DBR Finance Committee
April 2020

The Finance Committee met on April 29, 2020 via Zoom. The primary focus was to work on the Reserve Study Off-Site Update. Although we do not have the final costs for the Septic Replacement Project, there have been some unexpected expenses along the way. These include the work to locate and fix a leak in the sewer lines, and the need to install a new water line in order to keep it the required distance from the new drain field. The cost of the new water line is estimated at just under $41,000. In the 2020 Reserve Study, $52,143 was planned for Water Distribution Replacement in 2022. The Finance Committee is recommending that this planned expenditure be moved up to 2020 and used for the new water line.

The Committee carefully went through planned expenses in the Study and identified a number of projects that could be delayed without compromising the integrity of our assets. However, we also had to add plans for more costs to maintain and/or replace our aging infrastructure. This includes adding a specific line item for sewer line repair/replacement. One of the biggest planned projects is Radclyffe Replacement. This project has been pushed back several times because of other higher priorities. Thanks to Barb and Dave's hard work this winter, a number of repairs and upgrades in the remodeling will help to extend the building's usability. We believe that with continuing maintenance, the Radclyffe Replacement Project can be delayed until 2031. This would give us more time to build our Reserves back to a solid position.

The Committee is still working with Susan Ord on the Reserves Update and we hope to have that work done by the May Work Session.

We had made several requests for an insurance review but our old agent was completely non-responsive. Therefore, the Treasurer asked a sub-group of the Finance Committee to work with her on finding a new broker and completing an insurance review. Our new broker is Shannalee Phillips, Insurance Services Group, in Sequim. Shannalee works with a number of commercial insurance carriers, including Liberty Mutual (our current provider). She is very responsive and experienced. After completing a detailed review, we found that we were significantly under-insured. For example, our old insurance coverage for the office/lounge building was $177,214 but the industry standard calculations for building replacement costs shows the current value is $270,000. The laundry/exercise/restroom building coverage was $160,143 but the current value is $298,200.

The updated Commercial policy increases the coverage to adequate and necessary levels but is more expensive – just under $300 more per month. The new Annual Premium for the building and personal property coverage is $11,986 with a $2,500 deductible. The cost can be reduced by raising the deductible. Over the past five years, we have been slowly building an emergency fund/Operational Savings. We now have about $12,000 in Operational Savings, which could be used to cover the deductible if we had a large loss/claim. The options are:

$ 2,500 Deductible	Annual Premium $11,986	($998.83 monthly)

$ 5,000 Deductible	Annual Premium $11,177	($931.42 monthly)
$10,000 Deductible	Annual Premium $10,158	($846.50 monthly)

A $5,000 deductible would give us a savings of $809 annually, or $67.41 per month.
A $10,000 deductible would give us a savings of $1,828 annually, or $152.33 per month.

The difference between $2,500 and $10,000 is $7,500.00. We would save that much in insurance costs in 4 years.

Given that we have $12,000 in our emergency fund/Operational Savings, the Finance Committee is recommending that we increase our deductible for building/property coverage to $10,000.

Respectfully submitted.

Kate Higgins, Chair
DBR Finance Committee