

POA Long-Term Financials Overview



**Mueller Commission
May 10, 2022**

Agenda

- About the Overall Budget
- About the Build-Out Budget
- About Reserves
- About the Pavilion Pro Forma



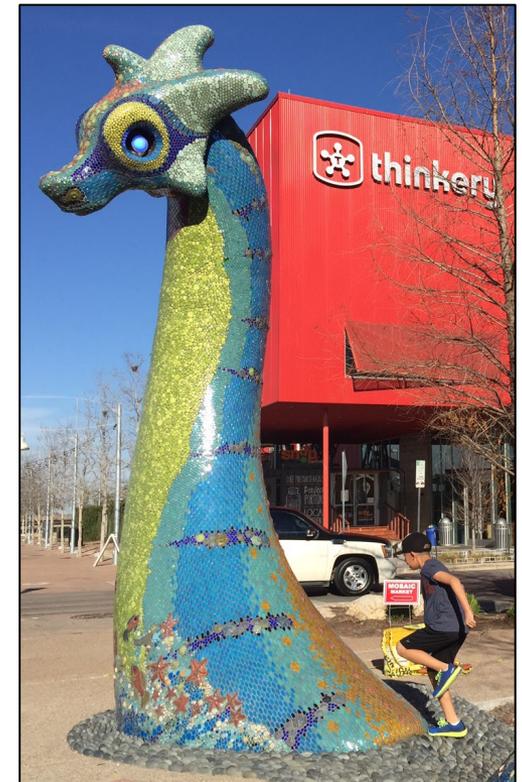
A POA Budget Introduction

- A fundamental task of a POA/HOA is to produce an annual budget, based on previous expenses, anticipated revenues, committee input, a reserve study and more.
- A budget committee reviews the annual budget before the master board approves it.
- The budget is then shared at the annual meeting, posted online and assessment notices are conveyed by newsletter and mail.
- Over the years, the budget has become more detailed:
 - First, by breaking the budget into special service areas like garden homes and pools
 - Second, by adding line items within sub-categories (for example, specialty mulch used at playscapes is separated by mulch used everywhere else)
 - Today, there are more than 200 line items



The Build-Out Budget

- With transition from developer to property owners on the horizon, the POA board and staff charted out the draft budget for 2022 through 2026
 - This is well after the MDA is set to expire in December 2024
 - Main purpose: to show the Budget, Transition committees the financial health of the POA upon build out
- It is purposely financially conservative
 - Many expenses increased annually by 5-6% instead of 3%, due to inflation
 - Hard-to-predict items, such as irrigation utilities, are estimated higher
 - If revenue exceeds expenses, any overage goes to reserves for future larger expenses
- Currently includes small annual assessment increase (5%) to keep up with increased expenses
- Future items are incorporated, such as ballpark figures for future parks maintenance and anticipated additional staff
- This “build-out” budget is a working draft that will be updated many times, but it will be published for any Mueller property owners to view online by end of this week



About the Reserve Study

- Is a long-range planning tool that helps POA staffs and boards anticipate and prepare for the cost of repairing and/or replacing a community's common assets
- Presents a prioritized and potential schedule of capital projects and a reserve funding plan to offset future costs associated with repairing and replacing the common assets
- We asked the study authors to use a 5% inflation rate, rather than 2% they originally used
- Many POAs/HOAs do not fund their reserves at 100% of reserve study recommendations
- City staff is looking at the study; will be published on Town Square after their review, along with a Q&A



Master, Row Home Reserves

- Master reserves can be used for larger-scale repairs, such as:
 - Lake circulation pumps or large-scale irrigation repair
 - Significant repairs of playscapes, public art, drinking fountains
 - Tree or landscape replacement
- Row Home reserves can be used for larger-scale repairs, such as:
 - Exterior painting
 - Large-scale exterior repairs
 - Roof replacement not covered by insurance
- Historically, the Mueller POA has made repairs to common areas and row homes using available operating funds
- The master reserve fund is predicted to have a surplus of $\approx \$760,000$ by the end of 2022
- The row home reserve fund is predicted to have a deficit of $\approx \$460,000$ by the end of 2022
- Row home assessments have been kept relatively low since 40% of row home owners are part of the affordable homes program; also, some money that could have gone to reserve account went to preventative maintenance
- The POA Board is exploring options with the City to utilize project funds to cover the row home reserve deficit



About the Pavilion

- The Branch Park Pavilion opened mid-2021 during the pandemic with many event inquiries but hardly any bookings.
- As a result, the Mueller Team chose not to transfer the ownership of the Pavilion to the POA until it is sustainably profitable.
- We conservatively anticipate the Pavilion's revenue and expenses will generally break even at the end of 2022.
- We anticipate keeping the Pavilion a project expense for the next 6-12 months.
- Based on the number of inquiries and bookings we are receiving post-pandemic, we anticipate the POA can receive a net profit of more than \$100,000 in 2023 and beyond.



Next Steps

- 2021 financials have been sent to POA auditor; audit available to POA members when completed
- Publish draft build-out budget this week; Reserve Study with Q&A and Pavilion pro forma published to POA members in the coming weeks
- In process of getting new community manager up to speed on financials
- Use draft build-out budget to establish 2023 budget
- Transfer Pavilion ownership to POA

