



2011 Budget Assumptions

GENERAL ASSUMPTIONS

REVENUES – Total Revenues \$8,908,089

1. Final Draft assumes a 1% increase in the General Assessment, a 1% increase in the Sandcastle Amenity Assessment and no increase in the V-Gate Segment Assessment. The 1% is a consensus from the October 19th meeting, resulting in an additional \$58k of revenue, which balances the 2011 operating budget.
2. Interest and Dividend Income of \$175k assumes a 1.4% average return on invested balances, same as 2010 projections. Gains or Losses on sale of investments are not included in the budget.
3. Contribution to Reserves of \$1.5m assumes a 4% increase over 2010 projections.
4. Commercial Access Fees of \$751k assumes no increase over 2010 projections.

EXPENSES – Total Expenses \$10,517,729

5. Payroll Expenses (Wages, Taxes, and Benefits) assumes a 5.06% increase over 2010 projections. (See separate Payroll Assumptions in Section B.)
6. Capital Equipment Purchases are requested in the amount of \$215k less funded depreciation of \$166k (from fund balance) for a net cost of \$49k from 2011 budget. New for this year, computer purchases and video capability are included in capital purchases rather than Communications and Technology. (See details in Capital Equipment Purchases in Section D.)
7. Capital Projects - LCI are \$451k and MRR are \$2.3m or \$2.7m total. (See details in Reserve Fund Section C.)
8. Income Tax Expense is zero as a result of KICA receiving IRS 501c4 status. Prior year refunds applied for years 2005-2008 of \$371k have been credited in 2010 projections.

TOTAL FUNDS NET DEFICIT- (\$1,609,640)

TRANSFER OF FUNDS- A transfer of \$350k from the General Fund to the Recreation Fund has been included in the 2011 Projected Fund Balances to avoid a deficit fund balance in Recreation and retain funded depreciation of \$245k.

OPERATING ASSUMPTIONS	2011 Budget	315
(General/Recreation/V-Gate)	2010 Projections	<u>492,563</u>
	Variance	(492,248)
	Less Income Tax	<u>140,603</u>
	Variance w/o Tax	(351,645)

1. Board Strategic Initiatives expenses of \$77,800 from Operations are included in 2011 budget. (See separate letter to Board itemizing these in Section B).
2. General Assessments have been reduced by \$100k, assuming Old Inn and related buildings will be removed, plus \$38k for loss of revenue from the River Course Clubhouse.
3. Unrealized Gains on Investments of \$54k have been included in 2010 projections. This represents change in market values thru June of 2010 for Bond Funds, TIPS and Treasury Strips. This line item has not been budgeted for in the past but is a requirement for GAAP financial statements.
4. Gains/Losses on Sale of Assets include \$21k for expected proceeds on the sale of capital equipment (ex: vehicles) to be replaced in the 2011 budget.
5. Income Tax Expense of \$42k was included in the 2010 operating budget but will not be spent due to 501c4 status.
6. ARB Revenue and Contract Labor have been moved from G&A to Security along with Covenant Compliance Coordinator employee.
7. New for this year, Communications & Technology budget of \$257k has all been moved from each department into G&A (IT department) for 2011. Total increase is \$71k over 2010 projections. New AVECtra web-based database accounts for \$26k and Map Info is \$12k. Software upgrades, licenses, subscriptions, e-digest, maintenance agreements, user fees, Auto cad, software and web-site upgrades account for the balance. Details are in G&A budget.
8. Postage & Shipping assumes a reduction of \$15k for using bulk-mail for Digest.
9. Legal Fees have been reduced by \$20k.

10. Board Planning has been reduced by \$22k for consulting expenses.
11. New for this year, Insurance accounts (Property, Liability, Umbrella, and Worker's Comp, etc) in General Fund have all been moved to G&A given that Controller manages these accounts (except vehicle insurance will remain in Mechanic Shop budget.) Recreation and V-Gate Funds allocations remain the same. Total insurance expense budget increased \$19k or 6% over 2010 projections assuming an increase at policy renewal time next June.
12. Other Equipment R&M totals are reduced by \$13k based on 5-Yr averages.
13. Fertilizer, Planting Materials and Mulch in Land Management has been reduced by \$29k due to loss of outside parkway contract.
14. Beach Access Maintenance in Land Management will be moved in-house in 2011 from Contracted Services for a savings of \$20k.
15. Janitorial Services, Refuse Collection, Office Equipment Rental, Water and Sewage and Electricity for the Maintenance Office site will be moved from Land Management to General Maintenance budget. Total budget for all departments for these accounts is \$3k less than 2010 projections.
16. Telephone Expense includes equipment upgrades for cell phones used in the field. Total budget is \$5k over 2010 projections.
17. Community Goodwill accounts have been added to all departments (for consistency) to account for expenses for volunteers, members, visitors and employees but expenses for these items like coffee, snacks, lunches and water were moved from other accounts so no significant variance incurred.
18. Special Projects in Land Management is reduced by \$13k due to reducing Tallow Tree Eradication and less Reforesting Supplementation.
19. Vehicle R&M is unusually high for 2010 but 2011 budget is reduced by \$16k based on prior year averages and assuming new vehicles will be purchased. (See Capital Purchases Section D).
20. Roads and Drainage increases by \$15k in order to continue to maintain the infrastructure at the level required. Past 2 years has been underfunded.
21. A new account called Green Initiative has been added to Lakes Management for the acquisition of items to help KICA become more environmentally sensitive. Total for 2011 is \$2k.
22. Boat Launch Fees and Canoe Storage Fees have been reduced by \$6k over 2010 projections. Contracts for boat launches have declined and top row of canoe storage is difficult to access so fee was reduced for these spaces.
23. Housekeeping expense was added to Rhett's Bluff budget for \$4k and will be credited to Sandcastle for custodial/maintenance staff to clean

and monitor restrooms. Maintenance building will also use custodial and be charged \$4k but will save from current outside contract.

24. Sandcastle Event Fees assumes an increase in room rates for sponsored guests by \$200/room or 20% over 2010 rates.
25. Sandcastle Fitness Instructors will increase by \$3k for additional Zumba classes.
26. Sandcastle music licenses as required by law are added to the 2011 budget for \$4k/year.
27. Snack Bar operations assume an additional loss of \$4k based on projections and increased operating expenses for maintaining the facility.

PRESERVE ASSUMPTIONS	2011 Budget	(800)
	2010 Projections	<u>(11,706)</u>
	Variance	10,906
	Less Income Tax	<u>390</u>
	Variance w/o Tax	11,296

1. Preserve Fence Fund assumes a special assessment of \$100 per Preserve member (173) or \$17k to fund 2011 regular maintenance and landscape renovations. Fund needs replenishing to avoid a deficit balance.

RESERVES ASSUMPTIONS	2011 Budget	(1,159,155)
	2010 Projections	<u>549,863</u>
	Variance	(1,709,018)
	Less Income Tax	<u>230,040</u>
	Variance w/o Tax	(1,478,978)

1. Board Strategic Initiatives expenses of \$443,325 from Reserves are included in this budget. (See separate letter to Board itemizing these in Section B.)
2. Gains/Losses on Sale of Investments include \$19k of realized gains and \$23k of unrealized gains in 2010 projections but zero in 2011 budget.
3. Income Tax Expense of \$48k was included in the 2010 Reserves budget but will not be incurred due to 501c4 status.
4. Assumes CTR of \$1.5m.
5. See separate Assumptions for 5-Year MR&R Fund in Section C.