



Open Meeting of The Woodlands at Cherokee Valley POA

Financial Analysis: Scenarios and Results

June 11, 2024 6:00 PM

Tigerville Fire Station

Objective of Today's Open Meeting

- Share Information about the results of the financial analysis of various scenarios
- Answer questions
- Seek input from owners
- Describe the next steps

2023 Woodlands Financial Analysis

- In 2023, the Board of Directors performed a financial impact analysis as part of the study about changing the practice of combining lots in the Woodlands.
- Ultimately, a non-binding referendum was submitted to the owners. The owners voted 17 to 11 to retain the current practice and the Board voted to not change this practice.
- However, the financial analysis showed that there was a need to consider options to address future degradations in operating funds and that this would be revisited by the Board in 2024.

2024 Woodlands Financial Analysis

- The Board decided to use the same financial tool that was developed in 2023.
- Some updates were incorporated to take into account other variables.
- The analysis is over an 8 year horizon through 2031.

2024 Woodlands Budget Analysis

- An analysis of the 2024 budget has been made to categorize expenses as non-discretionary or discretionary to determine the potential to find ways to reduce cost to compensate for degradations in operating funds.
- The analysis has shown that
 - 93% of the budget is for non-discretionary expenses.
 - 7% is for discretionary expenses.

<u>INCOME</u>		2024	
	DUES	32400	
	LATE FEE INTEREST INCOME	692	
	BUILDER FINES	0	
	NEW CONSTRUCTION	2000	
	TOTAL	\$ 35,092	
<u>EXPENSES</u>			
	<u>NON-DISCRETIONARY</u>		
	TAX/AUDIT	395	
	INSURANCE	1312	
	MANAGEMENT CONTRACT	8140	
	ADMIN/POSTAGE	1500	
	LANDSCAPE CONTRACT	11100	
	LEGAL FEES	2750	
	GENERAL MAINTENANCE	1000	
	ELECTRIC	5000	
	BAD DEBT EXPENSE	1500	
	SUB-TOTAL	\$32,697	93%
	<u>DISCRETIONARY</u>		
	RESERVES	0	
	DONATIONS	400	
	MISCELLANEOUS	1395	
	BEAUTIFICATION	600	
	SUB-TOTAL	\$2,395	7%
	TOTAL	\$ 35,092	

Assumptions for 8 Year Financial Analysis



- Assessment Revenue and Expenses:
 - Currently 107 lots and home owners are expected to pay assessments annually which would generate \$32100.
 - Currently approximately 6 of 107 owners are either late or non-payers (~\$1800 annually). 5 of the 6 have liens applied.
 - Over the last 4 years, total annual revenue has averaged \$35096.
 - Over the last 4 years, annual expenses have averaged \$33254.
- Variables in the Analysis:
 - Inflation: Annual inflation rate of 2%, 3%.
 - Lot Combinations: 1 per year or none.
 - Landscape Costs: Costs continue to decrease based on 3 less lots per year or Costs are flat after 2025.
 - Lot Combination Fees: None or \$600 (included in one scenario of 2% inflation, 1 lot combination per year and landscape cost flat after 2025).

Revenue Scenarios

- No change in \$300 annual assessment dues.
- \$15 increase in 2025.
- \$15 increase in 2025 and \$15 increase in 2028.
- \$30 increase in 2025.
- \$30 increase in 2025 and \$15 increase in 2028.

Table of EOY Operating Funds Results

- Variables are shown across the top.
- Revenue scenarios are shown along the side.
- Revenue results highlighted in yellow are below \$10000 which the Board considers to be a critical risk. The Board reviewed prior year results and there have been instances where the expenses exceeded the budget by \$10000 or more.
- Revenue results highlighted in red are negative.

	Scenarios	A	B	C	D	E	F	G	H	I
	Inflation	2%	3%	2%	3%	2%	3%	2%	3%	2%
	Lot Combinations per Year	0	0	0	0	1	1	1	1	1
	Landscape Evolution	Cost decreases based on 3 less lots per year		No decrease in price starting in 2026 (Lot reduction compensates inflation)		Cost decreases based on 3 less lots per year		No decrease in price starting in 2026 (Lot reduction compensates inflation)		Sce G + \$600 Lot Combo Fee
No increase in Dues										
+ \$15 in 2025										
+ \$15 in 2025 and + \$15 in 2028										
+ \$30 in 2025										
+ \$30 in 2025 and + \$15 in 2028										

Table of EOY Operating Funds Results

Variables

Revenue Scenarios

- For the current scenario (no increase in dues), note the yellow and red highlighted cells which forecasts financial problems in future years.

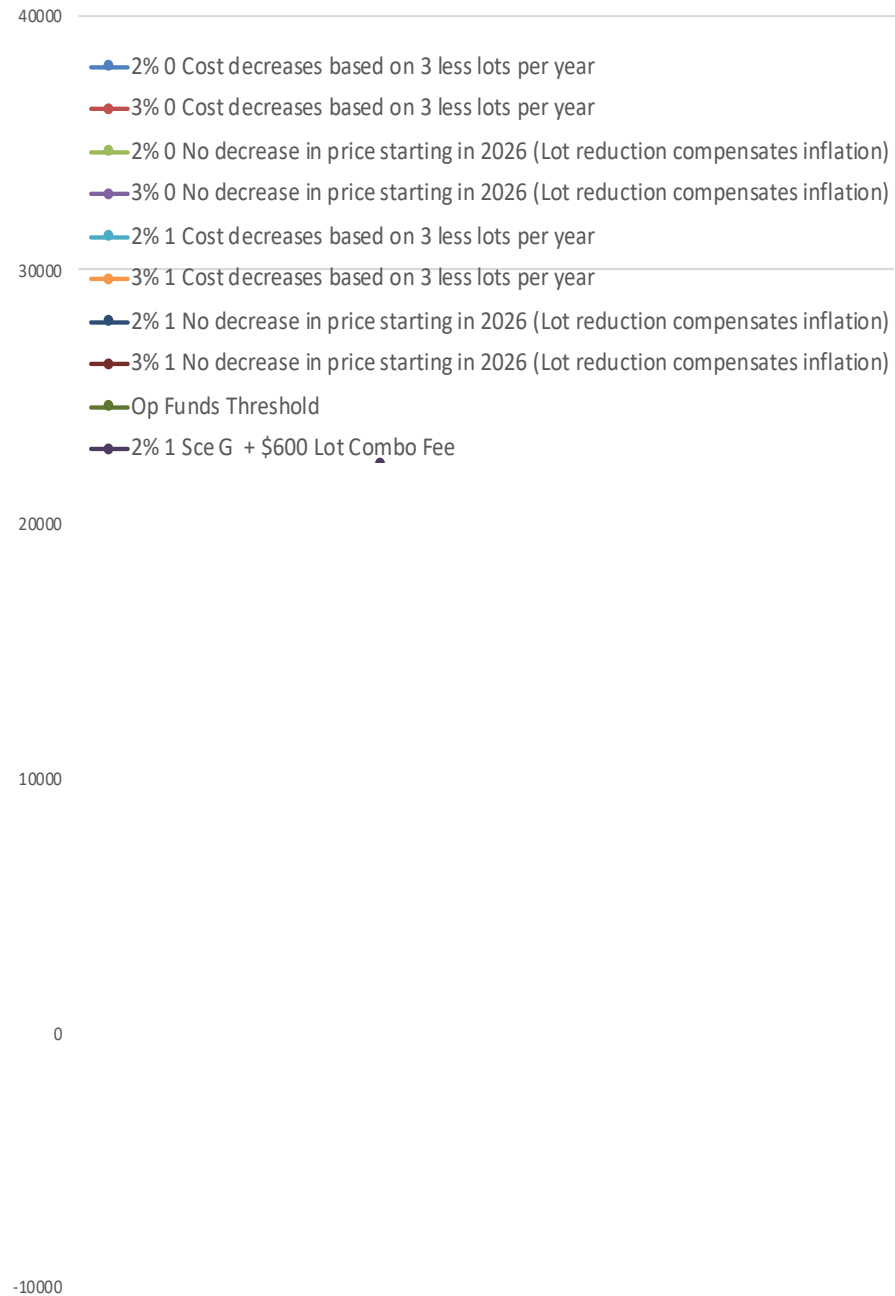
Scenarios		A	B	C	D	E	F	G	H	I
Inflation		2%	3%	2%	3%	2%	3%	2%	3%	2%
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Landscape Evolution		Cost decreases based on 3 less lots per year		No decrease in price starting in 2026 (Lot reduction compensates inflation)		Cost decreases based on 3 less lots per year		No decrease in price starting in 2026 (Lot reduction compensates inflation)		Sce G + \$600 Lot Combo Fee
No increase in Dues	Excess OP Fund 2025	19968	19781	19968	19781	19668	19481	19668	19481	20268
	Excess Op Fund 2026	19005	18367	19005	18367	18105	17467	18105	17467	19305
	Excess Op Fund 2027	15676	14324	15290	13939	13876	12524	13490	12139	15920
	Excess Op Fund 2028	14525	11525	13382	11073	11525	9216	10382	8073	12782
	Excess Op Fund 2029	10868	7266	8612	5010	6368	2766	4112	510	7112
	Excess Op Fund 2030	9435	4319	5722	605	3135	-1981	-578	-5695	3022
	Excess Op Fund 2031	5355	-1690	-147	-7192	-3045	-10090	-8547	-15592	-4347
+ \$15 in 2025	Excess OP Fund 2025	21498	21311	21498	21311	21183	20996	21183	20996	21783
	Excess Op Fund 2026	22065	21427	22065	21427	21120	20482	21120	20482	22320
	Excess Op Fund 2027	20266	18914	19880	18529	18376	17024	17990	16639	19790
	Excess Op Fund 2028	20645	18336	19502	17193	17495	15186	16352	14043	18752
	Excess Op Fund 2029	18518	14916	16262	12660	13793	10191	11537	7935	14537
	Excess Op Fund 2030	18165	13499	14902	9785	12000	6884	8287	3170	11887
	Excess Op Fund 2031	16065	9020	10563	3518	7245	200	1743	-5302	5943
+ \$15 in 2025 and + \$15 in 2028	Excess OP Fund 2025	21498	21311	21498	20311	21183	20996	21183	20996	21783
	Excess Op Fund 2026	22065	21427	22065	21427	21120	20482	21120	20482	22320
	Excess Op Fund 2027	20266	18914	19880	18529	18376	17024	17990	16639	19790
	Excess Op Fund 2028	22175	19866	21032	18723	18965	16656	17822	15513	20222
	Excess Op Fund 2029	21578	17976	19322	15720	16718	13116	14462	10860	17462
	Excess Op Fund 2030	23205	18089	19492	14375	16365	11249	12652	7535	16252
	Excess Op Fund 2031	22185	15140	16683	9638	13035	5990	7533	488	11733
+ \$30 in 2025	Excess OP Fund 2025	23028	22841	23028	22841	22698	22511	22698	22511	23298
	Excess Op Fund 2026	25125	24487	25125	24487	24135	23497	24135	23497	25335
	Excess Op Fund 2027	24856	23504	24470	23119	22876	21524	22490	21139	24290
	Excess Op Fund 2028	26765	24456	25622	23313	23465	21156	22322	20013	24722
	Excess Op Fund 2029	26268	22566	23912	20310	21218	17616	18962	15360	21962
	Excess Op Fund 2030	27795	22679	24082	18965	20865	15749	17152	12035	20752
	Excess Op Fund 2031	26775	19730	21273	14228	17535	10490	12033	4988	16233
+ \$30 in 2025 and + \$15 in 2028	Excess OP Fund 2025	23028	22841	23028	22841	22698	22511	22698	22511	23298
	Excess Op Fund 2026	25125	24847	25125	24487	24135	23497	24135	23497	25335
	Excess Op Fund 2027	24856	23504	24470	23118	22876	21524	22490	21138	24290
	Excess Op Fund 2028	28295	25986	27152	24843	24935	22626	23792	21483	26192
	Excess Op Fund 2029	29228	25626	26972	23370	24143	20541	21887	18285	24887
	Excess Op Fund 2030	32385	27269	28671	23555	25230	20114	21516	16400	25116
	Excess Op Fund 2031	32895	25850	27392	20347	23325	16280	17822	10777	22022

Graph of EOY Operating Funds Results

- Each series of graphs will show the EOY Operating Funds results for each variable over time (lines) for each scenario.

\$10K Critical Level

Zero Op Funds



Graph of EOY Operating Funds Results

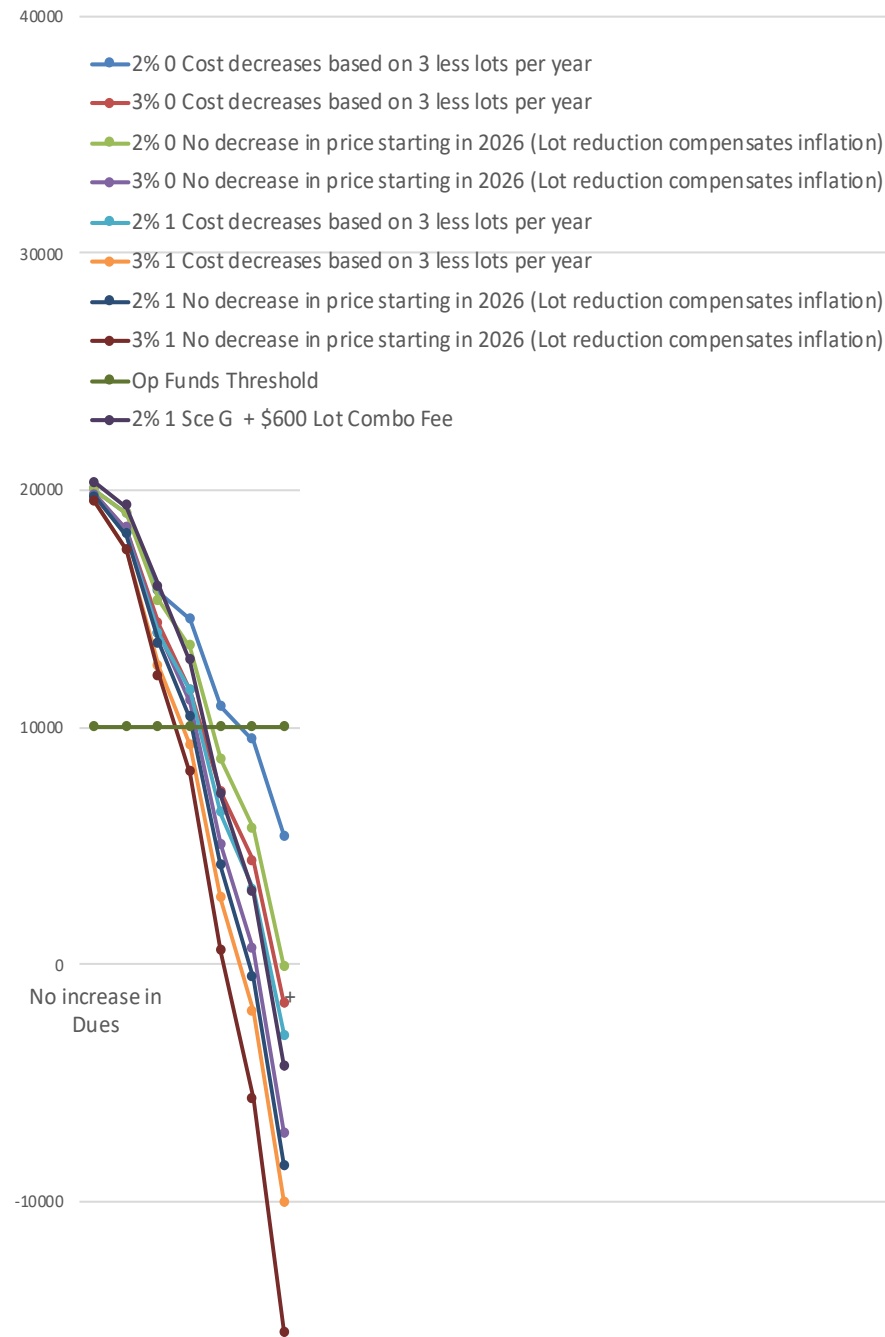
- This graph represents today's projections without any changes in dues.

\$10K Critical Level

- Most scenarios show projections of negative EOY Operating Funds.

Zero Op Funds

- The main driver for this negative projection is inflation.



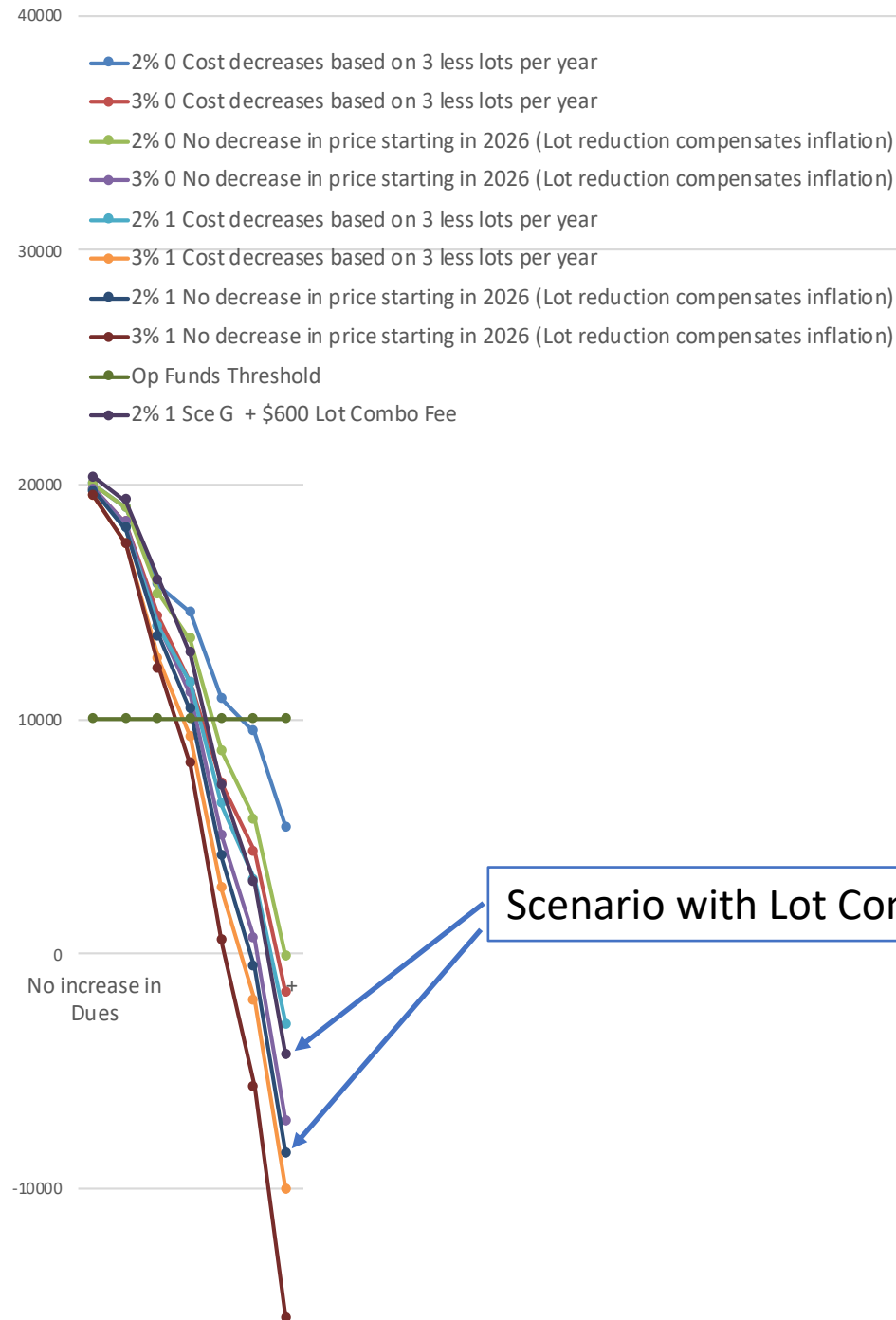
Graph of EOY Operating Funds Results

- This graph represents today's projections without any changes in dues.

\$10K Critical Level

Zero Op Funds

- This graph does include the Lot Combination fee scenario which does not resolve the future negative projections.



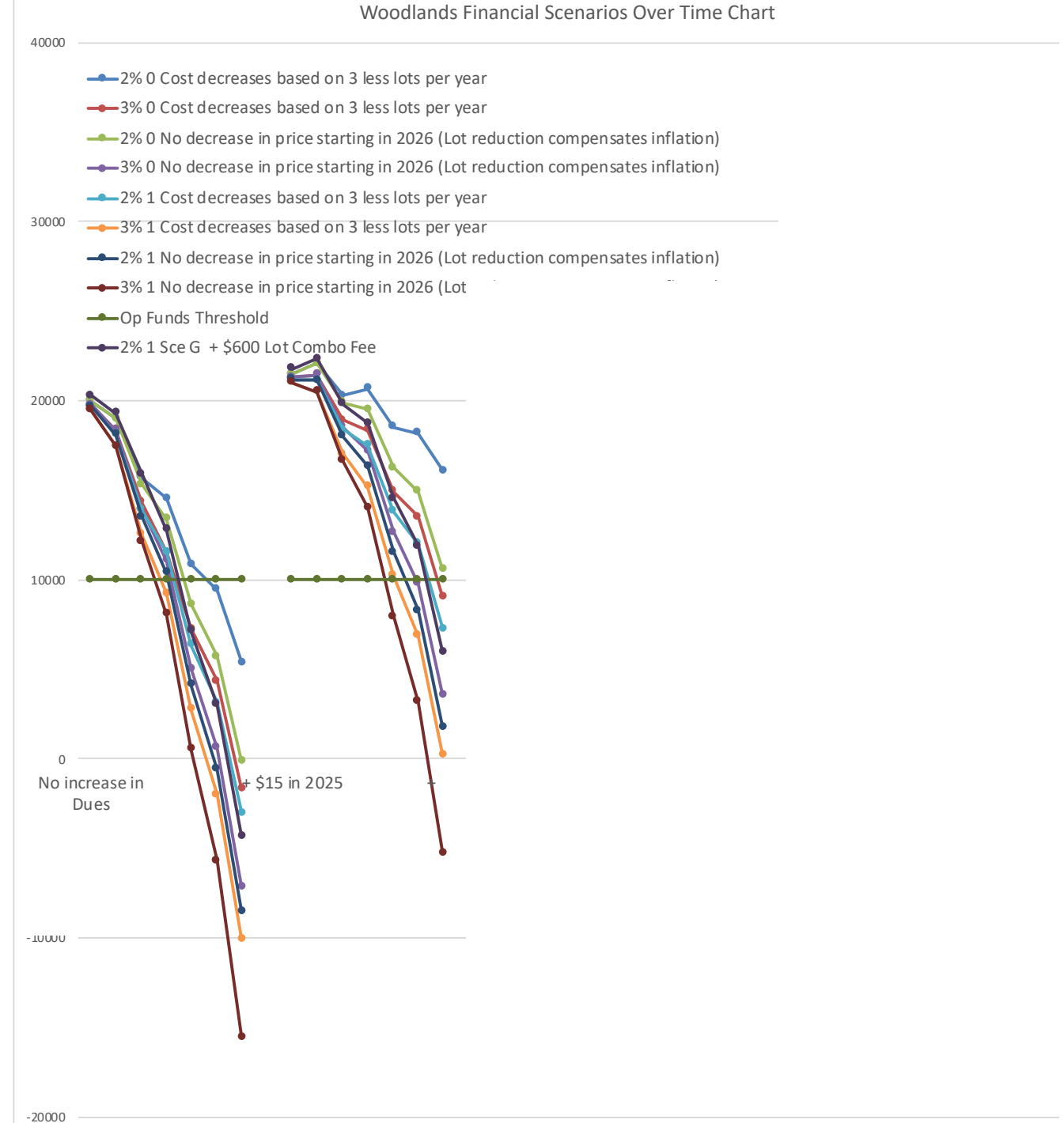
Graph of EOY Operating Funds Results

- This graph adds the scenario with +\$15 per year in dues starting in 2025.

\$10K Critical Level

Zero Op Funds

- This scenario generally has improved projections for negative EOY Operating Funds but most of the projections are below \$10000 and trending negative which is a significant risk.



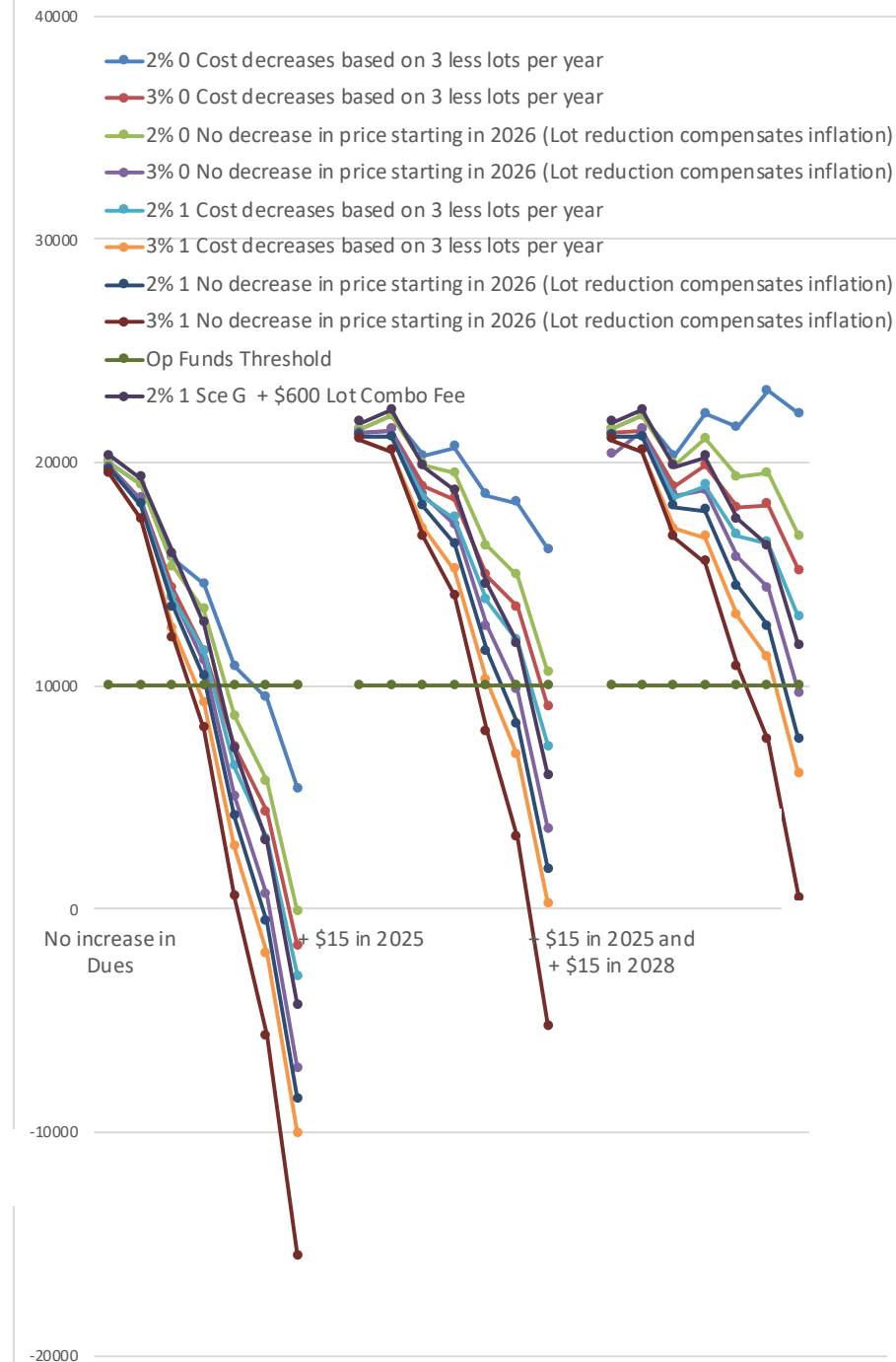
Graph of EOY Operating Funds Results

- This graph adds the scenario with +\$15 per year in dues in 2025 and +\$15 per year in 2028.

\$10K Critical Level

Zero Op Funds

- This scenario generally has no negative projections for EOY Operating Funds but several of the projections are below \$10000 and trending negative which is a significant risk.



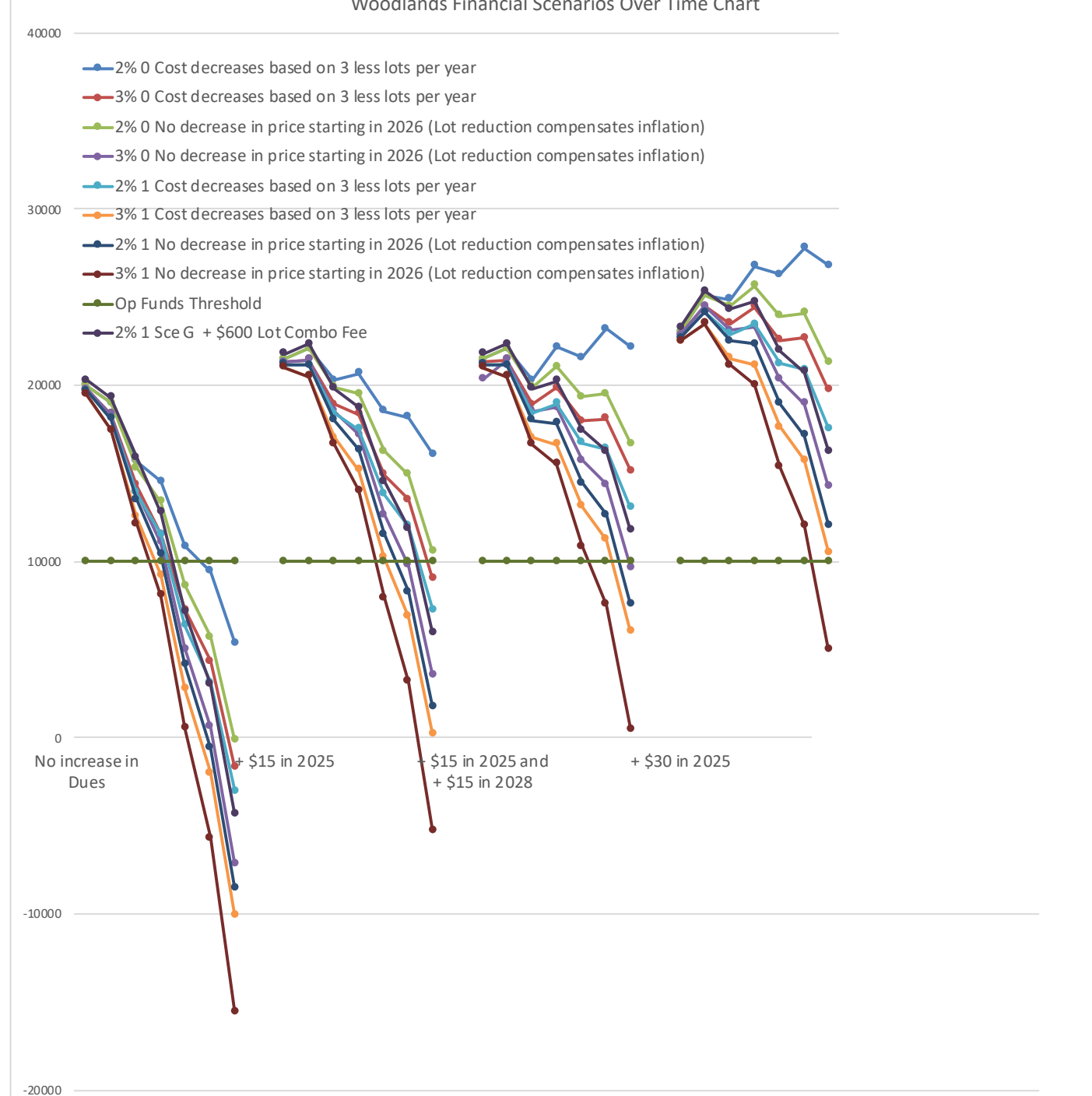
Graph of EOY Operating Funds Results

- This graph adds the scenario with +\$30 in dues in 2025.
- This is the only scenario that mostly maintains the EOY Operating Funds above \$10000. However, there is a continued downward trend which indicates inflation is not being compensated.

\$10K Critical Level

Zero Op Funds

- While it is not known if there will be some lot combinations in the future, charging a \$600 fee for any that do occur will provide some added security.



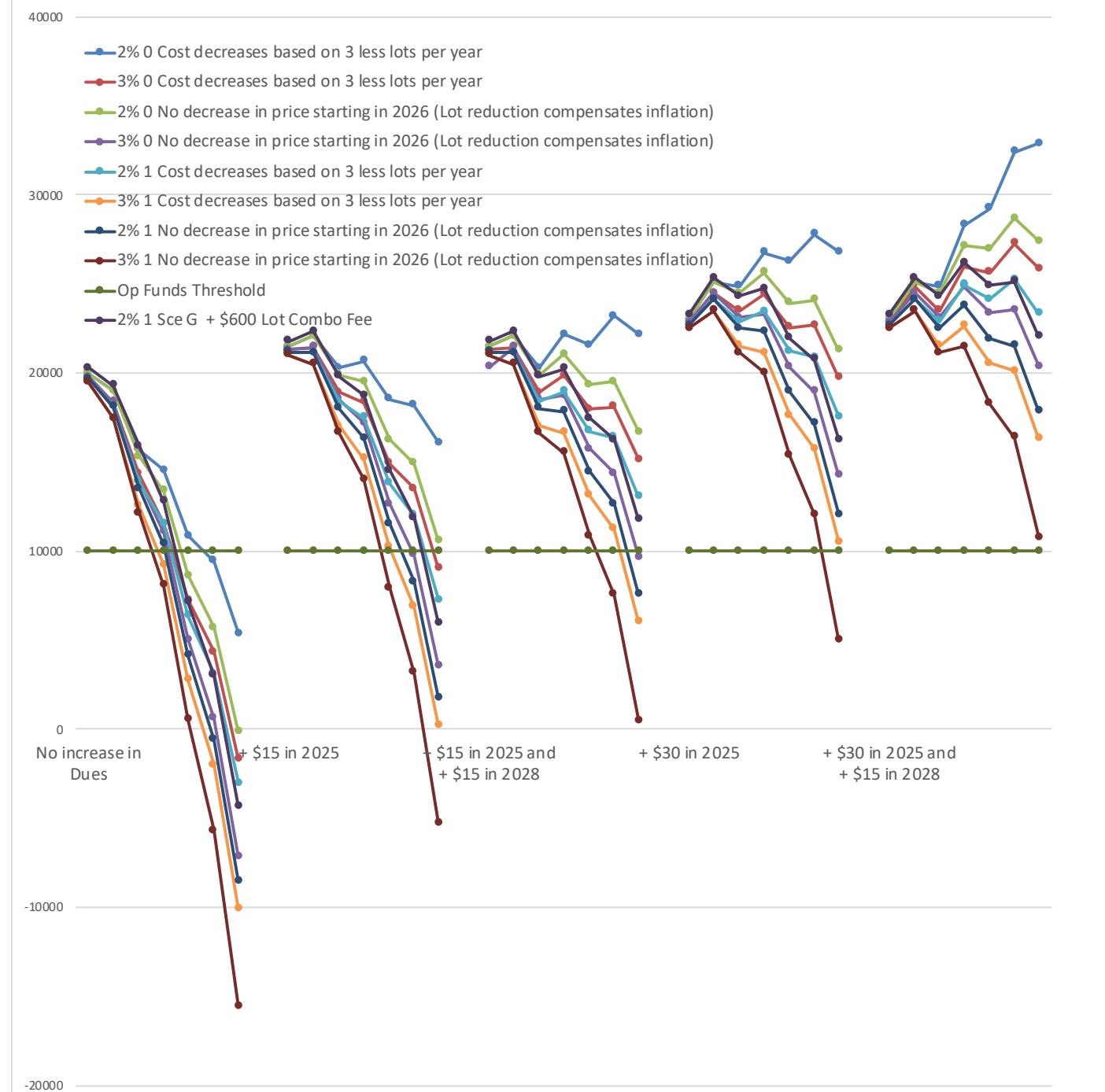
Graph of EOY Operating Funds Results

- This graph adds the scenario of +\$30 per year in dues in 2025 and +\$15 in 2028.

\$10K Critical Level

- This is scenario responds to the continued degrading trend of the last scenario.

Zero Op Funds



Summary and Conclusions

- Inflation is a major driver of diminishing End Of Year Operating Funds.
- Non-discretionary budget requirements will not provide sufficient monies to reduce the budget and thus, improve the EOY Operating Funds situation.
- In two preliminary votes, the Board has tentatively approved an increase in annual dues from \$300 to \$330 starting in 2025 and to add a lot combination fee of \$600 in 2025.
- Future projections indicate that another annual dues increase may be necessary in 2028. The Board is not recommending another increase in dues at this time but is highlighting the potential challenge in the future.

Next Steps

- The Board will send the presentation via email to the owners and will request feedback by the end of June.
- The Board will review all feedback and input received from the owners.
- The Board will consider a motion in the July meeting to finalize the annual dues and lot combination fees for 2025.
- The Board will communicate the results to the owners when it is finalized.