

**Masthope Mountain Community
Budget Board of Directors Meeting
February 4, 2017**

Transcriber: Kelli Myers
Beach House

8:33 AM Meeting called to order and Pledge of Allegiance said.

Roll Call: Present – Bruno DeVinck, Dan Clark, Foster McCoy, Michele Torre, Peter Torchio, Jim Fox, Eugene Principe and Gerhard Buhler
Teleconference: Ed McClary

Absent: Cynthia Wyatt and James Graziano

Bruno asked for approval of the agenda.
Agenda approved unanimously.

New Business: The purpose of this meeting is to review the 2017/2018 budget.
Bruno thanks Management and Foster for all their work on the proposed budget.

Foster explains that one member on the board wanted a zero increase. He explained that is virtually impossible given the state of health insurance and reserves. The increase has been trimmed down significantly from a \$59 increase to a \$19 increase.

The income section is fairly simple. The Summit and Marketplace are separate from the rest of the operating income. The Board and Management continue to have a high level of confidence in Joe and Lindsay's managerial abilities when it comes to the operations of the Summit and Marketplace.

See attached Budget Proposal for details. The total budget is approximately \$4.4 million.

Bruno agrees with Foster's statement that it would be physically impossible to have a zero increase in the 2017/2018 budget.

Ron Schmalzle thanks everyone who has helped in the budget process especially Foster. He explains that we are currently in energy contract negotiations. We will lock in a two to three-year deal with a rate reduction. He explained that the energy market is soft. Propane continues to go down in price. He thanks the Board, John, Randy and Foster for their patience with the last-minute changes that occurred. He explained that we are going to be considering a new software program. We need to have a one entry system. Currently we operate on multiple entries and systems due to the limitations of

our software programs. With multiple entries and systems leaves room for errors.

Foster stated that he would like to avoid last minute changes to the proposed budget. He would like a specific date put in place that would not allow any more changes to the proposed budget except if the Board sees an error.

Jim Fox asks where are the funds coming from for the continued Tiki expansion. Ron explains that management is going to ask for permission to use funds from the lodge loan account. With refinancing and consolidation of loans, we have locked into a very low interest rate.

John informs everyone that whatever rate the property owners voted to pay on a loan that amount stays in place even if interest rates go lower.

Dan stated that an education process must occur when new board members get elected.

Gerhard explained to everyone that he felt unprepared to understand the numbers from the budget. He met with Dan, Foster and John to learn about the budget. He feels that there should be a crash course for new board members as to how the budget works.

Ron agreed with Gerhard. He did forward them a document with a chart to the Board that gives some explanation as to how the budget process works.

Bruno is also in agreement that there should be an SOP for new board members.

Dan explained that there is 15-page document that gives explanation as to what the responsibilities of new Board Members are and it is given to them after elected. It does not have an explanation of the budget process.

Gerhard would like the reserve study to be updated for the next year. He feels we should focus on reserves.

John explains that we have a Reserve Study for the last four years. It was recommended by our accountant. It is difficult to utilize this study. We have a rotation section in our budget. The reserve study should cover the high-end items such as buildings. We need to find a program that suits us. Right now, we include small \$5,000 items in the reserves. The small items should not be included in the reserves. Gerhard agrees that the reserve study should meet the needs of the community. We should begin to look out further in time 2020-2025 to see what items will need attention or replacement.

Ron feels that MMC will have the ability to meet some of the wants that property owners expressed in the survey without an assessment. Bruno added that the number one item desired by property owners was a new pool. Discussion ensued in regards to reserve funds.

John stated that in the By-laws the MAR account must be outlined how the funds are going to be allocated. That is not being done at this time.

A discussion ensued in regards to certain line items that do not have itemized breakdowns such as \$20,000 in Capital Landscaping. Ron feels that there needs to be flexibility.

Michele stated that it is frustrating that more do not attend meetings to educate themselves as to how and why the budget is created.

Lewis Bell 347FW-Feels that the increases in here are reasonable. He asks, should there be a set percentage increase in roads each year? Would that make it easier to get ahead? He compliments the roads in the community. Dan responds that we have been averaging a \$25,000 increase each year in roads. The roads are maintained section by section annually. Falling Waters side will be this year's focus. We also need to keep in mind what projects Aqua PA will be doing for year. Discussion continued on Pennsylvania's road conditions.

Jeff Schaeffer 377FW-As we are paying down the 3 loans with a lower interest rate loan. Is there going to be a surplus? No there will not be a surplus. The loan payments will end in 2023. The Board could pass a motion to continue charging that same amount but apply it to another area of need. Dan explains that the \$175 designated to ski in the dues will not go away. One year the dues lowered by \$40. That was the dam assessment that ended. The By-laws state that money needs to be set aside for asset replacement once a major asset is built. There has been no major asset built since that motion was passed. Masthope will have an overall savings of \$900,000 with the loan consolidation. Dan explained how a possible surplus could occur. The budget is based on a certain number of property owners paying dues. If more pay, a surplus could occur. The Board then has the ability to apply some of the surplus to the loan balance.

A general observation was agreed on by the Board, that the face of the community is getting younger. Masthope continues to be a recreational community, not a retirement community.

MOTION: 01:02:04:17

Whereas each year a new budget for operating and capital must be created and approved for mailing to the general membership for their approval.

Therefore be it resolved that the Masthope Mountain Community Board of Directors approves the proposed 2017-2018 MMC POC budget to be mailed to the general membership for their approval.

FIRST: FOSTER MCCOY

SECOND: DAN CLARK

MOTION PASSES UNANIMOUSLY

Meeting ended at 9:51AM.

2017-18 BUDGET PROPOSAL

revised: 2/3/17

MANAGEMENT PROPOSED / ALTERNATIVE BUDGET COMMITTEE APPROVED OPERATING BUDGET

	16-17 BUDGET	16-17 Projected	Y BUD. TO CY Pro	% VAR.	CYB TO PYB	% VAR.	2017-18 BUDGET	COMMENT
OPERATING BUDGET - INCOME SECTION								
Maintenance Dues	\$41,000	\$49,057	-\$5,057	-10%	\$3,000	7%	\$44,000	Prior Year's Dues - Collected
PRIOR YEAR'S DUES								
MAINTENANCE DUES	\$2,188,900	\$2,218,438	-\$840	0%	\$28,698	1%	\$2,217,598	Operational Maintenance Dues
LATE INTEREST INCOME	\$40,000	\$31,905	\$595	2%	-\$7,500	-19%	\$32,500	Late Interest Income
DUES INCOME	\$2,269,900	\$2,299,400	-\$5,302	0%	\$24,198	1%	\$2,294,098	DUES INCOME
Income By Department								
STABLES INCOME TOTAL	\$21,000	\$19,225	\$4,175	22%	\$2,400	11%	\$23,400	STABLES INCOME TOTAL
COLLECTION INCOME TOTAL	\$35,000	\$32,853	-\$4,353	-13%	-\$6,500	-19%	\$28,500	COLLECTION INCOME TOTAL
ACTIVITIES INCOME TOTAL	\$15,000	\$9,182	\$4,318	47%	-\$1,500	-10%	\$13,500	ACTIVITIES INCOME TOTAL
FITNESS CENTER INCOME TOTAL	\$4,000	\$3,468	\$532	15%	\$0	0%	\$4,000	FITNESS CENTER INCOME TOTAL
ADMIN. & OTHER INCOME TOTAL	\$178,600	\$210,309	-\$3,441	2%	\$35,150	20%	\$213,750	ADMIN. & OTHER INCOME TOTAL
TOTAL OPERATING INC.	\$2,523,500	\$2,574,437	\$2,811	0%	\$53,748	2%	\$2,577,248	TOTAL OPERATING INC.
OPERATING BUDGET - EXPENSE SECTION								
Expense By Department								
FITNESS CENTER EXPENSES	\$68,000	\$66,460	\$3,190	5%	\$1,650	2%	\$69,650	FITNESS CENTER EXPENSES
ACTIVITIES EXPENSE	\$45,500	\$35,627	\$3,473	10%	-\$6,400	-14%	\$39,100	ACTIVITIES EXPENSE
STABLE EXPENSES	\$201,000	\$202,145	\$1,605	1%	\$2,750	1%	\$203,750	STABLE EXPENSES
LAKE & POOL EXPENSES	\$152,500	\$145,293	\$6,707	5%	-\$500	0%	\$152,000	LAKE & POOL EXPENSES
AMENITIES EXPENSES	\$11,500	\$0	\$5,245	#DIV/0!	\$2,000	17%	\$13,500	AMENITIES EXPENSES
TOTAL LODGE EXPENSES	\$93,000	\$107,159	-\$3,659	-3%	\$10,500	11%	\$103,500	TOTAL LODGE EXPENSES
ADMINISTRATION EXPENSES TOT	\$456,500	\$425,575	\$29,425	7%	-\$1,500	0%	\$455,000	ADMINISTRATION EXPENSES TOT
COLLECTION EXPENSES TOTAL	\$9,500	\$9,205	\$295	3%	\$0	0%	\$9,500	COLLECTION EXPENSES TOTAL
MAINTENANCE EXPENSES TOTAL	\$419,000	\$442,260	\$2,740	1%	\$26,000	6%	\$445,000	MAINTENANCE EXPENSES TOTAL
PUBLIC SAFETY EXPENSES TOTAL	\$338,500	\$320,138	\$10,112	3%	-\$8,250	-2%	\$330,250	PUBLIC SAFETY EXPENSES TOTAL
INSTITUTIONAL EXPENSES	\$705,000	\$677,206	\$49,294	7%	\$21,500	3%	\$726,500	INSTITUTIONAL EXPENSES
TOTAL BEACH HOUSE EXP.	\$23,500	\$24,410	\$5,090	21%	\$6,000	26%	\$29,500	TOTAL BEACH HOUSE EXP.
TOTAL OP. EXPENSES	\$2,523,500	\$2,455,477	\$113,519	5%	\$53,750	2%	\$2,577,250	TOTAL OP. EXPENSES
OPERATING P/L	\$0						-\$2	OPERATING P/L

FOOD & BEVERAGE BUDGET

	16-17 BUDGET	16-17 Projected	Y BUD. TO CY Pro	% VAR.	CYB TO PYB	% VAR.	2017-18 BUDGET	COMMENT
FOOD & BEVERAGE BUDGET - INCOME SECTION								
Summit B&R Income	\$1,372,000	\$1,460,002	-\$43,502	-3%	\$44,500	3%	\$1,416,500	SUMMIT INCOME TOTAL
TOTAL F & B INCOME	\$1,832,000	\$1,893,518	-\$20,018	-1%	\$41,500	2%	\$1,873,500	TOTAL F & B INCOME
FOOD & BEVERAGE BUDGET - EXPENSE SECTION								
Summit Expenses	\$1,332,500	\$1,360,167	-\$3,167	0%	\$24,500	2%	\$1,357,000	SUMMIT TOTAL EXPENSE
TOTAL F & B EXPENSE	\$1,782,000	\$1,793,303	\$6,697	0%	\$18,000	1%	\$1,800,000	TOTAL F & B EXPENSE
FOOD & BEVERAGE P/L	\$50,000	\$100,215	-\$26,715		\$23,500		\$73,500	FOOD & BEVERAGE P/L

CAPITAL BUDGET

CAPITAL EXPENDITURES CALCULATIONS

CURRENT CONTRACTUAL		Annual Rcpts.	Current year Projected Overa	New Budget year Base Asses.	Change COMMENT
Item	An. Budget				
SKI ASSESSMENT	\$ 280,000	\$ 284,375	\$ 4,375	\$ 175	
RESERVE FUND	\$ 84,000	\$ 84,500	\$ 500	\$ 52	
LODGE LOAN ASSESSMENT	\$ 144,816	\$ 162,500	\$ 17,684	\$ 100	
BEACH / RIVER HOUSE LOAN	\$ 91,125	\$ 92,625	\$ 1,500	\$ 57	
Total	\$ 599,941	\$ 624,000	\$ 24,059	\$ 384	
CURRENT ANNUAL DISCRETIONARY-ANNUAL ROTATION					
Item	An. Budget	Annual Rcpts.	Base Asses.	Comment	
MAINT. VEHICLE ROTATION	\$ 18,000	\$ 18,000	\$ 11	annual	
PUBLIC SAFETY VEH. ROTATION	\$ 16,000	\$ 16,000	\$ 10	annual	
FITNESS EQUIPMENT ROTATION	\$ 6,000	\$ 6,000	\$ 4	annual	
LAKE AND POOL FURNITURE	\$ 8,000	\$ 8,000	\$ 5	annual	
COMPUTER ROTATION	\$ 6,000	\$ 6,000	\$ 4	annual	
COMMUNITY LANDSCAPING	\$ 20,000	\$ 20,000	\$ 12	annual	
MAINTENANCE EQUIPMENT ROTATION	\$ 6,000	\$ 6,000	\$ 4	annual	
SNOW REMOVAL EQUIPMENT	\$ 5,000	\$ 5,000	\$ 3	annual	
Total	\$ 85,000	\$ 85,000	\$ -	53 rounded up	
TOTAL ALL CAPITAL ITEMS	\$ 709,000	\$ 709,000	\$ 24,059	\$ 437	
IMPROVED LOT DUES & ASSESSMENTS					
Operating Dues	\$ 1,325	\$ 1,342	\$ 17	1.3%	
Total Capital Funding	\$ 435	\$ 437	\$ 2	0.5%	
Total Improved Lot dues & Assessments	\$ 1,760	\$ 1,779	\$ 19	1.1%	
UNIMPROVED LOT DUES & ASSESSMENTS					
Operating Dues	\$ 1,125	\$ 1,142	\$ 17	1.5%	
Total Capital Funding	\$ 435	\$ 437	\$ 2	0.5%	
Total Unimproved Lot dues & Assessments	\$ 1,560	\$ 1,579	\$ 19	1.2%	
CAPITAL RESERVE ACCOUNTS					
Current Capital Projects Account Balances	\$ 210,965	Proposed With	Balance	Comment	
Real Estate Funds	\$ 64,352	\$ -	\$ 210,965	capital account balances	
Major Asset Replacement Fund (MARS)	\$ 143,000	\$ -	\$ 64,352	for real estate related expenses	
Restricted Capital Account (RCA) Minimum	\$ 440,000	\$ -	\$ 143,000	funded by annual assessment	
Restricted Capital Account (RCA) Available	\$ 498,665	\$ 71,000	\$ 440,000	emergency base fund	
Total All Capital Reserve Items	\$ 1,356,981	\$ 71,000	\$ 427,665	\$ 1,285,981	with culvert funds 166K
NEW CAPITAL ITEMS TO BE TAKEN FROM RESERVE FUNDS					
Item	Annual	Comment			
Lodge Refurbishment	\$ 15,000	woodwork, stone, doors, etc.			
Beach Complex	\$ 8,500	new docks & boat replacement			
Pool Complex	\$ 8,000	mushroom & shade sails			
Picnic Tables	\$ 2,000	wear & tear replacement			
Rocking Chairs	\$ 3,000	replacement			
Trash Cans	\$ 2,000	wear & tear replacement			
Lodge Carpet & Floor Cleaner	\$ 7,000	replacement			
ATV Training Center	\$ 8,000	new facility			
Pool Cover	\$ 6,000	replacement			
Water Fountain at Beach House	\$ 1,500	membership requested			
Rescue Boat	\$ 10,000	replacement			
Total	\$ 71,000				