

KPOA 2022 Financials & 2023 Budget Review:

The Kala Point Owners' Association will end 2022 in a secure and well-funded position.

As of the end of September, with three months to go until the close of our fiscal year, we project a budget surplus of roughly \$50k. Approximately \$40k of this is primarily due to our continued problems finding and retaining employees. Our reserves continue to be very healthy, and although 2022 reserve projects were minimal, we were somewhat affected by inflation especially regarding replacement of our F250 truck. We spent a total of \$88,711 on reserve items but only budgeted \$69,188, approximately 22% over budget.

Operating Budget For 2023:

We project an increase in operating expenses of only 4% over the 2022 budget. With projected COLA at 6.2% and CPI overall at 8.3% this is significantly lower than expected and primarily due to the excellent work of our staff to streamline processes and curtail overall cost increases.

Impacts of Inflation:

1. KPOA is seeing a significant increase in goods, services, and utilities as indicated in a 12.4% increase for Common Area expenses, 8.1% increase in Pool and Spa expenses, 14% increase in IT services, for an overall increase of 7.7% for Professional Services, and a 6.2% increase in Admin products. These increases are based on current rates and may, in fact, continue to rise. Energy costs are still rising even over 2021 rates and expected to continue that trend.

2. All employees were approved raises in 2023 based on a Wage Study Survey conducted by Western Washington State University. Although direct payroll increased by 4.01% full payroll related expenses were only increased by 2.15%

Assessments:

Assessments for Lots Homes and Condos are increasing by 9.91%, and 6.56% for Timeshares reflective to our 2023 'draft' budget.

The main factors for the larger increase to assessments is 1) the 4% increase in budget, 2) the loss of 30% of our Non-Member income. American Tower notified us mid-2022 that the Clearwire lease which represents approximately \$15,000 per year of KPOA income has cancelled; and 3) a 15% increase to our Reserves as recommended by our Reserve Specialist and accepted by our Board of Directors.

Reserves Budget:

Our reserve position continues to be healthy. The enclosed Reserves Cash Flow Budget sheet shows reserve expenditures during 2022 and those planned for 2023. The reserve contribution for 2023 is \$205,002. KPOA engaged Bach and Associates in 2022 to review our reserve plan (required every 3 years) and provide a recommendation for a fresh 30-year plan. The 'Plan' was voted on and accepted by the Board of Directors at our September meeting. A copy of the 2022 Reserve Study, which states that our process is in compliance with the applicable statute (RCW 64.38 and RCW 64.90.545), is on our website under Board of Directors.

Summary:

As always, you are given the opportunity to vote for or against Ratification of the 2023 budget attached to this letter. Please note, per the requirements of RCW64.38.025 section 3; KPOA members must have a total of 301 members voting to reject the budget for it to not be passed.

As a community we again faced challenges in 2022 and continue to see fallout from COVID-19, specifically in areas of employee turnover and significant increases in inflation. The General Manager, Finance Committee, and your Board of Directors have worked diligently to create a budget that serves your needs and is in accord with State regulations for Reserve Funding plans. I think we would all agree, it is important to continue investing in and maintaining Kala Point as a premier Owners' Association to support the value of your homes and properties.

We should all take pride in the fact that KPOA continues to be financially stable and has never needed to apply a special assessment.

Donna Colwell
Chief Financial Officer
Kala Point Owners' Association