

Case Statement for Increasing the Annual Assessment to \$600

Overview

The Sunset Lake Association's annual assessment has remained \$500 since 2018, despite significant increases in the cost of materials, labor, insurance, utilities, and essential lake management services. This assessment has historically been designated for use in the general fund operations (\$350) and the lake and dam restricted account (\$150).

To maintain the quality, safety, and long-term sustainability of our community, the Board recommends increasing the annual assessment to \$600, effective for the upcoming fiscal year. These additional funds will be allocated directly to the general operating budget, strengthening our ability to meet ongoing needs without deferring maintenance or reducing services.

Under *Section 2: Assessments* of the Association Bylaws, any change to the annual assessment must be approved by a two-thirds (2/3) vote of the members present at a special or annual meeting, either in person or by official absentee ballot. The Board is presenting this increase in accordance with that requirement and is providing this statement to ensure members have clear, transparent information prior to voting.

Inflation & Buying Power

Since the last adjustment in 2018, inflation has steadily eroded the purchasing power of the assessment. Based on national inflation data, \$500 in 2018 is equivalent to roughly \$645 today. In practical terms, the Association is operating with about 77% of the buying power it had eight years ago. Holding the assessment flat for this long has been beneficial to members, but it is no longer financially sustainable.

Rising Operating Costs

Our general operating costs continue to escalate. Key cost drivers include:

- Maintenance materials (lumber, concrete, gravel, hardware) have increased nationally 25–40% since 2018.
- Contracted services (mowing, road grading, tree removal, dock and shoreline work, etc.) have risen 20–35%.
- Insurance premiums and utility costs continue to trend upward annually.

These increases affect the general operating budget directly. Without an adjustment, the Association risks falling behind on essential, regular upkeep, emergency repairs, and long-term infrastructure planning.

Even With the Assessment Increase, a Shortfall Remains

While raising the annual assessment to \$600 strengthens the operating budget, it does not fully eliminate the projected shortfall for the 2027 fiscal year. To responsibly balance the budget, the Board is recommending the use of \$23,390 from the Association's reserve fund. These reserves have accumulated over several years due to careful budgeting and underspending in certain categories.

Importantly, drawing this amount from reserves will still leave the Association with an appropriate and healthy reserve balance, ensuring we remain prepared for emergency repairs, storm damage, infrastructure failures, or other unanticipated expenses. This approach allows the Association to meet current needs without imposing a larger assessment increase on members this year.

Why \$600 is being Recommended

A \$100 increase does a number of important things. It:

- Restores a portion of the lost buying power without placing the full burden on members in 2027.
- Strengthens the operating budget enough to maintain necessary service levels.
- Reduces the amount that must be drawn from reserves.
- Helps the Association avoid larger, more disruptive increases in future years.
- Provides a stepped approach to additional assessment increases that will likely be necessary in the coming years as excess reserve funds are drawn down to a fiscally appropriate level.
- Supports responsible stewardship of shared assets, including roads, common areas, shoreline, and water quality.

Even with the increase, the assessment remains below the inflation-adjusted equivalent of the 2018 rate, which aligns with the Board's commitment to balancing fiscal responsibility with affordability.

Continued Commitment to Transparency & Stewardship

The Board remains committed to clear communication, responsible budgeting, and long-term planning. Increasing the assessment now — paired with a measured, responsible use of reserve funds — ensures that Sunset Lake remains safe, well-maintained, and financially stable for all members.

Board Recommendation

The Board unanimously recommends approval of the proposed 2027 budget, which includes an increase in the annual assessment to \$600 and the limited use of reserve funds. Because the budget incorporates the assessment increase, *Section 2: Assessments* of the SLA Bylaws requires approval by a two-thirds (2/3) vote of the ballots cast at the meeting or voting by official absentee ballot.

2027 PROPOSED BUDGET

PROJECTED BEGINNING BALANCES									
	128,800	136,942	133,883	127,600	(1,200)	99%	144,900	68,340	122,594
3010 Annual Operating Assessment							a		b
3020 Boat and UTV Permits	9,600			9,133	(467)	95%	9,600		
3030 Building Permits	1,000			895	(105)	90%	1,000		
3040 Fines & Penalties	-			1,058	1,058		-		
3050 Farm Lease Income	5,400			2,700	(2,700)	50%	5,400		
3060 Interest Income on Bank Accounts	3,500			4,105	605	117%	3,500		
3070 Lease Transfer Fees	3,500			6,400	2,900	183%	3,500		
3090 Cable Franchise Fee	1,600			0	(1,600)	0%	-		c
3091 Tower Ground Rental	1,200			1,200	0	100%	1,200		
3110 Hall Rental	1,200			700	(500)	58%	1,200		
3120 Chlorine Tablet Sales	1,000			1,770	770	177%	1,000		
3300 Miscellaneous Income	400			1,425	1,025	356%	400		
GENERAL OPERATING INCOME				\$ 156,986	\$ (214)	100%	\$ 171,700		
4005 Office & Hall Supplies	(5,750)			(6,881)	1,131	120%	(7,870)		d
4050 Grounds Maintenance	(4,150)			(652)	(3,498)	16%	(7,350)		e
4070 Roads Maintenance	(22,000)			(1,321)	(20,679)	6%	(25,000)		
4090 Equipment Maintenance	(4,600)			(3,263)	(1,337)	71%	(10,100)		f
4095 Gasoline	(3,500)			(2,109)	(1,391)	60%	(4,000)		
4100 Conservation & Watershed	(7,100)			(4,666)	(2,434)	66%	(8,100)		g
4119 Cost of Boat/UTV Permit Stickers	(500)			(598)	98	120%	(650)		
4120 Cost of Chlorine Tablets	(500)			(1,310)	810	262%	(1,600)		
4300 Property Taxes	(5,250)			(5,391)	141	103%	(5,500)		
4400 Insurance	(12,000)			(9,091)	(2,909)	76%	(12,000)		
4500 Professional Fees	(4,000)			(91)	(3,909)	2%	(3,600)		
4505 Organizational License/Dues	(450)			(410)	(40)	91%	(450)		
4600 Utilities	(11,200)			(9,170)	(2,030)	82%	(10,170)		h
4700 Payroll Expenses	(76,100)			(47,136)	(28,964)	62%	(78,800)		
4950 Miscellaneous Expenses	(100)			(1,290)	1,190	1290%	(500)		
GENERAL OPERATING EXPENSE				\$ (157,200)	\$ (93,379)	\$ (63,821)	59%	\$ (175,690)	
Long Term Planning Special Projects									
Bathymetric Cove Survey							(12,000)		i
SLA Website Update							(4,000)		j
SLA Map Update							(5,000)		k
NET OPERATING INCOME				\$ -	\$ 63,608	\$ 63,608	\$ (24,990)		
Other Restricted Income									
3011 Annual Restricted Dam/Lake Assessment	32,200			31,900	(300)	99%	48,300		l
4020 Dam/Lake Maintenance	(102,600)			(63,586)	(39,014)	62%	(48,300)		m
NET OTHER INCOME				\$ (70,400)	\$ (31,686)	\$ 38,714	\$ -		
Reserve Funds needed to cover the projected shortfall in Net Operating Income							24,990		(24,990)
Dam & Lake Funds needed to cover the projected shortfall in Net Other Income							-		
NET INCOME				\$ -			\$ -		
PROJECTED ENDING BALANCES									
		66,542	133,883					68,340	97,604
			(25,000)						(25,000)
PROJECTED ENDING BALANCES IF CONTINGENCY FUNDS ARE USED									
		66,542	108,883					68,340	72,604

Budget Assumptions:

a - Below is the recap of restricted funds transactions posted through 8/31/2026 along with the pre-approved expenses for the remainder of 2026. While the Board does not anticipate any additional need for Reserve Funds for the remainder of 2026, they are authorized to use an additional \$11,100 for emergency purposes. Assuming no additional Reserve Funds are needed, the ending balances will be slightly higher than projected because these are interest-bearing accounts. The interest for September - December is not reflected in these projected balances because the exact timing of the expense disbursements is unknown at this time.			
Assessment Fees Collected through May 2026	Beginning Balance 1/1/2026	Dam & Lake Funds (Restricted)	Reserve Funds (Restricted)
YTD Interest Earned through August 2026		138,183	134,404
Final Payment for Tower and Valve Repairs Completed in 2026		31,600	
		858	2,090
		(62,400)	
Assessment Fees Collected in June (still need to transfer from General Operating)	Balance as of 8/31/2026	108,240	136,494
Payment for lake signs and buoys (still need to transfer to General Operating)		300	
Board approved up to \$50,000 for Pine Pond maintenance to be done 4Q2026		(1,186)	
Remaining 2026 budgeted funds to be used for the required dam/spillway inspection		(36,100)	(13,900)
		(2,914)	
Projected Ending Balance 12/31/2026		68,340	122,594
Final Tower Repair was \$36,100 under budget. Excess funds are being reallocated to retention pond.			
b - Board approved \$600 annual assessment fee and \$450 will be allocated to General Operating Fund. (322 lots * \$450 = \$144,900)			
c - SLA no longer receives cable franchise fee income because Sparklight eliminated traditional cable TV service and fully transitioned to internet broadband streaming services.			
d - Postage expenses continue to rise and the Quickbooks subscription fee is subject to modest increases each year.			
e - Numerous dead trees in common areas have been identified so the tree removal expense is expected to double in 2027.			
f - Allocated an additional \$4,000 for the purchase of a leaf vacuume for Fall maintenance of common grounds.			
g - Allocated an additional \$1,000 for drainage control.			
h - Telephone service contract was renegotiated and should reduce annual expense by approximately \$1,000.			
i - Establish sediment accumulation baselines in coves and ponds to use for long-range dredging plan.			
j - Improve navigation and investigate feasibility of a secured 'members only' section for sharing non-public content such as our financials and meeting minutes.			
k - Clearly define leaseholds, common grounds, and shorelines to use for maintenance and inspection schedules.			
l - Board approved \$600 annual assessment fee and \$150 will be allocated to Dam & Lake Mainenance Fund. (322 lots * \$150 = \$48,300)			
m - Dam & Lake Funds needed to cover the projected shortfall in Net Other Income			
n - At the end of each year, any remaining Net Operating Income that the Board has not already approved for pending expenses, is transferred from the General Operating Fund (Unrestricted) to the Reserve Funds (Restricted) to be retained for future use. This Annual Budget authorizes the SLA Board of Directors to spend <u>up to \$25,000</u> of the Reserve Funds (Restricted), as needed, for unplanned/emergency expenses (such as storm cleanup, emergency repairs, taxes, legal fees, improvement projects). Any use of Reserve Funds (Restricted) in excess of \$25,000 requires a membership vote of approval at the annual meeting or a specially called meeting.			

REMINDER: Fundraising is not part of the operating budget because fundraising efforts are led by a volunteer Booster Club, not the SLA Board. A separate fundraising account is managed by the Booster Club which is not a part of nor under the control of the Sunset Lake Association.

Sunset Lake Association
10-year Budget Planning



Location	Type	Category	Item	Annual Totals-->	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	10-yr Total
Community Center	☛ Material Fatigue	Extend Life	Roof Replacement												\$ -
Community Center	☛ Material Fatigue	Aesthetics	Hall Flooring				\$ 8,000								\$ 8,000
Office	☛ Material Fatigue	Aesthetics	Carpet Replacement				\$ 6,000								\$ 6,000
Community Center	☛ Aesthetic Decline	Aesthetics	Hall Painting				\$ 1,200								\$ 1,200
Office	☛ Aesthetic Decline	Aesthetics	Office Painting				\$ 1,000								\$ 1,000
Community Center	☛ Safety Concern	Safety	Parking Lot Maint.			\$ 500				\$ 500				\$ 500	\$ 1,500
Community Center	☛ Material Fatigue	Equip Replacement	Refrigerator						\$ 1,200						\$ 1,200
Community Center	☛ Preventive/Maint. Upgrade	Equip Replacement	Copier							\$ 4,000				\$ 5,000	\$ 9,000
Community Center	☛ Cost Reduction	Aesthetics	Lighting Upgrade					\$ 4,000							\$ 4,000
Office	☛ Preventive/Maint. Upgrade	Equip Replacement	Computer Replacement		\$ 1,500										\$ 1,500
Island	☛ Functional Failure	Lake Quality	Shore maintenance (Common)			\$ 1,000				\$ 1,000		\$ 1,000		\$ 1,000	\$ 5,000
Island	☛ Quality of Life	Community Improvement	Picnic Table(s)				\$ 400						\$ 400		\$ 800
Lake	☛ Preventive/Maint. Upgrade	Lake Quality	Dam Maintenance		\$ 1,000		\$ 1,000		\$ 1,000		\$ 1,000		\$ 1,000		\$ 5,000
Grounds	☛ Safety Concern	Safety	Tree Removal					\$ 3,000		\$ 4,000		\$ 4,000		\$ 4,000	\$ 18,000
Tower & Spillway	☛ Preventive/Maint. Upgrade	Lake Quality	Spillway Maintenance			\$ 3,000	\$ 1,000		\$ 1,000		\$ 1,000		\$ 1,000		\$ 4,000
Tower & Spillway	☛ Preventive/Maint./Upgrade	Extend Life	Spillway Resurfacing					\$ 50,000							\$ 50,000
Island	☛ Quality of Life	Community Improvement	Build Public Dock						\$ 5,000	\$ 12,000					\$ 17,000
Lake	☛ Safety Concern	Safety	Lake signs replacement									\$ 500			\$ 500
Roads	☛ Safety Concern	Safety	Road signs replacement		\$ 1,500							\$ 500			\$ 2,000
Lake	☛ Safety Concern	Safety	Road signs replacement			\$ -						\$ 500			\$ 500
Lake	☛ Safety Concern	Safety	Boat Replacement/New			\$ 400	\$ 1,200				\$ 1,200				\$ 2,800
Tower & Spillway	☛ Preventive Maint./Upgrade	Extend Life	Gate Replacement		\$ 70,000									\$ 90,000	\$ 160,000
Tower & Spillway	☛ Preventive Maint./Upgrade	Extend Life	Tower Maintenance					\$ 1,000		\$ 1,000		\$ 1,000		\$ 1,000	\$ 4,000
Lake	☛ Material Fatigue	Extend Life	Dock Maintenance (stain/seal)		\$ 1,800			\$ 200			\$ 200		\$ 200		\$ 5,000
Lake	☛ Preventive Maint./Upgrade	Community Improvement	Boat Landing Dock - Deck Replacement												\$ 5,000
Lake	☛ Preventive Maint./Upgrade	Community Improvement	Association Dock - Deck Replacement											\$ 5,000	\$ 5,000
Maint. Garage	☛ Preventive Maint./Upgrade	Equip Replacement	Maintenance Truck Replacement				\$ 60,000								\$ 60,000
Roads - N	☛ Safety Concern	Safety	Oil & Chip				\$ 18,000		\$ 18,000		\$ 15,000		\$ 18,000		\$ 54,000
Roads - E	☛ Safety Concern	Safety	Oil & Chip		\$ 15,000			\$ 15,000			\$ 15,000			\$ 15,000	\$ 60,000
Roads - W	☛ Safety Concern	Safety	Oil & Chip						\$ 16,000			\$ 16,000			\$ 32,000
Ponds	☛ Preventive Maint./Upgrade	Lake Quality	Dredging - Circle Pond (lot 16)												\$ -
Ponds	☛ Preventive Maint./Upgrade	Lake Quality	Dredging - Farm Pond				\$ 20,000							\$ 20,000	\$ 20,000
Ponds	☛ Preventive Maint./Upgrade	Lake Quality	Dredging - Pine Pond			\$ 48,000									\$ 48,000
Ponds	☛ Preventive Maint./Upgrade	Lake Quality	Dredging - Birch Pond						\$ 20,000						\$ 20,000
Ponds	☛ Preventive Maint./Upgrade	Lake Quality	Dredging - Hays Pond							\$ 20,000					\$ 20,000
Lake	☛ Preventive Maint./Upgrade	Lake Quality	Dredging - Misc.				\$ 10,000						\$ 15,000		\$ 25,000
Maint. Garage	☛ Preventive Maint./Upgrade	Equip Replacement	Grounds Equipment (misc.) *						\$ 500		\$ 1,000		\$ 1,000		\$ 3,000
Grounds	☛ Aesthetic Decline	Community Improvement	Landscape Projects/Refresh				\$ 2,000		\$ 1,000		\$ 2,000		\$ 2,000		\$ 7,000
Maint. Garage	☛ Preventive Maint./Upgrade	Equip Replacement	Zero Turn Mower Replacement						\$ 10,000						\$ 10,000
Maint. Garage	☛ Preventive Maint./Upgrade	Equip Replacement	Kubota tractor Replacement										\$ 25,000		\$ 25,000
Maint. Garage	☛ Preventive Maint./Upgrade	Equip Replacement	Side by side Replacement								\$ 15,000				\$ 15,000
Lake	☛ Preventive Maint./Upgrade	Equip Replacement	Trailer for mower Replacement						\$ 2,000						\$ 2,000
Lake	☛ Preventive Maint./Upgrade	Equip Replacement	Boat						\$ 8,000						\$ 8,000
Maint. Garage	☛ Preventive Maint./Upgrade	Equip Replacement	Salt spreader Replacement					\$ 4,000							\$ 4,000
Office	☛ Business Need	Equip Replacement	Fireproof file cabinet			\$ 2,500								\$ 2,500	\$ 2,500
Office	☛ Safety Concern	Equip Replacement	Office chair replacement			\$ 600									\$ 600
Office	☛ Safety Concern	Equip Replacement	Office desk replacement			\$ 1,000					\$ 1,000				\$ 2,000
Tower & Spillway	☛ Preventive/Maint. Upgrade	Lake Quality	Tower, dam, spillway inspection consultant		\$ 10,000					\$ 10,000					\$ 20,000
Island	☛ Preventive/Maint. Upgrade	Lake Quality	Island restoration						\$ 40,000						\$ 40,000
Lake	☛ Preventive Maint./Upgrade	Lake Quality	Water quality testing & service				\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 40,000
Grounds	☛ Cost Reduction/Efficiency	Equip Replacement	Leaf Sweeper for tractor			\$ 4,000									\$ 4,000
Lake	☛ Quality of Life	Lake Quality	Bathymetric survey of all lake coves			\$ 12,000									\$ 12,000
Lake	☛ Quality of Life	Lake Quality	Study Fish population/habitat assessment						\$ 6,000						\$ 6,000
Tower & Spillway	☛ Safety Concern	Safety	Dam inspection (state regulations)		\$ 5,000				\$ 5,000				\$ 5,000		\$ 15,000
Roads	☛ Functional Failure	Extend Life	Consultant assess SLA roads and drainage				\$ 8,000								\$ 8,000
Office	☛ Business Need	Community Improvement	update SLA website			\$ 4,000									\$ 4,000
Lake	☛ Quality of Life	Lake Quality	Develop long-ranged dredging plan				\$ 5,000								\$ 5,000
Office	☛ Business Need	Community Improvement	Update SLA lake map			\$ 5,000	\$ 5,000								\$ 10,000

Key:
In Process
Complete
Not Started

All estimates shown in 2026 dollars

* leaf blower, weed eater, chainsaw, etc.