



FINANCE COMMITTEE

2025 BUDGET OVERVIEW

Mark Neath
Treasurer

I am pleased to report that the 2025 budget calls for no assessment increase over 2024. SIPOA has had significant assessment increases over the past few years in order to build up our reserve funds. With the improved economy and increased revenue from the gate passes and contributions to capital (see below), we feel that we can pause assessment increases this year. However, our operating expenses continue to increase with inflation and contract escalations, so future increases may well be needed.

This budget adequately funds anticipated SIPOA operating and capital expenses for the 2025 budget year and continues to set aside reserve contributions for future resurfacing of our roads, a recut of Cap'n Sams Inlet, a storm contingency fund, and a beach repair and maintenance fund. Our aim is to minimize expenses without compromising the quality of our services, all while enhancing the financial standing of the community.

A few comments regarding specific budget items:

Revenue

- For the last several years, revenue from gate passes (contractors and renters) as well as capital contributions from property sales have exceeded expectations. For 2025, we tried to be more realistic with what we expect from those revenue sources:
 - Significant construction activity continues on the island, and ARC has many projects in early stages of development. Therefore, we anticipate that gate pass revenue from contractors will remain healthy. We are projecting total commercial access and daily fee revenue of \$1,990,000 - in line with our 2024 revenue.
 - Real estate sales have softened a bit recently, but predictions call for an increase in home sales, moderate but steady growth in prices, and elevated but steady interest rates. Overall, we feel that SIPOA's contribution to capital income will be \$993,000 in 2025, or similar to 2024.
- Our projected interest and miscellaneous income (\$425,500) continues to increase as our reserve fund balances increase.

Operating Expenses

Operating expenses continue to increase with inflation and contract escalators.

- We have budgeted for the addition of two new employees for ARC to help manage Property Owner relations and project work flow.
- Our insurance coverage was renewed in January. Notably, the total insured value of SIPOA property increased 53% upon renewal to \$17,206,900. The total premium increased approximately 15% (after an 11% increase in 2024) and totals \$387,988. However, the excess flood coverage for the Lake House has decreased to \$1 million from \$6.1 million due to underwriter concerns about the flood risk for that zone. (We are evaluating whether to further increase the coverage at an additional premium).
- Our legal expenses remain elevated. This is primarily because of the large projects we have undertaken to preserve our beach and the associated permit applications and legal challenges.

Capital Expenses

For the last several years, our capital expenditures have primarily focused on addressing the flood issues on the island. This continues to be the focus in 2025:

- A combined \$480,000 is budgeted for miscellaneous flood control/drainage projects.
- \$880,000 is budgeted for a tide mitigation design project near hole #15 of Ocean Winds.
- \$350,000 is budgeted to replace boardwalks #2 and 3A.
- The remaining budgeted capital expenses are to replace Lake House fitness equipment (\$36,000) and to replace the motor of pump station #1 (\$150,000).

Reserve Funding

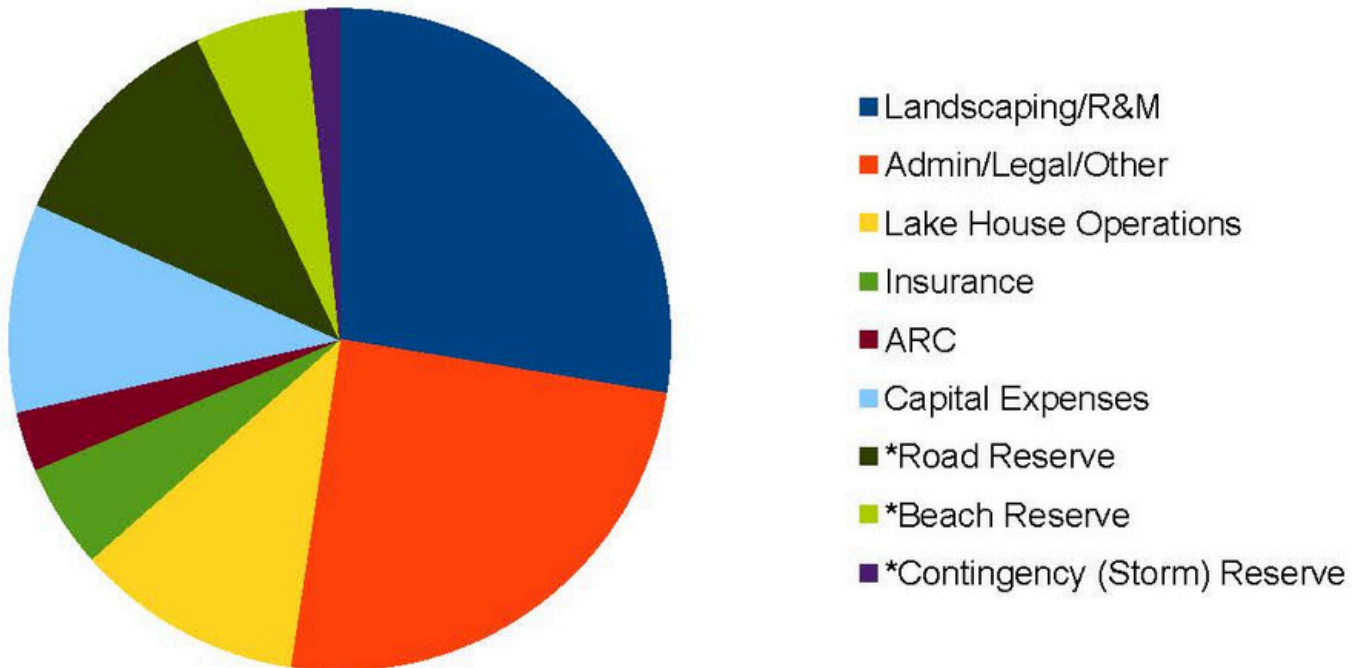
Reserve funding is the way that we pre-fund major capital projects to minimize the need for special assessments or borrowing (SIPOA currently has no loans). The 2025 budget calls for a total of \$1,875,000 in reserve funding:

- \$1,000,000 for our road reserve fund (island-wide road repaving is scheduled for 2028-2029).
- \$475,000 for the next cut of Cap'n Sams Inlet.
- \$250,000 for a beach repair and maintenance fund (initial funding in 2025 is a transfer from surplus unallocated operating funds).
- \$150,000 for the storm contingency reserve fund.

Summary: SIPOA remains financially sound. The 2025 budget adequately funds anticipated operating and capital expenses for the 2025 budget year and continues to set aside reserve contributions for future needs. Living on Seabrook Island is costly, but SIPOA does its best to minimize expenses while protecting our beach, preserving our roads, controlling flooding, and providing the amenities that we all love.

Where Your Assessment Dollars Go (2025 Budget)

Landscaping/R&M	\$954	31.3%
Admin/Legal/Other	857	28.1%
Lake House Operations	384	12.6%
Insurance	176	5.8%
ARC	101	3.3%
Capital Expenses	352	11.5%
*Road Reserve	390	12.8%
*Beach Reserve	185	6.1%
*Contingency (Storm) Reserve	58	1.9%
Security/Gate (net)	(275)	-9.0%
Interest/Misc. Income	(166)	-5.4%
Rounding/Other	32	1.0%
Total	\$3,050	



2025 Budget Overview Continued

Proposed 2025 Operating Budget		
	<u>2024 Projected Actual*</u>	<u>2025 Budget</u>
Operating:		
Assessments and Misc. Income	<u>\$8,341,979</u>	<u>\$8,246,340</u>
Lake House Operations, net	(865,068)	(984,400)
Community Center	(27,141)	(83,000)
Security and Gate Access, net	981,358	704,150
ARC, net	(2,500)	(258,040)
Community Maintenance	(2,271,881)	(2,447,400)
Administration	<u>(2,585,478)</u>	<u>(2,649,650)</u>
Net Operating	<u>3,571,269</u>	<u>2,528,000</u>
Capital:		
Contribution to Capital	<u>1,115,314</u>	<u>993,000</u>
Capital Expenditures	(3,510,060)	(1,896,000)
Contribution to Roads/Beach/Contingency	<u>(2,000,000)</u>	<u>(1,625,000) **</u>
Net Capital	<u>(4,394,746)</u>	<u>(2,528,000)</u>
Net Income	<u><u>(\$823,477)</u></u>	<u><u>\$0</u></u>
* Projected actual based on current information.		
** Note that an additional \$250,000 will be contributed to the Beach Fund with operating funds		

	2024 Projected Actual Expenses*	2025 Budget
Capital Items:		
Crosswalk Median Impr 2023	4,560	
Median - Lake House Curve	28,291	
Gate House Access Control	7,568	
Boardwalk 4	422,261	
Lake House Video Wall 2023	18,479	
Lake House Water Heaters 2024	25,901	
Lake House Access Control	15,444	
Lake House Exercise Equipment	17,951	36,000
Lake House Sail Shades	37,336	
POA Paver Parking Area	42,213	
PS #2 Construction	788,188	
Drainage Outfalls	128,500	
Beach Sand/Seawall Project	1,973,368	
Boardwalk 2 & 3A		350,000
Pump Motor Replacement PS #1		150,000
Stormwater Projects		230,000
Stormwater Rehab Old Forest		250,000
Ocean Winds Tide Design		880,000
Capital Total	\$3,510,060	\$1,896,000
<p>Note that \$375,000 is being carried forward for the Lake House median project.</p> <p>* Projected actual based on current information.</p>		

	2024	2025	Increase
SIPOA Annual Assessment:			
Home / Villa	\$ 3,050.00	\$ 3,050.00	No Increase
Undeveloped Lot	\$ 1,680.00	\$ 1,680.00	No Increase