



Admiralty Point Budget and Finance Committee
October 12, 2012
Minutes

Call to Order The meeting was called at order at 9:02 a.m. Present were: Messrs. Borman and Walpole, Committee members; Mr. O'Donnell, General Manager; and Mr. Scheetz, an owner. Messrs. Halverson and Karg, Committee members, Messrs. Morris, Swallen and Versen and Mrs. Melby, Finance Committee members, participated via conference call.

Quorum and Notice A quorum of the Committee was present (at least three members) and Mr. O'Donnell confirmed that the meeting had been properly posted.

Review of Proposed 2013 Budget Mr. Halverson noted that the purpose of the meeting was to review the draft budget for 2013 and make any changes necessary so it can be presented to the BOD next week. Mr. O'Donnell was commended for his work on the budget. During a review of the proposed Operating budget and associated memo, a few changes were made including:

- Reducing the Plant Replacement budget from \$20,000 to \$15,000 in recognition of the lower expenditures over the prior several years and the availability of \$10,000 in the Capital Budget for a similar purpose
- Reducing the dock repair budget from \$5,000 to \$4,000 to cover the cost of barnacle removal
- Adding \$1,000 for potential repairs to the pool furniture
- Allocating the Cable/TV service fees to the correct number of units (Comcast bills to each separately deeded unit or 140 units at AP)

The net effect of these changes produced a proposed Operating budget of approximately \$1,908,200 representing a 1.5% increase over the 2012 budget.

The schedule for Reserves for Replacement was discussed. Dreux Isaac, MAI, developed the majority of the line items and numbers in this schedule when he did the Reserve Appraisal two years ago. Certain line items have been adjusted, added or deleted based on our experience/knowledge since the base report was prepared. For 2013, the proposed adjustments include:

- Changing the Remaining Life of the metal roof of the maintenance and storage facility as it needs to be repaired sooner than 13 years (*agreed*)

- Changing the Remaining Life of the metal roof of the East Club House as it needs to be repaired sooner than 5 years (**agreed**)
- Adding a line item to change the material or paint on the West pool deck, at a cost of \$10,000 (**deleted, too speculative**)
- New landscape lighting along Pass and around West Building estimated to cost \$40,000 (**agreed**)
- Adding line items and costs for projects under consideration by the LRPC in the development of the 3-5 year plan, including:
 - East Club House Storefront – total replacement and expansion of the glass wall as part of the retrofit of the Club House, estimated to cost \$80,000
 - Increasing the amount of money needed to renovate the East Club House to reflect the potential changes to that building should it be retrofitted to include the fitness equipment (\$250,000 vs. \$126,000 in prior budget)
 - Entrance Re-alignment estimated to cost \$ 40,000
 - Renovation of the Guard House estimated to cost \$ 75,000
 - Renovation of the old Manager’s Office estimated to cost \$55,000

There was a lengthy discussion about these LRPC projects, centered on how well defined each was in terms of scope, cost and timing and when would be an appropriate time to include these new items in a Reserve calculation. Since each project could potentially represent a material change to the property, owner involvement and approval may be needed as well before the project(s) can be undertaken. ***It was decided that replacing of known existing assets should be included (\$45,000 for the existing East Club House windows and the \$125,000 previously budgeted to redecorate the East Club House and renovate the kitchen); the other projects are too preliminary in nature to include in the Reserve calculations and resultant capital budget at this time.*** The Committees would like to see a Comprehensive Plan which would include all of the projects planned/proposed over the next few years and their estimated costs so the appropriate funding strategy for them can be developed. ***In the interim, funds will be needed to retain professionals (such as architects, engineers, interior designers) to develop the plans. Mr. O'Donnell suggested that we budget \$75,000 for these fees to be spent over the next two years and the Committee concurred.***

Each year the Association votes to not fully fund reserves, resulting in a Statutory Reserve Deficit. After consideration of the level of Reserves each Building has on account and projected future draws on these funds, a Deficit contribution factor was included, of 4% for the West Building and 15% for the East Building. The net result of these changes is to increase the Reserve contribution needed by the West by \$16,000 (4%) and to increase the contribution required by the East by \$27,000 (15%).

In determining the final owner assessments, an evaluation of the prior years' deficit/surplus is necessary. As of 12/31/12, there was \$205,000 in the

Undesignated Operating Fund. This year, Mr. O'Donnell estimates that net income may approach \$100,000, resulting in retained earnings at year-end of approximately \$305,000. The Committees discussed the appropriate amount of money to retain in case of emergencies. Mrs. Melby reviewed several alternatives presented by our Auditor including:

- ½ of the insurance premium
- ½ of the insurance premium less the pre-paids
- 1 to 2 months of operating income
- Since AP finances its insurance premiums, she suggested ½ of the insurance premium deposit plus 1 month of operating income.

After discussion, ***a credit of \$75,000 was included in the 2013 budget.*** The Finance Committee will develop a policy for determining this credit/deficit figure early next year when we have the audited 2012 financial statements.

After accounting for the projected revenues (from parking, boat slips, kayak racks, and misc. fees), operating expenses, reserve assessments, Cable TV fees, and the prior year operating credit, the net result is a Total Owner Assessment of \$2,410,400, with the West assessment decreasing by \$26,000 (-1.6%) and the East assessment increasing \$24,000 (3.3%).

Mr. O'Donnell was asked to include the proposed 2013 Budget information in the Board packet so it can be discussed at the BOD meeting next week.

Adjournment The meeting was adjourned at 10:49 a.m.