

Rimfire HOA Budget Call  
July 19<sup>th</sup> at 11 a.m.

Present: Kevin Wingfield, Brent Casto, Katie Bright, Jim Armbrust, Kevin Elvin and Amy Aubin

Opening remarks by Kevin Wingfield:

- Focus today is to get a budget for board to approve prior to the meeting. We need to provide a budget we can approve for October 1st.
- Long-term financial health does not look great. Reserve analysis – HOA should have \$2-3M in reserves and we have hefty expenses in the next five years.
  - We are significantly behind and in financial trouble
  - Kevin Wingfield cautions decisions that bring in less income. Reducing expenses will benefit
    - Lighting upgrade – perception of guests but also brighten and save electric. Consumption and brighter and over a certain amount saved will contribute to bottom line.
    - Propane reductions – gotta spend to save
    - Zero based budget of increases but your sewer goes up 116% then the HOA is absorbing the costs. Contribution to reserves is behind.
  - 116% increase in fees for sewer. Seeing another increase of \$34K for sewer/water. We did not go for whole year last year and we were forecasting. Short term exterior repairs are \$1.5M with \$435k NW side; \$350k SW side; lighting - \$75k; paint @\$200k each building
  - Sprinkler lines will likely need replacement - \$100k
  - Roof Kevin Elvin estimates \$450k, hoping for 2018/2019- our financials may not permit for another 3 to 5 years.
  - July should have \$695K; end of year will be \$215k to do NW side; \$75k for lighting
  - Electric budget should be lower, if price of electric does not go up. 7% increase recently per Kevin Elvin's. Budget of \$53k for electric. \$1,200 a month in savings guess - \$14,000.
  - Insurance budget is \$35,000 and we are at \$64,000 (\$30k discount) take a few thousands out of electric if we do the upgrade. Our budget is about \$1M if we go up 5%, that is \$50,000 a year increase that could go to reserves. Optimum location would be to put it in major repairs. \$50k in 10 years only gets us \$500k.
- Line item in P&L is calculated by the declarations and formulas and the difference in fees for all involved. Reserve contributions were under major repairs
  - Commercial reduction of 10% average and residential as 0% average.
  - Net change on budget is about \$50k in drop of income
  - Where you put numbers will affect the fees due to the change in variances and calculations
  - Drastic change between residential and commercial is in the common, no major repair funding for common in draft two.

- Ski locker floors is solely residential. Hallways are common
- Common element is for siding, roofing, flashing – residential and commercial.
- Katie Bright - Some savings from major repairs should be shifted to maintenance reserves as well as insurance for the current budget year - \$100k in savings estimated as of May close. Bad debt expense is portion of calculations of monies owed – it is a write off. Reduce allowance for bad debt, reduce expenses, tax effect could lead to taxes owed.
  - Kate Bright does not advise to use savings to pay down loan balance. More important to keep cash accessible than to ask for more loans. Ultimately Kevin Elvin wants the money to spend on the exterior and provide visible improvements for the satisfaction of the homeowners and guests. Adjust current budget at year end and transfer it to reserves, make sure the cash flow goes there. July close completed by August 2<sup>nd</sup> with firm numbers to show what we can vote on and shift to reserve.
  - The more we boost the reserves and prevent special assessments, the better.
  - Kevin Wingfield - Keep in mind we have considerable investment with the lighting. Contribution for hall painting, repair of drywall, stairwells, exterior – attention to ski locker room. List of accomplishments and projects is still a positive story. 5% will be additional \$50-\$55k increase, essentially a ¼ of the paint job for one of the buildings. Maintenance at 272,500 and an increase would get us to \$325k would be a 2.8% increase for residential and commercial is down 9.2%.
  - In review of the spreadsheets – we need to be within the confines of the budget and the IRS obligations. We need to understand major repair line - \$75k is for what? We need to be under capital reserves for complete siding. Painting alone is not to be considered capital reserves project per the IRS.
  - We are confident that homeowners will feel good about \$5k over 24 months. 3.5/5% is the way to go.
  - \$17.86 a month / \$49.43 a month are the lows and highs of an increase of 4.9% increase; commercial decrease of \$5.4%
  - Common area is the primary area that leads to a commercial increase/decrease of fees. The \$35k of water/sewer is residential only which is the cause for increase. Also important to keep in mind residential absorbs 90% of common pool, while commercial absorbs 10%.
- Parking budgets revenue each guest pays the parking – that will vary if we have a good year/ bad year and who the rental programs. Guaranteed revenue collected by Snowshoe, low maintenance income.
- Idea to reduce expenses:
  - Over \$3k in propane expenditures with the pilots – Kevin Elvin wants to get an electronic ignitor (\$800+ each) \$150k for all fire places.
  - \$68,500 annual propane, propane is still being used for hot tubs and sidewalks around tubs. April to May was estimated to be \$500 a month

Kevin Elvin and Katie Brite will work together to clean up the budget and present to the board for final vote based on the comments discussed today.