



**2016 BUDGET INFORMATION  
FROM THE FINANCE  
COMMITTEE**

**OCTOBER 17, 2015**



# BUDGETED EXPENSES EXPECTED FOR 2016

## ➤ WHAT DOES IT TAKE TO RUN THE ISLAND??

➤ LABOR INCL TAXES/BENEFITS	\$360K
➤ FERRY INCL BERTH/FUEL	\$ 50K
➤ BARGE (OFFSET BY INCOME)	\$ 29K
➤ COST OF GOODS (RESALE FUEL ET AL)	\$ 49K
➤ INSURANCE	\$ 110K
➤ UTILITIES	\$ 25K
➤ EXCISE AND PROPERTY TAX	\$ 25K
➤ LEGAL FEES	\$ 100K
➤ ACCOUNTING FEES (INCL BKPR & AUDIT)	\$ 67K
➤ REPAIRS/MAINT/SMALL TOOLS	\$ 75K
➤ ALL OTHER	<u>\$ 48K</u>
<b>TOTAL</b>	<b>\$938K</b>



# BUDGETED FEES FOR SERVICE - 2016

- **WHAT INCOME BESIDES ASSESSMENTS DO WE EXPECT?**

• FERRY	\$ 85K
• WATER	\$ 115K
• MARINA AND APT RENTAL	\$ 95K
• GOLF	\$ 31K
• CAR FEES	\$ 32K
• BARGE (OFFSET BY EXPENSE)	\$ 29K
• ALL OTHER – DUMPSTER DAY, SALES OF FUEL, SAND, GRAVEL, EV PARK, ET AL	<u>\$ 54K</u>
<b>TOTAL</b>	<b>\$ 441K</b>



## HOW DOES THAT STACK UP??

- ANTICIPATED FEES FROM SERVICE \$441K
- ANTICIPATED OPERATING EXPENSES (\$938K)
- WE ARE **SHORT** BY.....\$497K
- AND THAT'S WHAT ANNUAL ASSESSMENTS ARE FOR.....TO COVER THE OPERATIONS THAT CAN'T BE COVERED BY INCOME GENERATED BY SERVICES AND ACTIVITIES.



# LET'S TALK ASSESSMENTS!

- THERE ARE CURRENTLY 923 BILLABLE LOTS
- WE ARE “STUCK” WITH REGULAR ASSESSMENTS OF \$472/YEAR DUE TO THE WAY OUR BY-LAWS ARE WRITTEN
- \$472 x 923 LOTS = **\$436K IF EVERYONE PAYS!!!**
- WE NEED TO COVER **\$497K** (SEE PREVIOUS PAGE)
- THIS DOESN'T LOOK TOO BAD – WE'RE JUST **SHORT BY \$61K**, AFTER \$472 ANNUAL ASSESSMENTS, RIGHT? (\$436K - \$497K)
- THERE'S MORE.....(SURPRISED?)



# WHO IS PAYING NOW?

- REMINDER – WE HAVE 923 BILLABLE LOTS
- AS OF THIS WEEK, **320 LOTS ARE NOT BEING PAID**
  - SOME FOR QUITE SOME TIME
  - SOME MORE RECENTLY WENT INTO ARREARS
- **320/923 = 35% NOT PAYING NOW. THIS EQUATES TO APPROXIMATELY 30 TO 35 INDIVIDUALS.**
- SO JUST **65% OF LOTS ARE PAYING ASSESSMENTS ON TIME.**
- WHERE DOES THAT LEAVE US IN COVERING OPERATING EXPENSES FOR 2016?



## ASSESSMENT ANALYSIS

- 923 LOTS X 65% = 600 LOTS EXPECTED TO PAY
- 600 LOTS X \$472 ANNUAL ASSESSMENT = \$283K
- REMEMBER – WE NEED TO COVER \$497K
- IF ONLY 65% OF LOTS PAY, WE ARE STILL **SHORT** BY \$214K (\$497K - \$283K)
- **\$214K / 600 PAYING LOTS = \$360 ADDITIONAL PER PAYING LOT TO COVER OPERATING EXPENSES**
- **WAIT – THERE’S STILL MORE!**



# RESERVES!!

- **CASH RESERVES** – PROJECTED TO BE GONE BY THE END OF 2015 (GOAL = 3 MOS OF EXPENSES)
- **CAPITAL RESERVES** – WE ARE FAR BELOW THE AMOUNTS REQUIRED BY LAW. IF THE FERRY GOES UNDER OR THE WATER SYSTEM IS A BUST (LITERALLY OR FIGURATIVELY), WE HAVE **INADEQUATE RESERVES** TO GET THOSE THINGS FIXED.
- WE'VE BEEN THERE – LET'S NOT BE THERE AGAIN!
- **THE FC RECOMMENDS INCLUDING SOME RESERVES AS PART OF THE OPERATING BUDGET AND STARTING A PLAN TO BUILDING RESERVES OVER THE NEXT SEVERAL YEARS**





## BUDGET WITH RESERVES

- ANTICIPATED FEES FROM SERVICE \$441K
- \$472 X 600 PAYING LOTS \$283K
  
- LESS:
- ANTICIPATED OPERATING EXPENSES (\$938K)
- INCLUDE CASH RESERVES (\$ 60K)
- INCLUDE CAPITAL RESERVES (\$ 100K)
  
- NOW WE ARE **SHORT** BY.....\$ 374K
  
- **SPREAD OVER 600 PAYING LOTS \$625/LOT**



## WHERE DOES THAT LEAVE US?

- ANNUAL ASSESSMENT **\$472**
  
- SPECIAL ASSESSMENT TO COVER:
  - COVER OPERATING EXPENSES **\$356**
  - CASH RESERVES **\$100**
  - CAPITAL RESERVES **\$169**
  
- TOTAL SPECIAL ASSESSMENT **\$625**
  
- **TOTAL PROPOSED FOR 2016** **\$1,097**
  - (BASED ON 600 LOTS PAYING!)

**WAIT – OF COURSE THERE’S MORE.....**



## ANY OPTIONS TO CONSIDER??

- CURRENT SHORTAGE INCLUDING FUNDING OF CASH AND CAPITAL RESERVES  $\$374\text{K} (/600 = \$625)$
- IF **CAR FEES ARE ELIMINATED** +\$ 32K (/600 = \$54)
- IF **SALARIES INCREASED** +\$ 85K(/600 = \$142)
- IF **LEGAL FEES INCREASED** +\$ 100K(/600 = \$167)

## OTHER IDEAS:

- INCREASE ANNUAL WATER FEE BY \$50 OR \$100/YEAR AND DESIGNATE THOSE COLLECTIONS TO RO/WATER RESERVE
- ADD ANOTHER SPECIAL ASSESSMENT SPECIFICALLY TO FUND ADDITIONAL CAPITAL RESERVES



# WAIT!

- **WHAT HAPPENS IF SOME OR ALL OF THOSE 320 NON-PAYING LOTS START PAYING? THIS SPECIAL ASSESSMENT IS CALCULATED BASED ON JUST 600 LOTS PAYING!! WHAT WILL WE DO WITH ANY ADDITIONAL FUNDS?**
- **WELL....THAT WOULD BE A NICE CHALLENGE TO HAVE, WOULDN'T IT??**



## WHAT HAPPENS IF EVERYONE PAYS?

### RECAP ASSUMING 100% COLLECTIONS:

- ANTICIPATED FEES FROM SERVICE \$441K
- IF 923 LOTS PAY \$472 REGULAR ASSESS \$436K
- IF 923 LOTS PAY \$625 SPECIAL ASSESS \$577K
  
- ANTICIPATED OPERATING EXPENSES (\$938K)
- FUND CASH RESERVES (\$ 60K)
- FUND CAPITAL RESERVES (\$ 100K)
  
- EXCESS FUNDS: \$356K!!!!

**WHOO-HOO!!! CAPITAL  
RESERVES? MARINA LOAN? WHAT??**



## **PROBLEMS?!**

- **HERE ARE SOME POTENTIAL CHALLENGES:**
- **1. MANY MORE LOTS STOP PAYING**
- **2. THE FERRY TANKS AGAIN**
- **3. WE LOSE THE CURRENT LAWSUIT**
- **4. A SIGNIFICANT PORTION OF OUR OUTSTANDING LEGAL FEES AREN'T COVERED BY INSURANCE**
  
- **THIS BUDGET DOES NOT ADDRESS THESE OR SIMILAR POSSIBILITIES.**