

## 2023 BUDGET OVERVIEW

This budget adequately funds anticipated SIPOA operating and capital expenses for the 2023 budget year and sets aside reserve contributions for future resurfacing of our roads and a recut of Cap'n Sams inlet. The SIPOA staff has been very disciplined in putting together the budgets for 2023 to limit spending where possible to help mitigate the effects of inflation.

Comments on some specific items in the budget:

- **Operating Expenses:** Operating expenses in the 2023 budget are sharply higher than in the 2022 budget, which was not unexpected given the inflationary times we are in. A detailed discussion of the reasons was given in the October issue of *Currents*. A brief recap here:
  - Community Maintenance:
    - Our new trash/recycling/yard debris/hazardous waste collection service contract goes into effect this February. The new contract amount, which does include some new tech items like GPS tracking and new customer service features, is priced at a 19% increase.
    - Day rates for tree trimming crews have increased 17-23% this year compared to the prior year.
    - The community landscaping contract for this year is reflecting a 22.5% increase. We will also be splitting the cost with the contractor for new electrical equipment to be used on SIPOA common property. Our share is \$10k.
  - Administration:
    - The insurance market is very unsettled right now and we were concerned about getting coverage. We received our insurance renewal package last week. The actual quote came in at a 27% increase (\$296,333 vs \$233,919). But that included an increase to a 5% deductible on wind property vs 2% currently.
    - The staffing market continues to be tight, and recruiting continues to be extremely challenging given our location and commuting distances involved. To ensure staff retention and to recruit new staff, we have had to respond with pay rate adjustments in line with compensation in nearby communities and the Charleston metro area.
  - Safety & Gate Access:
    - Our gate access staff contract wages went up last year over 17% due to mid-year recruiting/retention increases and will increase again this year, although at a somewhat lower rate. As a result, we are projecting a higher staffing level % vs what was used in past budgets when we had persistent staffing shortages. Effective Jan. 1, we also implemented a new gate access fee structure and have budgeted revenue conservatively while we assess the impact on total revenue.
  - Capital Expenses: Capital expenses in the 2023 budget are approximately half of what they were in the 2022 budget. Capital expenses fluctuate from year-to-year. 2023 is somewhat lower as we pulled forward into 2022 the completion of the majority of the storm pipe relining project. It is not expected that this low level of capital expenditures will continue in the future.

- **Reserves for Road Resurfacing & Recut of Cap’n Sams Inlet:** For our road reserves, we had been using a \$6 million cost estimate for repaving in 2028. Because of the rising costs of petroleum related to products and labor, we had that project re-estimated. The new estimate, using current pricing, is now \$8 to \$9 million, or a need for between \$2M and \$3M more in reserves in 2028. The 2023 budget has \$800K for road reserves. Our current road reserve is approximately \$2.7M.

For our recut reserves, we had been using a \$2M cost estimate for a recut in 2029. Because of rising costs, we used an estimate of \$2.5M. The 2023 budget has \$150K for the recut. Our current reserve is slightly more than \$900K.

- **Revenue:** Despite the rise in mortgage rates and the slowing economy, we expect contributions to capital to continue at an elevated level due to the increase in prices of homes that sell. That level is higher than last year’s budget but lower than this year’s actual.

~ Warren Weber, Treasurer

<b>Proposed 2023 Operating Budget</b>		
	<b>2022 Projected*</b>	<b>2023 Budget</b>
<b>Operating Budget</b>		
Assessment & Misc. Income	\$6,540,258	7,159,179
Lake House Operations, net	(571,332)	(775,525)
Community Center	(15,711)	(24,400)
Safety & GateAccess, net	(70,157)	(445,750)
ARC, net	(94,580)	(311,050)
Community Maintenance	(1,855,871)	(2,108,175)
Administration	(1,653,461)	(1,847,913)
<b>Net Operating</b>	<b>2,551,446</b>	<b>1,646,366</b>
Contribution to Capital	1,037,779	756,000
Capital Expenditures	(2,279,446)	(1,455,000)
Contribution to Roads/Inlet	(350,000)	(950,000)
Prefunding of Pumpstation 2	(575,000)	
	<u>\$288,660</u>	<u>(2,634)</u>
*Projected Year-End using YTD November Amounts		

	2022 Projected*	2023 Budget
<b>Capital Budget</b>		
New Entry Crosswalk	319,569	
EV Beach Club Parking	11,037	
Boardwalk 5	65,940	
Boardwalk 8	137,413	
Storm Drain Load Bearing Pipes	998,444	
Drainage Outfall Design	59,882	
Lake House—New A/C	207,387	
Bird Monitoring	19,178	
Fishing Pier & Gang Plank	25,241	
Pump Station 2 Design	19,961	
Beach Scraping Permits/Work	45,562	300,000
Lake House Painting/Remodel	60,714	
LH Pool Heater Replacement	46,018	
Kayak/Boat Launch	2,075	
Maintenance Equipment	32,644	45,000
Bike Paths		310,000
Drainage Check Valves	52,500	270,000
Lake Pipe Relining		100,000
Boardwalks 4 & 7		340,000
Lake House Sail Shades		50,000
Admin. IT Hardware		10,000
Nature Trail		30,000
<b>Capital Total</b>	<u>\$2,102,565</u>	<u>\$1,455,000</u>

	2022	2023	Increase
<b>SIPOA Annual Assessment:</b>			
Home/Villa	\$2,500	\$2,750	\$250
Undeveloped Lot	\$1,375	\$1,513	\$138