

2024 Annual Owner's Meeting Treasurer's Report

2024 In Review

At our owner's meeting last year, we presented a budget that, for the 5th year, included no dues increase, but anticipated a special assessment for the dock project. We published, for the first time, an "alpha" version of a Strategic Plan. That plan included preliminary estimates of the anticipated remaining lifespan and costs associated with capital/non-routine projects that we had identified at that point. It also proposed a hybrid approach to funding these projects, with smaller projects being paid for from reserves, and larger projects being paid from a combination of reserves and special assessments. To fund the reserve component, we estimated a minimum annual contribution of \$60,000. While we knew our 2024 budget fell short of that goal, our cost estimates were still sufficiently preliminary that we didn't want to implement a dues increase that was too high or too low. We entered 2024 cautiously optimistic that, with the docks paid for by special assessment, we could accumulate some modest additional reserves while refining our strategic plan dates and cost estimates.

Our financial optimism quickly faded. Failures occurred earlier than anticipated and cost more than estimated. Our pool building HVAC systems failed early in the year, with the main system failing a full 8 years earlier than projected in the Strategic Plan, at a price tag of \$167,000 for full replacement. We were fortunate to find a low cost interim solution, but were told to anticipate a very limited lifespan of that interim equipment due to the corrosive environment. Next, our restaurant tenant ceased operations, creating a negative impact of nearly \$20,000 between lost revenue and increased Association costs. A persistent well problem costs several thousand dollars to remediate. Finally, shortly after increasing our building insurance deductible from \$10,000 to \$25,000 due to a large premium increase, our maintenance building burned down, incurring that new \$25,000 deductible.

2025 Budget

For 2025, we are proposing a two-part approach for our Association revenue requirements. The first component is a balanced operational budget that covers our predictable, established day-to-day expenses. For 2025, the operational budget will require a 10% increase in the regular assessment. The second component will be defined-term Capital Projects/Reserves assessments. These assessments will be based on suites of projects and corresponding funding milestones as defined in the Strategic Plan. The Strategic Plan currently identifies 3 suites of projects and milestones extending out through 2036 at a total cost of approximately \$1.5 million. The first suite of projects focuses on the complete refurbishment of the pool building, including major functional systems and all observable surfaces. It also funds our early work on the restaurant space as we explore a variety of alternatives, with a goal of identifying the most cost beneficial go-forward option for the Association, as well as preventive maintenance on deteriorating areas of pavement. The assessment associated with this first suite, based on just the estimates we currently have, will average \$180.75 per month over three years. Your 2025 Board will determine the exact assessment strategy to be implemented but we are communicating this to you now so you can begin to plan for this assessment in your personal budget. The second suite of projects focuses on building exterior repainting, and the

third on building re-roofing. Please refer to the Strategic Plan for estimates on the funding requirements associated with these later suites of projects.

Nobody enjoys paying more for services. We have all experienced the effects of inflation in many other aspects of our lives over the past few years. The good news is that our 10% operational increase is about ½ of the inflation rate since our last assessment increase in 2019. Monthly assessments at comparable northwoods properties are currently \$638 for a 1 bedroom condo at Northernnaire, \$625 for a two-bedroom condo at the Beacons of Minoqua and \$725 for a 3 bedroom condo at Eagle Waters. The total of both our operational assessment and limited-term Capital Projects/Reserves assessment will still be lower than the permanent assessment of these peer properties. Your board and management team remain committed to providing its owners with a well maintained property in as cost-effective manner as possible.