



## INDIGO RUN

2017 Budget Summary

November 2016

### **Overview:**

2016 was humming along with the COA running a nice surplus and the initial drafts of our 2017 Operating Budget and Capital Spending seemed to indicate a nominal level of increased spending, including investment in infrastructure and technological improvements for security and administration. A multi-year effort on the part of a large group of volunteers culminated with proposed improvements to our community's single most important amenity-oriented asset – Indigo Hall.

The events and effects of Hurricane Matthew required a revision to the original drafts. The plans for improvements to Indigo Hall have been set aside for now, as we recover from the financial and environmental toll of the storm. Fortunately, the association planned well for this occurrence, and our strong financial condition has allowed us to move forward smartly without severe financial hardship that could have otherwise occurred.

Our agreements with the Town of Hilton Head Island and efforts to secure financial assistance from the Federal Emergency Management Agency (FEMA) for storm debris removal saved our community an estimated two million dollars. Therefore, we didn't need to utilize our line-of-credit which would have meant a significant special assessment to cover those costs. We did not escape the storm's wrath unscathed however, and the Board of Directors had to make thoughtful decisions on a conservative plan to cover our extraordinary costs related to the hurricane. Not only do we need to get the community back to normal and in an aesthetically pleasing condition as quickly as possible, but we also must prepare in case events like Hurricane Matthew take place again soon.

The drafts included levels of funding based on extensive work and recommendations of various committees of the Board, including governance, security, contractor requirements and pedestrian safety. All of the proposed improvements are intended to address many issues, including our gate entry systems, visitor database and passes, traffic control, governance and enforcement, communication and information systems, as well as our accounting and financial controls.

We are also cognizant of changes to health care costs for our employees, new federal requirements for exempt (salaried) employees, and new South Carolina Law Enforcement Division (SLED) requirements for certified security officers. These changes have put upward pressure on our employment costs. We also anticipate some extraordinary costs related to required training as well as transitioning personnel due to organizational changes.

The Board intends to ensure our systems are responsive to our member's needs, provide organizational efficiencies and integration of information, while acting as responsible fiduciaries.

**2017 Assessments:**

The Board therefore, has established a 5.95% increase to our annual assessment, as well as a Special Assessment of \$400 per unit for hurricane recovery. The regular annual assessment for Dwellings will be \$1605 with undeveloped Lots assessed at \$1365 for the year.

**Cost of Hurricane Recovery:**

We estimate that the hurricane recovery will cost the association approximately \$700,000. This is broken down as follows:

\$100,000 in initial costs of cutting fallen trees/clearing roads to allow residents to return and providing temporary showers and restrooms while we were without water and sewer service. This was paid with operating cash on hand.

We anticipate that we will face an additional \$300,000 in costs to remove debris and fallen or damaged trees from COA common area. Included is funding to restore COA common area landscaping. This will also be paid with operating cash on hand.

We have had significant damage to our perimeter fencing, as well as our roads, curbs, irrigation systems and other infrastructure. As the cleanup progresses, we expect further damage to occur. We anticipate this costing an additional \$300,000 which will be paid for with reserve funds as many of these items are included in our reserve study and funds have been set aside for their repair and replacement – although this will be accelerating the funding schedule.

**Summary:**

This budget and assessment plan will enable the association to recover from the impacts of the hurricane, allow for much needed improvements to our infrastructure and information systems, cover our increasing employment costs and return our financial condition to pre-hurricane levels.