**2020 Budgeting Process & Budget**

The following methodology was used by the Board in preparing the 2020 LCC budget. By doing so, the Board established a process by which all expenditures and accruals for future use could be be evaluated, tested and subsequently allocated to, or removed from, the relevant budget lines. The result is a budget that is balanced without relying on the use of operational fund savings, provides clarity to the membership, reflects the long-term strategic priorities for the community and starts us on the process of fully funding our reserve requirements.

**1. State Governing Principle**

*To maintain and improve the corporate assets of Ken Lake in order to preserve its status and appearance as premier residential community.*

**2. Identify and Rank Strategic Objectives in Alignment with Our Strategic Objectives**

*Sound fiscal stewardship of our assets and organization*

*Covenant enforcement*

*Lake health and Development of a strategic lake management plan*

*Security*

**3. Budget According to Ranked Priorities--top priorities given first consideration**

**4. Set 2020 assessments according to adjusted and reviewed budget.**

**2020 Assessments on ALL lots will be $165 per quarter starting January 1, 2020.**

This represents an assessment increase of $40 per quarter. This increase is required to cover the increased cost for goods and services needed to operate the HOA and to fund the Reserve Study savings plan. No special assessments are planned for 2020.

The Budget Ratification Meeting will take place at 6pm on Monday, March 9, 2020 in the

Jefferson Middle School Library

2200 Conger Ave NW

Olympia, Washington 98502

**Reserve Study Update:**

Washington State Law requires homeowner associations to have a Reserve Study which is “*supplemental to the associations operating and maintenance budget. In preparing a reserve study, the association shall estimate the anticipated major maintenance, repair and replacement costs, whose infrequent and significant nature make them impractical to be included in an annual budget*.”

Our 2020 Reserve Study was prepared by CEDCORE. Based on other 2019 studies related to the continued silting of Ken Lake, we specifically requested that our lake be included in the 2020 reserve study. The problem is that the lake will eventually turn into a marsh if it continues to silt in and no dredging takes place. This will destroy Ken Lake as a recreational lake and diminish our property values.

The reserve study indicates the need to substantially increase our reserve contributions to provide for mitigation of the lake’s problems in the future. Based on this year’s study, our reserve contribution needs to increase to approximately $79,000 per year. As a point of reference, the needed reserve fund contribution for 2020, without the lake mitigation component is $37,900. Even with the budgeted 2020 increase, we will be putting less than half the amount we should into the reserve fund.

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| --- | --- | --- | --- | --- |
| **Lakemoor Community Club** | |  |  |  |
| **2020 Budget** | |  |  |  |
|  |  |  |  |  |
| **INCOME** |  |  | **AMOUNT** |  |
| 4010 | Assessments |  | $190,740.00 |  |
| 4041 | Boat Tags |  | $1,500.00 |  |
| 4042 | Yard sale |  | $650.00 |  |
| 4043 | Garden Plot payments |  | $360.00 |  |
| 4044 | ID Bracelets |  |  |  |
| 4050 | Collection Charges |  | $2,000.00 |  |
| 4080 | Late Charges |  | $2,000.00 |  |
| 4090 | Late Interest |  |  |  |
| 4150 | Interest |  | $750.00 |  |
| 4290 | Other Income (Delin. charge for late pay) |  |  |  |
| 4295 | Carry over 2018 unspent budget items |  | $2,120.00 |  |
| **TOTAL INCOME** | |  | **$200,150.00** |  |
|  |  |  |  |  |
| **EXPENSES** |  |  |  | **PERCENTAGE** |
| **CORPORATE COSTS** | |  |  |  |
| 5080 | Pass Through Expenses (Delinquencies) |  | $2,000.00 |  |
| 5090 | Management Co. Supplies + Misc. |  | $3,000.00 |  |
| 5095 | Postage |  | $1,000.00 |  |
| 5096 | PO Box |  | $400.00 |  |
| 5128 | Community Involvement Scholarships |  | $2,100.00 |  |
| 5129 | Community Sign Management |  | $1,500.00 |  |
| 5160 | Printing/Copying |  | $1,500.00 |  |
| 5170 | Welcome packet |  | $100.00 |  |
| 6210 | Industrial Insurance + Government Fees |  | $1,200.00 |  |
| 6205 | Accounting Fees |  | $10,900.00 |  |
| 6207 | Administrative Services |  | $3,440.00 |  |
| 6208 | Corporate Clerk |  | $5,400.00 |  |
| 6225 | Tax Prep |  | $1,000.00 |  |
| 6230 | Legal Fees |  | $9,500.00 |  |
| 6231 | Audit Fees |  | $3,000.00 |  |
|  | Compliance Inspections |  | $3,000.00 |  |
| 6232 | Reserve Study Fees |  | $1,000.00 |  |
| 6250 | Insurance Corporate |  | $5,000.00 |  |
| 6270 | Real Estate Taxes |  | $550.00 |  |
|  | **Total Corporate Costs** |  | **$55,590.00** | **27.77%** |
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| **COMMUNITY ACTIVITIES** | |  |  |  |
| 5050 | Annual Meeting |  | $1,500.00 |  |
| 5100 | Paper Supplies |  | $300.00 |  |
| 5101 | Easter Egg Hunt |  | $500.00 |  |
| 5102 | July 4th Parade and Picnic |  | $1,200.00 |  |
| 5103 | Fall Festival |  | $800.00 |  |
| 5104 | Disaster Preparedness |  | $100.00 |  |
| 5950 | Trout Stocking |  | $2,000.00 |  |
| 5951 | Fishing Derby |  | $200.00 |  |
|  | **Total Community Activities** |  | **$6,600.00** | **3.30%** |
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|  |  |  |  |  |
| **MAINTENANCE** |  |  |  |  |
| 5200 | Maintenance Coordination |  | $8,000.00 |  |
| 5205 | Equipment Maintenance |  | $1,000.00 |  |
| 5560 | Vegetation Management |  | $5,000.00 |  |
| 5561 | Lawn Care |  | $6,000.00 |  |
| 5563 | Garden Plot Maintenance |  | $300.00 |  |
| 5600 | Irrigation Maintenance |  | $2,500.00 |  |
| 5650 | Routine Maintenance |  | $5,500.00 |  |
| 5930 | Weed Control (Lake) |  | $8,500.00 |  |
| 5931 | Lake Study Monitoring |  | $1,000.00 |  |
| 5932 | Lake Maintenance |  | $1,000.00 |  |
| 5960 | Urban Forest |  | $5,000.00 |  |
| 6090 | Sanitation portable toilets |  | $3,600.00 |  |
| 6095 | Trash & Dog Station Management |  | $1,000.00 |  |
|  | **Total Asset Maintenance** |  | **$48,400.00** | **24.18%** |
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|  |  |  |  |  |
| **SECURITY** |  |  |  |  |
| 5240 | Security Officer Contract |  | $13,200.00 |  |
| 5245 | Safety Enhancements |  | $5,000.00 |  |
| 5190 | Mileage for Security Officer |  | $1,710.00 |  |
| 6000 | Security Officer Cell Phone |  | $1,000.00 |  |
| 5563 | ID Bracelets |  | $4,000.00 |  |
|  | **Total Security** |  | **$24,910.00** | **12.45%** |
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| **UTILITIES** | |  |  |  |
| 6030 | Electricity |  | $250.00 |  |
| 6060 | Water |  | $7,500.00 |  |
| 6075 | Stormwater |  | $900.00 |  |
| 6080 | Trash removal |  | $3,000.00 |  |
|  | **Total Utilities** |  | **$11,950.00** | **5.82%** |
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| **TOTAL OPERATING EXPENSES** | |  | **$147,150.00** | **73.52%** |
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| **COMMON AREA IMPROVEMENTS** | |  |  |  |
| 6107 | Westside Park Paddle Boat Rack |  | $2,400.00 |  |
| 6108 | Christopher Park Swing Set |  | $7,500.00 |  |
| 6109 | Christopher Park Picnic Table |  | $200.00 |  |
| 6110 | Dock Float Replacement |  | $5,000.00 |  |
|  | **Total Common Area Improvements** |  | **$15,100.00** | **7.54%** |
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|  | **Transfer to Reserve Fund Savings** |  | **$37,900.00** | **18.94%** |
|  |  |  |  |  |
| **TOTAL EXPENDITURES** | |  | **$200,150.00** | **100.00%** |
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| **NET INCOME (LOSS)** |  |  | **$0.00** |  |
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| **RESERVE FUND EXPENDITURES** | |  |  |  |
|  |  |  |  |  |
|  | **2020 Reserve Fund Contributions** |  | **$37,900.00** |  |
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|  |  |  |  |  |
|  | Replace Swing Set – Christopher Park |  | $11,473.00 |  |
|  | Replace Toy Structure – Tot Lot |  | $22,320.00 |  |
|  | **TOTAL RESERVE FUND EXPENDITURES** |  | **$33,793.00** |  |
|  |  |  |  |  |
| **NET INCREASE (DECREASE) IN RESERVE FUND** | |  | **$4,107.00** |  |
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| **Bank Account Balances December 31, 2019** | |  |  |  |
| Operational Checking: $18,027 | | Operational Savings: $94,524 | | | |
| Petty Cash Checking: $11,483 | | Money Market (Reserve Fund): $30,763 | | | |
|  |  |  |  |  |  |

**Reserve Study 5-year Fund Projection (Current Funding)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Start Balance** | **Annual Reserve Contribution** | **Interest Income** | **Special Assess-ment** | **Reserve Expenses** | **Ending Balance** | **Fully Funded Balance** | **Percent Funded** |
| 2020 | $ 30,750 | $ 37,900 | $ 328 | $ 0 | $33,793 | $ 35,185 | $233,723 | 15.05% |
| 2021 | $ 35,185 | $ 57,800 | $ 574 | $ 0 | $13,339 | $ 80,220 | $233,729 | 34.32% |
| 2022 | $ 80,220 | $ 75,140 | $1,152 | $ 0 | $ 5,198 | $151,314 | $255,908 | 59.13% |
| 2023 | $151,314 | $ 92,480 | $1,976 | $ 0 | $ 0 | $245,770 | $288,138 | 85.30% |
| 2024 | $245,770 | $109,820 | $2,897 | $ 0 | $22,004 | $336,482 | $328,172 | 102.53% |

Under our current reserve funding plan, which is based on our most recent reserve study, our projected reserve account balances will be sufficient at the end of each year to meet the association’s obligation for major maintenance, repair, or replacement of reserve components during the next thirty (30) years.