% or more of voting members in good standing approve the measure.

Recommendation: All members of the Board of Directors and Finance Committee strongly endorsed this measure.

Summary Explanation of Measure Number 4

Ballot: Shall the SVCA’s Annual Dues for 2016 be increased by \$67.32 annually for Developed Lots only to fund the optional program of Parks & Common Grounds Maintenance?

Explanation: This program would only be an option if Measure 2 passes above.

	Developed Lots		Undeveloped Lots	
	Monthly Dues	Annual Dues	Monthly Dues	Annual Dues
Parks & Common Grounds	\$5.61	\$67.32	-	-
Basic Services	\$88.35	\$1,060.20	\$74.32	\$891.84
Total Dues – Basic + Parks & Common Grounds	\$93.96	\$1,127.52	\$74.32	\$891.84

Parks & Common Grounds. This program provides year round mowing, trimming, weeding, fertilizing and cleaning and care of our parks, playgrounds, gate entrances and mailbox clusters. This program provides maintenance services to our Dog Park, AM/PM Beach shelters, the Lake swimming area and common areas. Provides for an annual maintenance refurbishment of 1 playground/ year, sufficient bark and gravel to all playgrounds where needed each year and repairs of failed playground equipment when discovered. We determined that Undeveloped Lot owners do not benefit much from parks and playgrounds, and therefore the dues for this service would only be assessed to Developed Lots.

- If you feel providing a safer and more welcome area in many of our parks and playgrounds for our children, vote yes for success!
- If you like the cleaner, more groomed common areas you have seen this year, vote yes for success!
- If you feel having clean inviting landscaped Gate entrances shows pride of ownership for the community, vote yes for success!
- If you like the idea of annually refurbishing one or two parks a year for revitalization, vote yes for success!
- If you believe this is worth 19 cents a day, vote yes for success!

The result of the vote on this measure will be determined by SVCA bylaws, which provide that a dues increase is passed if 60% or more of voting members in good standing approve the measure.

Recommendation: All members of the Board of Directors and Finance Committee strongly endorsed this measure.

Summary Explanation of Measure Number 5

Ballot: Shall the SVCA’s Annual Dues for 2016 be increased by \$22.92 annually for Developed Lots only to fund the optional program of Pools & Recreation?

Explanation: This program would only be an option if Measure 2 passes above.

	Developed Lots		Undeveloped Lots	
	Monthly Dues	Annual Dues	Monthly Dues	Annual Dues
Pools & Recreation	\$1.91	\$22.92	-	-
Basic Services	\$88.35	\$1,060.20	\$74.32	\$891.84
Total Dues – Basic + Parks & Common Grounds	\$90.26	\$1,083.12	\$74.32	\$891.84

Pools & Recreation This program provides year round community recreational capability including maintenance of the tennis courts, basketball courts, Bocce Ball courts, and horseshoes pits including supplies for all courts (nets, tennis court supplies, etc.). Additionally, this funds opening and closing of both the Main and Adult Pool, pool filter, pump, heater, pool covers, and deck repair and maintenance. We determined that Undeveloped Lot owners do not benefit much from parks and playgrounds, and therefore the dues for this service would only be assessed to Developed Lots.

- If you and your children enjoy using the pools, vote yes for success!
- If you feel we need more options available for year round recreation, vote yes for success!
- If you believe some of our recreational areas should receive sustained upkeep and revitalization, vote yes for success!
- If you believe this is worth 6 cents a day, vote yes for success!

The result of the vote on this measure will be determined by SVCA bylaws, which provide that a dues increase is passed if 60% or more of voting members in good standing approve the measure.

Recommendation: All members of the Board of Directors and Finance Committee strongly endorsed this measure.

