

Budget FY25 workshop

Preliminary budget for July 1, 2024 to June 30, 2025



MAY 2, 2024
PRESENTATION

Reminder about conduct

Respect other owners and the volunteers working for you

Respect agenda for today

- Focus on preparing the budget for the fiscal year ending June 30, 2025 (“FY25”)
- Not a meeting for airing complaints or personal financial problems

Time to ask questions will be limited to 3 minutes per participant at the end of the presentation

We will collect all questions and those sent to FinancialFAQ@LakeClarkeGardens.com

- Questions that cannot be answered today and others will be posted on the LCG secure website under a section called (“FAQ”) Frequently Asked Questions
- Questions about your payments or account should still be sent to office@lakeclarkegardens.com

Agenda

1. Update on reserves
2. FY25 Budget highlights
Operating and reserve expenses
3. Impact on owners
4. Discussion on key questions
5. Question period

**** All numbers presented today are in draft form and are subject to change in the final budget FY25 ****

1- Reserve update

No new information received since April 18, 2024

The \$22M “Draft SIRS” report cannot be filed with public authorities:

- It is only a 2 page table of summary costs with no details for any buildings or any description of component repairs
- It was prepared as a preliminary step
- It ignores our current Reserve Fund balance of \$2.9M* at June 30, 2024
- It ignores any remaining useful lifetime for all components
- It is unsigned

Report authors, M2e, have confirmed that a complete report is under way to be delivered by December 31, 2024 (“SIRS24-M2e”)

* Forecast and subject to change in the final budget FY25

1- Reserve update

Likewise, no new update received for the “Normal” Reserve Study

- Latest report of 12 June 2020 ("RS20") is obsolete
- Cost of repairs are inadequate
- It does not meet the Florida statutes for SIRS
- Report authors, Reserve Associates, are preparing a new “Normal” report for 2024 (“RS24”)
 - To be delivered shortly

Reserve Associates could be mandated to prepare a second report for “SIRS” purposes (“SIRS24-RA”)

- LCG could have two SIRS report before December 31, 2024: Reserve Associates and M2e
- A second, independent opinion and possibly lower SIRS cost for LCG

1- Reserve update – Options for LCG

- If both reports “SIRS24-M2e” and “SIRS24-RA” are finalized before 31 December 2024, then use the lowest cost report for our budget 2025-26
- If only one report is finalized, then use it
- Currently we do not have a SIRS report, so for this budget cycle:

Finance Committee baseline
for budget 2024-25

- Use the “MIR24” and any other information at our disposal to form our own baseline SIRS reserve
 - This option is available only for this year for our budget 2024-25
 - Results can fluctuate significantly for our budget 2025-26
- If no reports are finalized by December 31, 2024, LCG could ask for an extension for filing our SIRS plan for our budget 2025-26, by showing good faith efforts
 - Must still file a complete SIRS report when one becomes available

2- Budget Highlights - operations

Compared to last year's budget we have a reduction in operating costs of (\$238,000):

- Lower budget for property insurance premium for the common areas
- Lower ancillary costs for direct staffing: health insurance, workers compensation insurance, etc
- Transferring costs for elevator repairs, minor plumbing and minor roof repairs from operations to be paid instead from the reserve fund
- Higher staffing cost for Seacrest services
- Higher cost for hiring a comptroller or a new external CPA service provider

2- Budget Highlights - reserves

No change from April 18th presentation on reserves:

- Finance Committee baseline for the budget FY25
- Net increase from last year in reserve needed to \$10,724,000
- Net increase from last year in reserve shortfall to \$7,784,000 as of June 30, 2024

Compared to last year's budget we have an increase in reserve costs:

- Introduction of new SIRS components for electrical and plumbing systems
- Higher replacement cost for roofing repairs for e.g. from \$95k to \$260k in a typical building
- Higher replacement cost for exterior painting, elevator repairs, etc.

2- Budget Highlights – Reserve shortfall

Using a partial funding option where the reserve shortfalls are spread over two years the reserve costs would be:

in Millions \$	Full funding option		Partial funding option eg				
	Reserve cost FYE25	Funded status	Reserve cost FYE25	FYE26	Total after 2 years	% funded FY25 *	
						Buildings	Common
Fees for reserve	7.8	100%	3.7	3.8	7.5	65%	35%

* Illustrative only: other partial funding percentages can be considered by the Board of Directors

In this example, common areas “Normal” reserve shortfall (non-SIRS) is not fully funded after two years

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2- Budget Highlights – Total assessments

Impact of both operation and reserve is an increase in total assessment of \$1,100,000 or 13%:

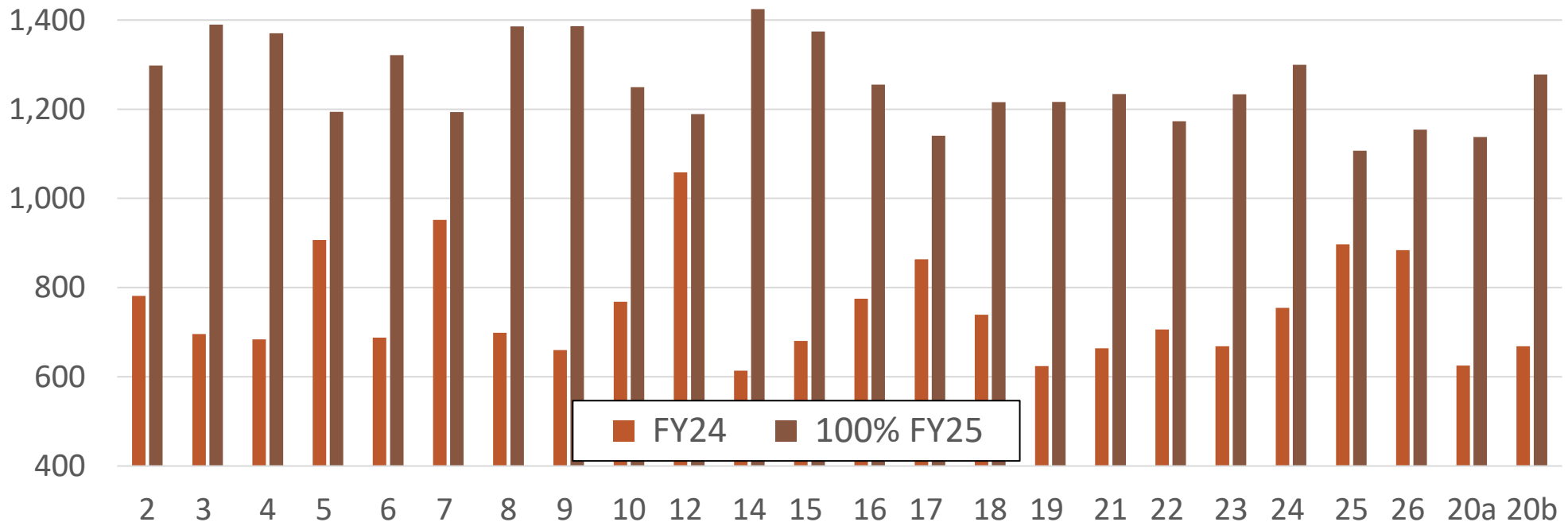
in Million \$	Budget FY24	Budget FY25	Difference \$	Difference %
Common area	3.6	3.4	(0.2)	-4%
Buildings	1.7	1.7	(0.0)	-1%
Fees for operations	5.3	5.2	(0.2)	-3%
Fees for reserves	2.5	3.7 *	1.2	49%
Grand total	7.8	8.9 *	1.1	13%

* Using Partial funding option with funding over two years

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3- Impact on owners – varies by building

	Budget FY24	Budget FY25 100% funding	Budget FY25 partial funding
Average monthly assessment 60% vote	708	1,303	TBD
Average monthly assessment 100% vote	833	1,202	TBD



4- Discussions / decisions

1. Proposed operations budget
2. Proposed baseline reserve
3. Proposed second SIRS opinion
4. Proposed partial funding by members:
 - 100% funding option is the default
 - Partial with X% for Building and Y% for Common area reserves
 - Other?

4- Voting process

Owners will get to vote on full funding or reduced funding as in prior years

- If owners do not vote, this will count as voting for immediate 100% funding

However, this year there are important new differences:

- A higher number of votes is needed:
 - Voting requires a majority of **voting interest** in each building to be effective

Timeline:

- 14 May - Board approval of the FY25 budget
- 15 May - Packages mailed to owners
- 11 June - Voting ends, billing starts

Questions and Answers

