

Middlesex Beach Association
Proposed Budget for Fiscal Year April 1, 2022 – March 31, 2023

The Middlesex Beach Association Board has developed and is recommending to the community the attached budget for the fiscal year April 1, 2022 – March 31, 2023 (“FYE-2023”). This memorandum provides an overview of the primary considerations and objectives underlying this budget, which will be introduced to the community at a Zoom town hall meeting on Tuesday, March 15 at 6:00 pm in advance of the annual Spring community meeting on Saturday, May 7 at which it will be formally presented for a vote.

Executive Summary

The proposed budget is largely a continuation of the income and expenses of prior years, after taking into account inflation-related effects and COVID-related and other changes in operation, but it also reflects some developing events that require attention and funding in the next year.

On a positive note, the increased volunteerism within the community during the past several months, which is expected to continue, has resulted in a direct reduction of maintenance expenses, including payroll and payroll taxes, of approximately \$30,000. This and other lesser reductions in various line items, have resulted in several unplanned initiatives that have been discussed by prior boards and which we were able to accomplish this fiscal year, including (i) the acquisition of a new Polaris (which will further reduce maintenance costs in the next several years and benefit both the beach and security activities), (ii) the contracting for a major repair of the drainage issues on the pine-side of Bridge Road (which will start the process to remedy a longstanding community problem and also increase property values), and (iii) the acquisition of a second mobi mat (which will improve beach accessibility for all).

The recommended budget for FYE-2023 continues these initiatives and addresses other long-term issues. In this regard, and as described separately below, the principal changes in this budget from the current budget are to: (i) provide funds to relocate the guard house at the expiration of its lease effective April 30, 2023; (ii) provide for the repair of the drainage issues on a second pine-side street; (iii) set aside the full amount recommended by the recently completed 2021 Capital Improvement Reserve Study; and (iv) increase the amount of the contribution to the Beach Replenishment Reserve by approximately 26 percent, which, if continued for the next three years will result in reserve that approximates \$1 million.

The attached schedule for the FYE-2023 budget includes a line-item based analysis of the actual expenses in FYE-2021 and the year-to-date (11 months) actual expenses during this FYE-2022, along with a comparison of FYE-2022 budget to identify the specific changes for each line item in comparison to the past two years. The net effect would be a total annual assessment of \$3,075 for FYE-2023.

Principal Line Item Changes for FY-2023

1. Guard House Relocation (Acc't 5303).

The board recently was formally notified that the land lease for the guard house will be terminated effective April 30, 2023. As such, MBA is obligated to remove the building and to identify, architecturally design, and construct a like arrangement at a new location that will suitably serve the community's needs by that date. Although this planning has just begun and the total costs for this effort are unknown, the FYE-2023 budget includes \$50,000 for the commencement of this plan. It is anticipated that this amount should suffice to cover the project through the initial construction efforts, and that any remaining amounts to complete the project will be paid from the FYE-2024 budget. These expenditures are not covered by the 2021 Capital Improvements Reserve Study and must be paid from a current budget.

2. Drainage System Repair (Second Pine-Side Street) (Acc't 5703).

Upon the completion of the drainage repair project on Bridge Road that is being paid from the FYE-2022 budget, the Board anticipates that it will evaluate the efficacy of the work and identify a second pine-side street that is most in need of a similar effort. The cost for the first project is approximately \$75,000, and this same amount has been set aside in the FYE-2023 budget. This expenditure also cannot be paid for from the Capital Improvement Reserve and must be paid from a current budget.

3. Capital Improvement Reserve Contribution (Acc't 4010).

The community contracted for a Capital Improvement Reserve Study in 2021 to update the initial study that had been done in 2017. (A copy of this 2021 Study is available on the Middlesex Beach website at <https://middlesexbeach.org/committees/budget/>) The single largest capital asset of the community (80% of the total) are the streets, and the community has been implementing a seal-coating maintenance plan the past few years, which has had the effect of extending the useful lives of the streets before a more costly repaving is needed. This effort has resulted in a reduction in the total recommended annual contribution to the Capital Improvement Reserve for FYE-2023 and for the immediate subsequent years. The FY-2023 budget provides for a contribution of \$56,939, which is the amount recommended by the 2021 Study.

4. Beach Replenishment Reserve Contribution (Acc't 4020).

No study exists for the Beach Replenishment Reserve, and the only potential sources of reference as to what constitutes an adequate reserve is past experience and current costs incurred by comparable communities. Unlike the Capital Improvement Reserve for which future expenditures can be determined over a projected useful life, the costs covered by the Beach Replenishment Reserve can arise at any time by reason of a single weather event. The only historical point of reference for MBA is a storm in 2007 that resulted in \$450,000 of costs, which were paid pursuant to a one-time special assessment. Based on advice from a consulting firm and discussions with DNREC, the Board understands that it is no longer able to use ocean-based sand without losing its

private beach status, and it is gathering information from other Delaware shore communities that have had to truck sand from ground-based sources as to the potential costs. Although the board does not yet have any reliable estimate of such projected costs, it seems clear that the amount will exceed \$1 million for our beach.

Based on the foregoing, the Board has determined that it recommends that the amount to be contributed to the Beach Replenishment Reserve be raised from the approximately \$68,000 in FYE-2022 to approximately \$87,000, or by about 27 percent, for FYE-2023. If this amount is increased gradually over the next three fiscal years, the Board projects that the total reserve should be approximately \$900,000 by March 31, 2026.

5. Annual Assessment.

The total annual assessment per household necessary to fund the FYE-2023 budget will be \$3,075, which will be comprised of \$2,518 for operating expenses, \$221 for the Capital Improvements Reserve, and \$336 for the Beach Replenishment Reserve. This represents an increase over the FYE-2022 assessment of \$290. This is less than the increase of \$300 by which the FYE-2022 assessment exceeded the FYE-2021 assessment.

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We look forward to seeing you on March 15 to further explain the budget and to answer any questions that you may have.

Paul Bradley
President

Jerry Kafka
Treasurer and Chair
of Budget Committee