



WHITE PASS VILLAGE INN ASSOCIATION

48933 US Highway 12
White Pass, WA 98937

31 July 2020

Subject: Association Fiscal Year 2021 Budget Update

Dear Owners:

We apologize for the length of this letter but it is difficult to communicate the information without the included detail.

As a result of some very good news with regard to our property insurance we have had a material change in our budget. We have a timing issue with regard to our insurance and the budgeting process. Our insurance renewal is not finalized until a couple of months after we do the budget. This means we can only get a best guess indication as to what the renewal will cost from our insurance brokers. Last year our broker gave us an indication that the renewal would price around \$30,000 which is what we budgeted. When the actual quote came in it was around \$80,000 creating a \$50,000 bust in our budget. This year the initial indications came in for a renewal in excess of \$100,000 so that is what we put in the budget. We were not willing to sit passively by with this expense so we continued to work the problem. The great news is that our diligence and effort paid off with when the quoted renewal came in at around \$35,000 resulting in a savings of \$73,000 over what we put in our approved budget. We are assured by our broker that the insurance coverage is the same or better than the coverage we had last year.

The news is not all good however, as the Covid 19 issues continue to evolve; our rental operation has seen a marked downturn in our anchor summer business. Both Running Camp and the Rocky Mountain Elk groups have cancelled, as well as a family reunion that visits annually. These groups historically have provided the cash flow to fund the rental operation from July to December when our winter business and corresponding cash flow returns. Without that cash, we have had to revise the Rental Budget. The primary change has been to move our fixed management costs (normally split between Rental and Assn) out of the rental budget and into the Assn budget. This adds about \$65,000 to the Assn budget with the corresponding decrease to the Rental budget. We have instructed our managers to minimize all costs that are controllable. This includes only calling in housekeeping when absolutely necessary. For now our managers are performing the vast majority of our housekeeping functions.

As you are aware we are required by both our Declarations and WA statute to obtain an annual audit. As a result of that audit, a structural problem between the Assn and the Rental LLC surfaced which presents tax and accounting concerns. This problem was clarified after the initial budget was approved by the Board. It has to be fixed. We will need professional help to fix it so in the revised budget we are adding \$12,500 for additional legal fees and outside accounting. We also need to increase the budget by \$5,000 to obtain a site survey necessary to complete the rewrite of our Declarations.

The Board decided that since we had to revise the budget anyway, we would look closely at every line item in the context of the current situation with an eye on reducing and delaying certain items that need to be done but can be delayed. In the spirit of fiscal austerity additional revisions have been made. In that regard the line items for Internal Controls Review, Accounting Oversight CPA Service, Officer Expense Stipend (officers all declined to take it), and Board Discretionary Fund have been removed from the revised budget. These items must be revisited in future budgets.

There have been three other significant revisions to note. We have decided to delay several capital projects which are needed but not as critical in tough economic times. This will reduce the budget by \$17,300. These projects must be reconsidered in future budgets as well. Last year we assessed \$22,200 for various capital projects that were not completed for a variety of reasons. Not specific to the audit but as a result of issues the auditors have identified, it is appropriate to return the assessment related to these projects to the owners by reducing this year's budget by an additional \$22,200. Finally, we had budgeted \$7,000 for a necessary refurbishment of our employee housing Unit #27 (across from the office employee housing). This item will be done, but it will be completed with Reserve Funds and not as part of the operating assessment. This is consistent with how we intend to operate the Reserve Fund as communicated to you both by letter and at the 2019 Annual Meeting.

The good news prevails in the final budget. All in, the overall budget has been reduced by \$58,500. The Board approved the revised budgets for the Assn and Rental operations on 30 July 2020. They are posted on the website. We will go thru the required budget ratification process and once ratified, refund checks will be sent commensurate with any overpayment you may have already made. An electronic meeting to ratify the budget will take place sometime between 13 August 2020 and 18 September 2020. You will receive a Zoom Invitation when the meeting is scheduled.

Pray for snow and a vaccine.

Respectfully,



THE BOARD
WHITE PASS VILLAGE INN ASSOCIATION

Michael B. Murphy
Chairman