



2023 Annual Owner's Meeting Treasurer's Report



In 2022, we were an entirely new board. From a financial perspective, we spent much of the year trying to thoroughly understand where our Association money was coming from and where it was going. We negotiated a new management agreement that reallocated expenses in a more representative fashion between the Association and the rental company. We established daily condo and pontoon boat rental fees to compensate the Association for wear and tear to common elements and storage services. We secured new lease terms for the restaurant which were more commensurate with local market values. Finally, we conducted our first-ever audit as required by 9.02 of our By Laws.

For 2023, we had new cash flows both from an income and expense perspective. We spent several months analyzing these flows to determine if the budget was optimistic, pessimistic, or fairly accurate. By late summer, we realized that operational expenses were up, revenues were up but not as much as we anticipated, and, most significantly, big things on our 20-year-old property were breaking with increasing frequency. Two of the 2022 audit criticisms were that we didn't have a strategic plan to address these major expenses, nor were we accumulating reserves to pay for them per 6.01p of our By Laws.

We have addressed these criticisms by developing an "alpha" version of a strategic plan through the year 2036, which is one of your two handouts. This represents our collective best glance into the crystal ball for the future of our property, but by no means do we assume it is cast in stone. It will be an evolving part of our future financial planning. Ideally, the Association would have been funding reserves since the establishment of the complex. Since that didn't happen, to try to fund all anticipated property maintenance from reserves now would require a prohibitive dues increase. This strategic plan takes a hybrid approach, where we hope to pay for most expenses from reserves, but really major projects like re-roofing or exterior painting, will be paid from a combination of reserves and special assessments. This approach has at least two advantages. First, given our anticipated expenses, the Association will not be holding your money very long at any point, Second, it will provide a bit of a natural "shock absorber" for the big projects. If we have more reserves than expected when it's time for these big projects, we can pay more out of reserves. If reserves are lower, we may have a somewhat larger special assessment.

For our 2024 budget, unfortunately we have more unknowns than we would like for these Strategic items.

- As of the finalization of the budget, we still didn't have DNR approval for our phase 1 dock project as described in the "Dock Update" link on the owner's website.
- We considered exploring financing for that project to spread the costs out over a few years, but we don't know if we would qualify or if we'd be eligible for enough money. Recent interest rate increases also made that alternative less attractive.
- We believe we have additional opportunities to reduce operational costs and increase operational revenues.



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- We are reasonably confident in some of our Strategic Plan cost estimates. Others have several alternate solutions, and we need to analyze them further to determine which approach provides the Association with the best value.

We hope to get more clarity on many of these unknowns in 2024 and be able to fund our Strategic Plan more confidently in 2025.

Our 2024 budget keeps monthly Association dues at their current level and contributes a modest \$33,636 to reserves. Assuming we get DNR approval, we will pay for the phase 1 dock project via a mix of reserves and special assessments. By paying for the docks up front, we actually get out in front of our reserves more quickly than we would by carrying financing debt for the project. That special assessment will likely be around \$1,000 per condo. We expect to be able to pay for phase 2 of the Dock Project (replacement of the remaining original docks) entirely from reserves. Note that the Strategic Plan, as published, requires a \$60,000 annual reserve contribution starting in 2025. This will require a combination of cost reductions and revenue increases of \$27,000 annually.

Chris Tabat – WELCA Treasurer