

2024 LPHOA Budget Seminars Presentation

We thought it would be a good idea to meet with the members early this year to let you know how we ended up financially in 2023, and lay out our budgeting plan for the next 5 years, including 2024. Kind of like a "State of the Association Address" if you will. In 2021 we had a complete turnover in the 5 member Board. And, it was clear to us that our residents wanted us to place more emphasis on upgrades to the amenities and maintenance of our aging infrastructure. We heard you, and agreed to work on a plan to get things caught up and back on track. I believe the ongoing roadwork is testimony to that. **Obviously, our jobs would have been a lot easier if we'd inherited a reserves fund of a half million dollars.** But we didn't, so we've been working with less, and we're having a tough time reaching even \$150,000. We agreed 3 years ago **that** would be a secure Reserves balance. But, with all the inflation that's happening now, and a lot of unbudgeted expenses coming at us all the time now, we realized it's an impossible goal, because the gap is closing between our income and the cost of all the work that still needs to be done. Despite all the costly roadwork that was completed last year, we were able to bank \$13,000 to the reserves, mostly due to the loan we obtained to accelerate the road repairs. But there's still a ways to go, and we've got some new challenges to face in 2024.

We started working on the annual budget last November and finished right before Christmas. This year we'll finish the 2-year road project and we've decided to replace the landscape at the Ramsey entry and exit road. Those are areas where the arborvitae were destroyed and removed last year due to winter storm damage. We'll be talking with the city of Hayden soon to finalize their purchase of Right-of-Way from us for the Ramsey/Honeysuckle Round-about, but we don't know yet how, or if, that's going to affect our cash flow. But indications are that the work on the roundabout will begin this year. There are two other significant challenges that we face this year, and they're both linked to our reserves fund. The **first** is the inflation factor that's caused our annual expenses to come way too close to our income, to allow for any significant gain in the reserves. The **second** challenge lies with our water system, which is undeniably, the most important component of our infrastructure. I'm sure you know that the Association owns and operates our own water system. We're totally independent, meaning there is no provision to connect with any city or other private water system in the area. That's why we have two separate wells, so one can back up the other if one of them goes off-line. It is a high tech, electronically-controlled system with two wells that alternate in drawing water from the aquifer 400 feet below the ground and into our reservoir. At the bottom of Well #1 is a 60 hp submersible pump, and well #2 has a 30 hp. Four smaller booster pumps then draw water from the reservoir and pressurize the system to deliver water to our homes. And here's the key concern. **The average life-span of these submersible pumps is between 10-15 years, and ours are currently operating in their 17th year.** So, we need to be prepared to replace either or both of those pumps at any time. We'll need to have ample reserves to cover the cost, and the ability to replenish the reserves quickly. We recently received quotes for the cost to do this work from RC Worst in Coeur d'Alene. They're our go-to source for all maintenance issues related to the wells and controls. The quote to replace the large pump was \$53,000 and the small pump was \$41,000. That represents a looming hit to the reserves of \$94,000 that we can't ignore or neglect to provide funding for in this year's budget. The final budget for this year will only support funding to replace the larger pump, and, if not used, those funds will be sequestered only for that purpose. The Budget for next year will include funding for the second pump. Once these high cost "one-off" items such as the road project, the well pumps, and the Ramsey entrance landscaping are all completed, our annual expenses and reserves will normalize and the budget will finally be able to address some of the other improvements, such as clubhouse upgrades, etc. that have been deferred for years, without having to constantly dip into the emergency reserves.



This graph shows that we're dealing with 2 distinct issues, each of which requires an increase in revenue. It's a plot of our past, current and future annual expenses over eight years beginning in 2021. The expenses from 2021 through 2023 are shown in **(Black)**, the approved budget expenses for 2024 in **(Green)**, and the predicted budget expenses for 2025 through 2028 in **(Red)**. Each of those expense totals after 2022 exceeds our current income of \$339,120. I refer to the years from 2022-2024 as being a mountain of expenses that's erupted over the short period of just three years. It represents a total of about \$512,000 in extraordinary expenses required to update the roads, wells and grounds that could have, and should have been paid for, at least in part, if we had started with a larger reserve account to draw from. We reached the summit of the mountain last year and now we're sliding down the backside into a valley that's leveling out at a higher elevation than where we started 4 years ago, and there's no going back. **First**, there's the deficit from the need to fund the well pumps. **A special Assessment** is definitely required **this year** to cover that. **AND**, the elevated level of basic operating expenses that persists in 2025 and beyond can only be dealt with by **increasing the annual assessment beginning January, 2025.**

LEISURE PARK 5-YEAR BUDGET PLAN (STATUS QUO)					
BUDGET YEAR	2024	2025	2026	2027	2028
MONTHLY DUES	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90
BUDGETED INCOME	\$ 339,120	\$ 339,120	\$ 339,120	\$ 339,120	\$ 339,120
SPCL ASSESSMENT					
ASSESSMENT INCOME/YR	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 339,120				
BUDGETED EXPENSES (12/23)	\$437,050	\$458,050	\$479,050	\$500,050	\$521,050
LG WELL PUMP		(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)
SML WELL PUMP		\$41,000			
LANDSCAPE ENTRY		(\$5,000)	(\$20,000)	(\$20,000)	(\$20,000)
LOAN				(\$21,580)	(\$36,995)
ROADS		(\$55,000)	(\$55,000)	(\$30,000)	(\$30,000)
OTHER EXPENSES (+/-)					
TOTAL EXPENSES	\$ 437,050	\$ 386,050	\$ 351,050	\$ 375,470	\$ 381,055
NET INCOME	\$ (97,930)	\$ (46,930)	\$ (11,930)	\$ (36,350)	\$ (41,935)
BEGINNING RESERVES	\$ 124,617	\$ 26,687	\$ (20,243)	\$ (32,173)	\$ (68,523)
ENDING RESERVES	\$ 26,687	(\$20,243)	(\$32,173)	(\$68,523)	(\$110,458)

This chart summarizes our 5-Year budgeted **income, expenses, and year-end reserves**. The expense numbers come from our prior-year Profit & Loss Budget Overview Report. We review each line-item and adjust it for the new budget year. In this example, the **Monthly dues assessment** remains at \$90 for each year and it clearly shows what would happen to the reserves if we made no other changes to our income this year. Our reserves plus our income would be barely enough to cover the 2024 expenses, **and** the reserves would fall below zero in all subsequent years. Of course, this is untenable.

LEISURE PARK 5-YEAR BUDGET PLAN (DEFICIT ONLY)					
BUDGET YEAR	2024	2025	2026	2027	2028
MONTHLY DUES	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90
BUDGETED INCOME	\$ 339,120	\$ 339,120	\$ 339,120	\$ 339,120	\$ 339,120
SPCL ASSESSMENT	\$ 312				
ASSESSMENT INCOME/YR	\$ 97,968	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 437,088	\$ 339,120	\$ 339,120	\$ 339,120	\$ 339,120
BUDGETED EXPENSES (12/23)	\$437,050	\$458,050	\$479,050	\$500,050	\$521,050
LG WELL PUMP		(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)
SML WELL PUMP		\$41,000			
LANDSCAPE ENTRY		(\$5,000)	(\$20,000)	(\$20,000)	(\$20,000)
LOAN				(\$21,580)	(\$36,995)
ROADS		(\$55,000)	(\$55,000)	(\$30,000)	(\$30,000)
OTHER EXPENSES (+/-)					
TOTAL EXPENSES	\$ 437,050	\$ 386,050	\$ 351,050	\$ 375,470	\$ 381,055
NET INCOME	\$ 38	\$ (46,930)	\$ (11,930)	\$ (36,350)	\$ (41,935)
BEGINNING RESERVES	\$ 124,617	\$ 124,655	\$ 77,725	\$ 65,795	\$ 29,445
ENDING RESERVES	\$124,655	\$77,725	\$65,795	\$29,445	(\$12,490)

THIS EXAMPLE SHOWS THAT WE'D NEED A SPECIAL ASSESSMENT OF \$312.00 PER HOUSEHOLD TO ERASE THE ENTIRE \$97,930 BUDGET DEFICIT IN 2024. AND STILL, THE RESERVES WOULD CONTINUE TO DECLINE ANNUALLY, AND DISAPPEAR BY 2028 WITHOUT ANY BOOST IN THE MONTHLY ASSESSMENT. HOWEVER, THE BOARD WAS UNANIMOUS IN WANTING TO KEEP ANY SPECIAL ASSESSMENT BELOW \$300, SO WE RULED OUT THIS APPROACH.

LEISURE PARK 5-YEAR BUDGET PLAN (PENDING BOARD APPROVAL)					
BUDGET YEAR	2024	2025	2026	2027	2028
MONTHLY DUES	\$ 90	\$ 110	\$ 110	\$ 110	\$ 110
BUDGETED INCOME	\$ 339,120	\$ 414,480	\$ 414,480	\$ 414,480	\$ 414,480
SPCL ASSESSMENT	\$ 270				
ASSESSMENT INCOME/YR	\$ 84,780	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 423,900	\$ 414,480	\$ 414,480	\$ 414,480	\$ 414,480
BUDGETED EXPENSES (12/23)	\$437,050	\$458,050	\$479,050	\$500,050	\$521,050
LG WELL PUMP		(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)
SML WELL PUMP		\$41,000			
LANDSCAPE ENTRY		(\$5,000)	(\$20,000)	(\$20,000)	(\$20,000)
LOAN				(\$21,580)	(\$36,995)
ROADS		(\$55,000)	(\$55,000)	(\$30,000)	(\$30,000)
OTHER EXPENSES (+/-)					
TOTAL EXPENSES	\$ 437,050	\$ 386,050	\$ 351,050	\$ 375,470	\$ 381,055
NET INCOME	\$ (13,150)	\$ 28,430	\$ 63,430	\$ 39,010	\$ 33,425
BEGINNING RESERVES	\$ 124,617	\$ 111,467	\$ 139,897	\$ 203,327	\$ 242,337
ENDING RESERVES	\$111,467	\$139,897	\$203,327	\$242,337	\$275,762

THIS IS THE TWO-STEP PLAN THAT THE BOARD TENTATIVELY SETTLED ON. WE CALL IT OPTION #1. IT COMBINES A SPECIAL ASSESSMENT LEVY OF \$270.00 FOR THIS YEAR, WITH A \$20.00 INCREASE IN THE MONTHLY ASSESSMENT BEGINNING NEXT JANUARY. The reserves would stay above \$100K this year and will rise steadily in the years thereafter, at the rate of about 10% of gross income. Barring any budget over-runs, through 2028, a total of **\$125,762** would be available for clubhouse upgrades and other infrastructure projects during the 3 years after they reach \$150K in early 2026. Now, all that being said, this plan hasn't been approved yet, and won't be until after we get feedback from you and the others who attend the 3 planned seminars. We realize that whatever we choose to do may be a hardship on some of our residents who would prefer a lower Special Assessment. That option is also being considered, but it has to come with a larger increase in the annual assessment next year to make up the difference.

LEISURE PARK 5-YEAR BUDGET PLAN (PENDING BOARD APPROVAL)

BUDGET YEAR	2024	2025	2026	2027	2028
MONTHLY DUES	\$ 90	\$ 115	\$ 115	\$ 115	\$ 115
BUDGETED INCOME	\$ 339,120	\$ 433,320	\$ 433,320	\$ 433,320	\$ 433,320
SPCL ASSESSMENT	\$ 210				
ASSESSMENT INCOME/YR	\$ 65,940	\$ -	\$ -	\$ -	\$ -
TOTAL INCOME	\$ 405,060	\$ 433,320	\$ 433,320	\$ 433,320	\$ 433,320
BUDGETED EXPENSES (12/23)	\$437,050	\$458,050	\$479,050	\$500,050	\$521,050
LG WELL PUMP		(\$53,000)	(\$53,000)	(\$53,000)	(\$53,000)
SML WELL PUMP		\$41,000			
LANDSCAPE ENTRY		(\$5,000)	(\$20,000)	(\$20,000)	(\$20,000)
LOAN				(\$21,580)	(\$36,995)
ROADS		(\$55,000)	(\$55,000)	(\$30,000)	(\$30,000)
OTHER EXPENSES (+/-)					
TOTAL EXPENSES	\$ 437,050	\$ 386,050	\$ 351,050	\$ 375,470	\$ 381,055
NET INCOME	\$ (31,990)	\$ 47,270	\$ 82,270	\$ 57,850	\$ 52,265
BEGINNING RESERVES	\$ 124,617	\$ 92,627	\$ 139,897	\$ 222,167	\$ 280,017
ENDING RESERVES	\$92,627	\$139,897	\$222,167	\$280,017	\$332,282

Here's another possibility. **OPTION #2** has the lowest Special Assessment that we could possibly consider. It combines a Special Assessment of \$210 with a \$25 increase in monthly assessment starting next year. Note that the reserves would drop slightly below \$100K this year but rise more rapidly in the years thereafter, at the rate of about 15% of gross income. Barring any budget over-runs, through 2028, a total of **\$182,282** would be available for clubhouse upgrades and other infrastructure projects during the 3 years after they reach \$150K in early 2026. Obviously there's many other options in between the two we discussed here, and each one provides a different picture of the funds available for future improvements. These are the tradeoffs we need to consider.

"A goal without a plan is just a wish" These words kind-of summarize where we've been in the past several years, catching up with things, and putting out fires. The smoke is clearing away and we can see light at the end of the tunnel, now that we have a plan. But even this plan isn't complete until we can put all our long-deferred wishes on paper and PLAN to do something about them. This includes, but isn't limited to, all those Clubhouse upgrades like new windows, flooring, kitchen & electrical, as well as security concerns such as gates and cameras. As a first step in that process, today the Board is announcing our desire to create a committee and/or partner with the Social Club throughout this year and next to: 1) define and prioritize the most needed upgrades, 2) obtain written estimates of the costs involved in each phase, and 3) propose a schedule for completion that matches the availability of funds from our 5-year plan for the years 2026 through 2028.

The Board would like to know what direction the majority of our membership is leaning. Higher or lower Special Assessment? What's more important to you, or doesn't it matter? We value your input and it will help us make the best decision for the Association as a whole when we approve the final Plan during, or before, our regular quarterly meeting on March 18th. And then every homeowner will get Formal Notification of our decisions by US Mail in accordance with the Association's governing documents.