



September 9, 2022

Dear Neptune House Owner,

Your maintenance fee bill for 2023 and a copy of the resort’s 2023 Budget are included in this mailing along with the resort’s Assessment Billing and Collection Policy and our Check-In Date Calendar.

Maintenance fees for 2023 are as shown in the chart below. They represent a 5% increase over the 2022 fees, driven largely by high inflation over the past year and plans to begin bringing all living units up to a common standard of function, comfort, quality, and appearance.

	2022 Maintenance Fee	2023 Maintenance Fee	Change
Float	\$ 765	\$ 803	+ \$ 38
Studio	\$ 1,252	\$ 1,314	+ \$ 62
One Bedroom	\$ 1,391	\$ 1,459	+ \$ 68
Two Bedroom	\$ 1,531	\$ 1,604	+ \$ 73

Total Expenses in 2023 are budgeted at \$909,815, which is a 6% increase from the budget in 2022. Funding will come from Total Revenue of \$829,890 plus \$79,925 from the Reserve Fund. Using a portion of accumulated reserve funds for 2023 reserve projects makes it possible to keep the maintenance fee increase at 5%.

Revenue from Maintenance Fee Income will be 4.2% higher than in 2022. In spite of increasing maintenance fees by 5%, fewer owners overall (559 shares owned as of July 31, 2022, versus 562 shares owned as of July 31, 2021) and a shift in distribution of ownership among unit sizes (fewer 2-bedroom owners, more studio owners) will yield less than 5% in added revenue.

Revenue from sources other than maintenance fees (labeled Other Income on the Presentation Budget) is set at 17% less than in 2022. This is attributed to fewer expected winter rentals to contractors working on town projects.

Use of accumulated reserve funds will be 47% higher than budgeted in 2022. The amount is in accordance with our 25-Year Reserve Plan which includes the following projects in 2023: Replacing the rubber membrane roofing on Building A, replacing the brick steps in front of Building A, replacing the washer/dryer for guest use in the basement of Building A, installing an automated pool cover to save heat, and taking the first steps to bring unit interiors up to a common standard. Together with Maintenance Fee Income and Other Income, these funds equal Total Expenses.

The total costs to run the resort, which are comprised of the Operating Expenses, Administrative and General Expenses, Fixed Expenses, and Payroll & Benefits, are budgeted at \$719,130 in 2023. This

amount represents only a 3% increase compared to the similar group of expenses in 2022 due to tighter spending controls over a variety of operating accounts as well as lower off-season staffing as a result of moving funding of some maintenance work out of the operations account into the reserve account. This has become necessary as the variety and complexity of the work requires skills not possessed by our staff. Contractors perform reserve account work.

Spending on Reserve Plan projects plus Bad Debt Expense, \$190,685 combined, makes up the balance of Total Expenses. Reserve project spending will be 20% higher in 2023 than in the 2022 budget per our revised 25-year Reserve Plan, while Bad Debt Expense will be marginally higher (Bad Debt Expense is set at 2% of Maintenance Fee Income).

The Board believes that this is a solid budget that maintains the resort's positioning for long-term financial and physical health. Operations are being managed efficiently; the Reserve Plan has appropriate funding for long-term maintenance projects while maintaining a Reserve Fund balance large enough for unexpected occurrences; and major work to enhance owner satisfaction has an adequate level of funding.

The levels of maintenance fees in 2024 and beyond are expected to increase at close to the historical average since 2000 (5% per year) in order to keep pace with inflation, continue to improve the condition of our living units, and account for an ongoing decline in ownership.

If you have any questions, please send them to board@neptunehouse.com.

Board of Directors: Phil Totino, President
Chery Moore, Vice President of Facilities Planning
Mark Morrissette, Treasurer
Jeff Anliker
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