

**PELICAN LANDING CONDOMINIUM ASSOCIATION
OF CHARLOTTE COUNTY, INC.**

October 21, 2019

Fellow Unit Owners:

I am enclosing the Proposed 2020 Operations and Reserves Budgets to give you an opportunity to review them prior to the upcoming November 9, 2019 Annual Meeting. Please bring this information with you to the Annual Meeting. We will be discussing it during the meeting.

Our budgeting is zero-based – meaning that our budgeted revenues equal budgeted expenses. As you can see, for 2020, we are calling for the same \$1,900 quarterly assessment that we established for 2019.

Operations Budget

- Accounting – The increase for 2020 is due to a Board of Directors decision to have audited financial statements prepared for the 2019 fiscal/calendar year. There are no particular concerns or issues calling for an audit. That said, the last audit we had was for 2015, four years ago. So, doing an audit for 2019 will be timely. Also, given the complexity of the major projects we have been doing this year, this year's insurance settlement, the number of contracts we have entered into and administered, etc., doing an audit will enable a good analysis of how we are doing our work. For all of these reasons, the Board felt that it is prudent to do an audit of our 2019 financials in early 2020 in support of our fiduciary responsibility to the membership.
- Elevator Contract & Maintenance – The increase is based on recent increases in the cost of maintaining day-to-day operation of our elevators. Until all of our elevators can be brought up to modern standards, this will be an ongoing challenge.
- Insurance-Flood – Increased premiums are based upon industry trends driven by a number of factors, including the rising cost of natural disasters.
- Insurance-General/Wind/Umbrella/WC – Please see the footnote on the Operations Budget to provide a more accurate comparison with the previous year. With our recent re-roofing, we actually think our 2020 expenses for this category could be less than the \$173,200 budgeted (versus approximately \$164,000 in premiums that will be paid during this year), but we won't know the extent of any savings until close to the April 29, 2020 renewal date of this insurance package. We anticipate there will be some increases in our liability insurance premiums and some additional cost due to the timing of our premium year. However, we do expect to receive a number of credits on our hazard insurance policies due to this year's re-roofing, and this should have a positive impact on holding down our major insurance premiums (including hurricane and windstorm) in the future.
- Landscape – Other – A special attachment breaking down all of our landscape related expense items and providing a detailed breakdown of the "Landscape Other" category is enclosed. This should help increase understanding of the many things we do to maintain our landscaping. The increase in the "Landscape

Other” category is due in part to incorporating the new contracts what were added for maintaining our irrigation system and providing yard treatments. We have also included mulch application at the same level as this year, which was higher than previous years, and have specified the budgeted amounts for specific cutbacks (major trimming) along property lines and a provision for possible beautification of the sunset deck areas (pending further Landscape Committee and Board of Directors approvals).

Reserves Budget

- With the exception of the Roof Reserve and Buildings Reserve, we applied a modest 2% inflationary increase to the estimated replacement cost for each reserve category. The Roof Reserve estimated replacement cost was established at \$557,000, the contract price of the current contract with Galloway Roofing, expenditures for which have been running precisely at the contracted price. The Buildings Reserve estimated replacement cost is based upon the calculation shown on the Proposed 2020 Reserves Budget.
- The life of the new roof was set at 35 years based upon the information we obtained regarding our particular type of roof.
- The estimated year-end 2019 balance in the Roof Reserve of \$95,721 includes the \$51,575 of additional money we anticipate receiving from the insurance settlement once we can provide the insurance company with an acceptable certificate of re-roofing completion. As 2020 will be our first year on the new 35-year Roof Reserve schedule, with membership approval, we could transfer the actual year-end 2019 balance in the Roof Reserve to other reserve categories that could benefit from additional funding. We should have the precise year-end balances of all reserve categories once the audited 2019 year-end financials are available in April of 2020 and can make a better assessment at that time. Any Board recommendation for transfer of reserve funds from the Roof Reserve to other reserve categories must be approved by a vote of the membership. In the meantime, the Board of Directors will continue to assess future needs.
- In the aftermath of a major elevator maintenance program for all of our elevators over the past two years and the current rejuvenation/modernization of Building E and F elevators, we have reset the “estimated remaining life” for the Elevators Reserve to 6 years. (Note: The Elevator Contract & Maintenance category of the Proposed 2020 Operations Budget also provides \$20,000 for day-to-day elevator maintenance.)

Sincerely,



Dave Henderson
Treasurer

PROPOSED 2020 OPS BUDGET – 10_17_19

**PELICAN LANDING CONDOMINIUM ASSOCIATION OF CHARLOTTE COUNTY, INC.
PROPOSED OPERATIONS BUDGET
FOR THE YEAR JANUARY 1, THROUGH DECEMBER 31, 2020**

	2018 BUDGET	2019 BUDGET	2020 PROPOSED BUDGET
REVENUE			
Maintenance Fees	<u>\$386,000</u>	<u>\$416,645</u>	<u>\$485,388</u>
EXPENSES			
Accounting	\$3,500	\$3,000	\$7,500
Legal	\$2,500	\$2,000	\$2,000
Building Maintenance	\$15,000	\$15,000	\$15,000
Condominium Fee	\$336	\$336	\$336
Dues, Licenses, Permits	\$1,800	\$1,600	\$1,600
Electric	\$15,450	\$15,900	\$16,377
Elevator Contract & Maintenance	\$16,222	\$16,709	\$20,000
Fire Alarm/Extinguisher	\$2,000	\$2,500	\$2,500
Insurance-Flood	\$57,600	\$74,000	\$85,000
Insurance-Gen'l/Wind/Umbrella/WC	\$125,300	\$133,000*	\$173,200
Landscape-Contract	\$12,000	\$12,000	\$12,000
Landscape-Other	\$5,000	\$5,750	\$10,865
Landscape-Palms/Mangroves	\$4,200	\$4,200	\$3,660
Maintenance Labor & Payroll Taxes	\$32,250	\$34,000	\$35,000
Management Fees	\$17,000	\$17,500	\$18,000
Office Expense	\$2,500	\$2,750	\$3,000
Pest Control	\$4,800	\$4,500	\$4,500
Pool Maintenance	\$3,000	\$3,000	\$3,000
Pool/Spa Contract	\$3,900	\$3,900	\$3,900
Telephone	\$5,000	\$5,500	\$5,750
Water/Sewer	\$52,500	\$55,000	\$57,200
Contingencies	<u>\$4,142</u>	<u>\$4,500</u>	<u>\$5,000</u>
	<u>\$386,000</u>	<u>\$416,645</u>	<u>\$485,388</u>
Net Ordinary Income (Loss)	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
QUARTERLY ASSESSMENT			
Operations	\$1,149	\$1,240	\$1,445
Reserves	\$651	\$660	\$455
TOTAL PER MEMBER	<u>\$1,800</u>	<u>\$1,900</u>	<u>\$1,900</u>
ANNUAL			
Operations	\$4,595	\$4,960	\$5,778
Reserves	\$2,605	\$2,640	\$1,822
TOTAL PER MEMBER	<u>\$7,200</u>	<u>\$7,600</u>	<u>\$7,600</u>
TOTAL ANNUAL BUDGET			
Operations	\$386,000	\$416,645	\$485,388
Reserves	<u>\$218,800</u>	<u>\$221,755</u>	<u>\$153,012</u>
TOTAL ANNUAL BUDGET	<u>\$604,800</u>	<u>\$638,400</u>	<u>\$638,400</u>

* In 2019, \$31,080 additional needed to be raised through special assessment to cover approximately \$164,000 in total projected expenses for this insurance category for 2019.

10_17_19

2020 Landscape-Related Budget Items

• Landscape - Contract (same as 2019)	\$12,000
• Landscape - Palms/Mangroves (\$540 less than 2019) (183 palms at \$20 each = \$3,660) (Mangrove cutback being done as part of Bayside seawall and dock pre-permitting work)	3,660
• "Landscape – Other" (See detailed breakdown below)	<u>10,865</u>
Total	\$26,525

\$26,825 is \$319.35 per condominium unit

Details of "Landscape – Other"

• Irrigation Contract	\$720
• Yard Treatment Contract	2,628
• Mulch (694 bags @ \$5.50 per bag - installed) *	3,817
• Bayside – South Property Line Cutback	800
• Bayside – North Property Line Cutback	600
• Gulfside – North Property Line Cutback	600
• Both Sunset Patios – Beautification **	1,500
• Bayside Clubhouse/Patio/Deck – Annuals	<u>200</u>
	\$10,865

* Note: In February of 2019, Dalton's delivered and installed 694 bags of mulch (350 the first day and 344 the following day – needed – but much more than past applications). Need appears to be no less for early 2020. To stay in budget, mulch must be managed to limit quantity to no more than same level (694 bags) as was applied in 2019.

** Note: The Landscape Committee and Board of Directors must approve beautification plans for sunset patios.

Proposed 2020 Reserves Budget 10_17_19

PELICAN LANDING CONDOMINIUM ASSOCIATION OF CHARLOTTE COUNTY, INC.									
PROPOSED RESERVES BUDGET									
FOR THE YEAR JANUARY 1, THROUGH DECEMBER 31, 2020									
RESERVE ACCOUNT	ESTIMATED TOTAL LIFE (YEARS)	ESTIMATED REMAINING LIFE (YEARS)	ESTIMATED REPLACEMENT COST	EST. BALANCE DECEMBER 31 2019	BALANCE TO FUND	ANNUAL REQUIRED FUNDING	COMPUTED 2020 ASSESSMENT	BUDGETED 2020 EXPENDITURES	EST. BALANCE DECEMBER 31 2020
POOL & SPA	20	2	\$53,632	\$35,038	\$18,594	\$9,297	\$9,297	\$0	\$44,335
ROOF	35	35	\$557,000	\$95,721	\$461,279	\$13,179	\$13,179	\$0	\$108,900
PAINTING	10	7	\$117,877	\$27,110	\$90,767	\$12,967	\$12,967	\$0	\$40,077
PAVING	7	4	\$33,884	\$23,096	\$10,788	\$2,697	\$2,697	\$0	\$25,793
TENNIS	7	1	\$9,838	\$9,645	\$193	\$193	\$193	\$0	\$9,838
DECK, DOCK & SEAWALL	7	1	\$105,060	\$47,549	\$57,511	\$57,511	\$57,511	\$0	\$105,060
ELEVATORS	6	6	\$171,608	\$24,343	\$147,265	\$24,544	\$24,544	\$0	\$48,887
Subtotals			\$1,048,899	\$262,502	\$786,397	\$120,388	\$120,388	\$0	\$382,890
BUILDINGS	SEE NOTE	1	\$42,675	\$10,051	\$32,624	\$32,624	\$32,624	\$0	\$42,675
TOTALS			\$1,091,574	\$272,553	\$819,021	\$153,012	\$153,012	\$0	\$425,565
The ANNUAL REQUIRED FUNDING has been computed on Straight Line Method for all Reserve Accounts based on Estimated Total Life, Estimated remaining Life and Estimated Replacement Cost EXCEPT FOR BUILDINGS. ANNUAL REQUIRED FUNDING FOR THE BUILDINGS ACCOUNT IS BASED ON THE FOLLOWING FORMULA:									
BUILDING RESERVE ANNUAL FUNDING WILL EQUAL TOTAL RESERVES BUDGETED FUNDING LESS BUDGETED FUNDING FOR ALL OTHER RESERVES									
BASED ON THE STRAIGHT LINE METHOD.									
BUILDINGS RESERVE 2018 FUNDING COMPUTED AS FOLLOWS:									
Year January 1 through December 31, 2020 Total Maintenance Fees				\$638,400					
Subtract Year January 1 through December 31, 2020 Operations Budget				\$485,388					
Year January 1 through December 31, 2020 Reserve Funding				\$153,012					
Less Funding for All Other Reserves (as above)				\$120,388					
Year January 1 through December 31, 2020 Building Reserve Funding				\$32,624					