

SBCA Board of Directors Budgeting Philosophy

The Board of Directors understands that developing and planning long-range Operating and Reserve Budgets and a Rainy-Day Fund may impact current offerings, facilities usage, and revenue streams. The Members of the Board also understand their legal requirements to meet all federal, state and local laws and regulations.

The SBCA Board of Directors expects the General Manager to manage expenditure and implement efficient practices for future cost savings. These practices include, but are not limited to, increasing energy conservation, streamlining accounting processes, and utilizing data for decision-making. The Board will also continue to advocate for a more equitable revenue system, seeking revenue opportunities and sources beyond annual member assessments, while adhering to IRS Form 1120H requirements.

Despite the potential for approximately 168 additional lots to be developed to fulfill the Master Declaration of 800 lots, the Board understands that long-term planning cannot be based solely on "potential or possible funds." Depending on long-term revenue estimates that are independent of SBCA members' annual assessments, adjustments may be necessary, with some areas requiring reductions while others may need increases to best serve SBCA members.

To uphold its commitment to long range fiscal responsibility to the SBCA, the Board of Directors adheres to the following philosophies:

1. **Member and Staff Safety:** The safety of SBCA members and staff is of paramount priority.
2. **Governing Documents:** Adherence to the Master Declaration, Rules, and Bylaws is essential.
3. **Empowering Staff:** The SBCA General Manager and support staff are most effective when provided with appropriate and adequate tools to meet members' needs and ensure their highest opportunity for success.
4. **Legal Compliance First:** The SBCA must fulfill all its legal obligations under federal, state, and local laws. The SBCA as a Master Homeowners Association (HOA) must meet these legal requirements before commitments are made to SBCA members and other Port Ludlow community members and/or associations.
5. **Member Engagement:** Active engagement of SBCA members is crucial to fostering their sense of community and enhancing their enjoyment of the Bay Club, which is the major asset of the SBCA.
6. **Effective Communication:** SBCA's communication with its members must be multi-

pronged through a variety of means, with a strong, viable website serving as the hub for information.

7. **Fiscal Responsibility:** The SBCA Board of Directors must ensure the survival and sustainability of the organization (HOA) by ensuring and prioritizing the financial health of the organization over discretionary activities. Reductions will first be made in areas where there is clear evidence that they are not as effective in directly supporting the Association.

Budget-Planning Goals for the SBCA Board:

1. When making fiscal decisions that impact services and programming, the SBCA Board will prioritize services and programming in the following order:
 - a. Maintaining the SBCA Master HOA and its largest asset, the Bay Club.
 - b. Directly providing services and programs for SBCA members.
2. After making fiscal decisions to maintain the Master HOA and its assets, the Bay Club, and providing services and programming to its SBCA members, the Board will determine level of services and programming that will
 - a. Benefit the Port Ludlow community and lastly,
 - b. Benefit the greater community.
3. During long-range planning, the SBCA Board of Directors commits to
 - a. Allocating one hundred percent of the organization's required expenditure through Members Annual Assessments.
 - b. Allocating a percentage of revenue to the established reserve fund in accordance with its professional Reserve Study.
 - c. Finding additional sustainable revenue sources to augment Members' annual assessments without compromising 1120H filing status and recognizing that current space utilization may need to be reconfigured to:
 - i. Stabilize annual assessment increases.
 - ii. Review current Associate Memberships cap and determine potential increase.
 - d. Evaluating Bay Club usage by members to maximize the best value for SBCA members.

- e. Increasing Facilities Rental to outside agencies/organizations at full rental costs.
 - i. Review the Rules, Bylaws, and policies to determine if any revisions are needed to increase facilities rental opportunities.
 - f. Determining the optimal social member amenities/activities that benefit most SBCA members utilizing multiple funding source(s), including SBCA funded only and SBCA funded and participant funded.
 - g. Determining fixed percentage of member annual assessment funds that is utilized for non-member activities/amenities.
4. Based on current and future fiscal health of SBCA, consider if SBCA is to:
- a. Downsize activities/amenities to basic Master HOA requirements and Bay Club usage.
 - b. Maintain current status of activities/amenities.
 - c. Increase activities/amenities.