



A Tale of Two Increases – HSV

Description

By Lloyd Sherman, October 26, 2021

A Tale of Two Increases

CPI vs Assessment Increase

While we wait for the results of a NO or YES vote and then the official release of Version 1 or Version 2 of the 2022 budget, I thought it would be interesting to see how each of the two approaches would impact 2022 in financial terms.

Version 1 of the 2022 Budget currently projects we will end 2021 around \$42,918,696 in gross revenues. *(This number was projected utilizing 7/31/2021 data)*. We must adjust the gross number by \$3,089,000 for the one-off PPP that has been reflected in 2021 numbers as revenue. Utilizing the published results effective 9/30/2021 and also removing the PPP number, gross revenues are projected at \$40,359,484.

Utilizing the major categories from the approved 2022 Fee Schedule results in approximately the following scenario's:

[A-Tale-of-Two-Increases-Comparison-HSV](#)

As can be seen, increases enacted via the fee schedule combined with the CPI increase would result in approximately \$2,847,787 in 2022. This number added to the projected \$40,358,484 results in projected gross revenues of **\$43,207,271**. My projected number somewhat syncs with the current 2022 budget of **\$42,918,696**.

If the assessment increase is approved, the above chart reflects that an additional **\$1,522,412** will be added to the coffers. This increase will not make a dent in infrastructure we have all been aware of for years.

With only using fee and assessment increases and no other projected revenue increases, we have to

turn to the expense side of the equation to determine our cash flow picture.

Currently, the budget is projecting the operational expense line will end the year at approximately \$ **28,371,897**. My personal projection indicates this number will be closer to **\$29,112,520**. That is a substantial variance of nearly **\$750,000**.

The 2022 budget projects expenses are scheduled to rise **\$4,954,880** over our projected 2021 ending number, so what, if any precautions need to be taken as we enter 2022.

- First and foremost is the projected compensation projections being made for 2022 will increase by **\$2,957,957**. If the adjustments are made at the beginning of the year, there is no going back. That **\$3 mil** number will be with us all year. Caution is advised on the rollout of this projected line-item increase.
- With a nearly **\$5 million** projected increase in expenses, what happens if we see another shutdown much like we had last year? Again, caution is warranted and advised. Once the money is spent; it's gone.

Keep in mind none of the above includes factoring for Bad Debt Expense, debt service, capital expenditures, or depreciation.

The good news is that we will end the year with more money in the bank than we have had for a while, thanks in part to the PPP loan that was forgiven. However, with the state of the nation and prices rising on just about everything, we may need these rainy-day funds.

Speaking of everything rising, attached is a reduced version of the Fee Schedule reflecting the categories that are scheduled to increase for 2022. I have highlighted in **yellow** those that had no fee in 2021 but have one in 2022. Another highlighted area is Employee rates for amenities. I have been asked on many occasions why employees get the use of amenities at cheaper rates than resident property owners, but I have never gotten an answer to that question.

Of the new fees, the most significant is likely the buy-in fees. The Realtor community has concerns this may have a negative impact on our excellent experience level over the past few years.

Also of note is the increased fees that builders will be paying for new builds. This amount is going up a minimum of about \$500 per permit.

As an aside and should the assessment increase fail, I suggest we collectively as property owners ask the board to reconsider the approach and consider a Special Assessment approach which should pass without any difficulty. No matter how hard you try to protect general funds, and with the propensity of boards to vote in unison, Special Assessments have to be used for specific projects that are planned out, costed, and performed within a scheduled timeframe.

2021/2022 Fee Schedule Comparison

[2022-Fee-Schedule-insert-in-a-Tale-of-Two-Increases](#)

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