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BEAR CREEK LAKES

CIVIC ASSOCIATION

57 Pool Drive, Jim Thorpe, Pennsylvania 18229
(570) 325-3334
www.BCLCA.org

To: The Members of Bear Creek Lakes Civic Association, Inc.
From: Richard Berger, Treasurer
Date: July 23, 2018
Subject: BCLCA Operating and Capital Budget for the FYE 08/31/2019

At the July 21, 2018 Board meeting, the Board for Bear Creek Lakes Civic Association, Inc. ("BCLCA") approved the Operating and Capital Budgets for the upcoming fiscal year ending August 31, 2019 (from 9/1/2108 to 08/31/2019) in accordance with Section 5.2b of the Bylaws.

The key details of the Board's action are as follows:

- The annual dues Assessment will remain at \$748, the same as for the current fiscal year
- The operating budget will be increased by \$15,500 to \$421,000
- The annual reserve allocation will be maintained at the same level, \$299,200
- The increase in the budget will be funded by a one-time application from our accumulated operating surplus as shown in the financial report as Undesignated Assets

I have enclosed is a worksheet showing the details of the Operating Budget.

Development of the Operating Budget

As a first step, the Treasurer developed an estimate of operating expenses for the current fiscal year and compared them to the budget for the year. The estimate was developed by adding:

- The actual expenses year to date through June 30, 2018, and

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- An estimate of the expected expenses for July and August of this year which was based on the actual expenses for the same period in 2017, adjusted for differences in circumstances.

Changes for FYE 2019

For the upcoming year, the Board authorized additional expenditures for the following:

- Continuation of the current maintenance staffing at 2.5 maintenance employees.
- Increase in office staff. The Board authorized funds to provide for an additional employee, with an expected schedule of eight hours per week
- Increase in budget for the Lake & Dam. We have engaged a new engineering firm to advise us on the dam and the cost of dam inspections has increased

The net result of the adjustments to the baseline expenses and the additional costs was to raise our operating budget by \$15,500. As explained below, the Board has decided to fund this increase from Undesignated Assets, rather than by increasing the dues Assessment.

Capital Reserve Allocation

As part of the overall Assessment revenues, the Board authorized the transfer of funds to the Capital Reserves in the amount of \$299,200, which is the amount recommended in the Reserve Study conducted in 2015. There is no change in this amount from FYE 2018. As discussed at the Annual Meeting in 2015, the Board agreed not to increase the amount of funds dedicated to the Reserves for three years, which the current Board has done for the fourth year of that commitment.

Updated Reserve Study

The board is in the process of finalizing an update to the reserve study.

- The Pennsylvania Department of Environmental Protection (DEP) informed us of a potential problem with the spillway capacity of our dam. We have retained an engineering firm (Alfred Benesch) to assist us in responding to the DEP and to develop alternatives for complying with their request. We have added \$50,000 to the expected capital expenses for FYE 2019 and budgeted \$300,000 for spillway modifications in FYE 2020. These expenses are estimates of the cost of research

and design work and the cost for modification of our spillway. The spillway cost could be relatively minor, or it could exceed \$300,000; we may have a better estimate during the next fiscal year as Benesch proceeds with its research.

When the final copy of the Reserve Study is published, we will post it to the BCLCA website.

Undesignated assets

As part of the annual financial audit of our operations, our audit firm shows our balance sheet as of the end of each fiscal year. One item is labeled “Undesignated Assets (UA)”, which is the accumulated operating surplus left over at the end of each year. At the end of the last fiscal year, at 8/31/2017, UA was approximately \$147,000.

After considering these facts, the Board decided to fund the increase in operating expenses from the UA.

Revenues

We have maintained our expected revenues for the year at the same level as FY 2018

Dues Assessment calculation

The following shows the calculation of the dues assessment for FY 2019:

Budget amounts		
1	Operating Expenses	\$421,000
2	Capital Reserve allocation	299,200
3	Miscellaneous income	27,800
4	One time Transfer from UA	12,500
5	Needed from dues	679,900
6	Divisor	
a	Improved/unimproved lots	870
b	Additional adjacent/nonadjacent lots	156
c	6a. + (6b. ÷4)	909
7	Dues assessment for FYE 2019	
	for single improved/unimproved lot	\$748

Note that the amount to be drawn from the UA is somewhat less than the increase in operating expenses because we are projected to have a few more dues paying properties during FYE 2019.

Dues assessments in the near future

If the Board had not decided to fund the budgeted increase in operating expenses, the dues Assessment would have increased by \$14. There is a limit to how long dues Assessment increases can be deferred, however, as the UA is used up. Eventually, the cost of maintaining operations, even without any additional services being added, will require a dues increase. Since our last significant dues increase in 2015, prices as measured by inflation have risen by 6%.

Capital budget for FY2019

The Board has also approved the Capital Budget for FYE 2019, covering Capital Improvements and non-capital items funded by the Reserve Fund. For the upcoming budget year, the approved Capital Budget is \$232,748 including \$143,700 for road repaving and restoration.

Component	Capital expenditure
Road paving	\$125,000
General Road Restoration	18,700
Dam Spillway preparation work	50,000
Grounds Maintenance	
Equipment	1,600
Air Conditioning Replacement	
Stewart Hall	14,000
General Contingency	2,500
Maintenance Building Furnace	8,500
Picnic Tables	2,500
Restoration Contingency	<u>10,000</u>
Total	\$232,700

Note that the items and costs are provisional based on the expectation that replacement/repairs are needed. The specific items and their costs will vary depending on reevaluation during the year.

Detailed budget analysis

Attached to this memo are the details of the budget, showing the projected income and expenses for the current fiscal year compared to the budget and the budget that the Board adopted for the FYE 2019.

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A limited number of copies of the approved FYE 2019 Operating and Capital Budget will be available at the Office in Stewart Hall for those unable to print hard copies from the posting on the Member's Only section of the website.