

**Proposed MIPOA Budget is based on Sound Estimates and Prudent Accounting Standards
Dues are Comparable to other BHI Associations**

For well over a year, the MIPOA Board evaluated the roads and amenities in order to determine both the funding needed from Young Entities at the time of turnover and the association dues that would be needed to maintain Middle Island. The Board has utilized specific cost estimates from potential contractors, industry standard cost estimates, and cost information from other associations and property management companies.

There are two components to the proposed budget for 2015: 1) one-time allocation of the \$608,000 in settlement funds for initial maintenance and repair costs as well as reserve funds for the major assets and amenities; and 2) 2015 operating costs and reserve contributions that establish a baseline for MIPOA's annual budgets in the future. Details are available on the MIPOA website ("Proposed Budget and Dues for 2015").

Allocation of Settlement Funds: The settlement funds accompanying the Middle Island assets would be allocated as follows: \$324,000 to rebuild the gravel roads; \$149,085 to repair the three docks, the two boat ramps, the parking areas, and the beach access and to cover administrative and legal costs associated with the turnover; and \$134,915 to specific asset reserve funds and to the general reserve fund.

2015 Annual Operating Costs and Reserve Contributions: As noted above, the Board has carefully assessed the projected annual operating costs, the replacement cost, and the remaining useful life of each asset. The proposed budget reflects our assessment of the funding needed each year to maintain Middle Island roads, docks, beach access in excellent condition. The budget assumes that the Association will have a property manager working on Middle Island maintenance (gravel road and road canopy maintenance, landscaping, repairs to docks and ramps, equipment maintenance, etc.). The Board also assumes \$5000 in revenue from property owners using the Middle Island dock facilities for boat dockage, launching, and storage. Finally, the annual reserve contributions are intended to ensure that assets can be rebuilt or replaced at the end of their useful lives without special assessments

The resulting proposed annual budget of \$139,619 represents operating expenditures of \$108,120 and contributions to reserve funds of \$31,499. This proposed budget does not include one-time expenditures from the turnover fund to improve the roads and other assets.

Annual Dues Framework: In calculating proposed dues amounts, the annual expenditures and reserve contributions were allocated among Middle Island lots based on two principles: 1) a developed lot contributes twice the amount as an undeveloped lot; and 2) for gravel road expenditures only, a forest lot contributes three times the amount as an East Beach lot (for all other expenditures, forest and East Beach lots contribute equally). The resulting proposed dues for 2015 are:

Improved forest lot (23)	\$2041
Improved East Beach lot (14)	\$1576
Unimproved forest lot (63)	\$1021
Unimproved East Beach lot (8)	\$ 788

These figures are the base year amounts and are included in the proposed Covenants. The actual amounts for 2015 would be pro-rated, based on the turnover date. For the 2016 budget year and beyond, the proposed Covenants provide a process for budget review and approval (or rejection) by the property owners and limit annual dues increases for each type of lot to 5% above the previous year's dues (ignoring any proration in 2015).

A comparison with other BHI Association dues can be found on the MIPOA website. Exact comparisons are impossible, since no other community on the Island has over 2 ½ miles of gravel roads, three docks, two launching ramps and a private East Beach access. Nonetheless, our dues would be in the mid-range of POA dues, and seem particularly reasonable, given the remarkable assets and unique nature of Middle Island.