

SUPPORTING COMMENTS TO THE 2009/2010 BUDGET

SUMMARY

The following describes the main build up of the 2009/2010 budget. Our fiscal year runs from November 1st 2009 to October 31st 2010. In a budget, there are normally three (3) components. The first one being the inflation applicable for some types of expenses or the result of negotiations of contract conditions; the second one is the results of additional commitments planned by the Board, and finally, what may come from an increase in regular assessments or from savings realized when compared to the current year's expenses.

THIS YEAR THERE WILL BE NO INCREASE IN THE REGULAR MONTHLY FEE, NO SPECIAL ASSESSMENT, AND YOUR BOARD WOULD HAVE BEEN IN A POSITION TO REDUCE THE MONTHLY REGULAR ASSESSMENT IF A REASONABLE INCREASE FOR THE WATER AND SEWER EXPENSE HAD BEEN IMPOSED BY THE CITY OF BOYNTON, OUR SERVICE PROVIDER.

We will be providing at a later date a short analysis of what we can consider:

- Fixed expenses: the types of expenses where your Board has no control
- Semi-Variable expenses: those expenses which are necessary and total expenses which can be controlled
- Variable type of expenses: those which depend on the direction of the Board and accommodating owners' requests.

The end result is subject to interpretation and discussion; it is a work in progress.

INFLATION

Under this heading the Association would have needed an extra \$64,310.00 (or \$13.03 per unit per month) to cover budget items where we have limited control.

The main components for cost increase due to inflation are:

Electricity (\$6,000.00); Garbage (\$4,100.00); satellite TV (\$700.00); Administrative payroll (\$3,410.00); Maintenance payroll (\$4,000.00); Payroll taxes (\$300.00); Security Guards (\$4,000.00); Audit (\$300.00); Income taxes (\$100.00), Landscaping (\$400.00) and finally the big one Water and Sewage for an increase of \$ 47,000.00.

On the Water and Sewer we have a special situation where the increase from previous year's budget amounted to \$77,000.00 or 47.2%. Cost went from \$163,000.00 to \$240,000.00 of which \$205,000.00 is the fixed portion. Even with a budget estimate of \$240,000.00, your Board remains concerned about this budget item, as we may be faced with another spectacular increase during the budget exercise. This increase alone would have meant an increase of \$15.61 per month per owner if your Board had

not been successful in reducing the insurance cost and the one-time type of expenses. In order to compensate for this possible increase, your Board has decided to postpone the bar code reading at the main entrance and to increase the contingency.

Assuming that nothing else happens, the monthly regular assessment would have gone up \$20.75 for a monthly maintenance assessment of \$310.75 just to cover the current rate of inflation specific to Waterside. We have experienced a substantial reduction in our insurance cost that offsets these increases.

NEW PROJECTS OR ADDITIONNAL COMMITMENTS

New projects for 2009/2010 -- commitment of \$60,000.00 or \$12.17 a month per owner. This is a reduction of the activities level from the current year, as some catching up occurred and some programs were accelerated or completed earlier than originally planned. Your Board will continue to invest in projects that add value to our site.

The new projects or additional commitments are:

The painting program where you're Board will, with the help of specialists, develop a new painting scheme for our buildings. A normal program would have cost about \$40,000.00 and we are adding \$10,000.00 to cover the cost of a different paint trimming. We will continue to invest seriously in new trees and bushes, ground maintenance, and building maintenance. New projects include replacing benches for \$6,000.00, resurface the shuffleboard court for \$3,000.00, and invest \$7,000 for new chairs and other works in the club house.

EXPLANATION ON SPECIFIC EXPENSES

200 ELECTRIC

This item appears to be subject to either a reduction of 9% according to information received from FPL. However, at the same time there was a newspaper article mentioning that FPL was trying to obtain an approval for a 30% increase. We have elected to increase budget cost by 7.8% and we are looking at potentially reducing electricity consumption.

305.2 BAD DEBT

Let's hope that lenders will accelerate the foreclosure process. We have budgeted \$35,000.00 or \$7.10 per owner a month in lost revenue and potential investments or maintenance fee reduction. By forecasting this, Waterside will not have to use a special assessment to cover this in the future.

310 INSURANCE

As mentioned in the last State legislature, with a substantial reduction compared to previous years, we have added 10% to the base premium of the current year coverage that runs from May 1st to October 31st. Negotiations of the new premium normally take place in late February of each year.

From current discussions with our broker we feel confident that the increase will be within a 10% limit.

320.1 WEBSITE IMPROVEMENT

We have resolved this situation during the current financial period; we now have to pay the yearly fee and the name registration to the webhosting firms. We will also complete the integration of the two sites. Thanks to Scott Perron and Jean-Pierre Nadeau's teams for their involvement in this process.

FERTILIZATION AND WEED CONTROL

This is a cost reduction from the current year. After discussion with Daniel and our maintenance staff we have decided to do the work ourselves instead of contracting out this task. The last contractual application is for the autumn season, and after we will not renew the contract. Our thanks go to Arrow for their excellent work during the past year. This will allow us to save over \$8,000.00 a year on top of the \$5,000.00 saved this year. Also thanks to our volunteers, our maintenance staff is benefitting from their contributions.

404 TREES TRIMMING

Again this year it will be a 2-phase project. The first one in late Fall with the trimming of palm trees and then in late spring for the hurricane preparation. In 2011 it will be the size reduction (trimming) of our trees. Remember that up to twelve (12) feet, it is the responsibility of our landscape firm, Kerry, to do this task.

405 BUILDING MAINTENANCE

A lot was done during the current fiscal year and we still have to do more, as our site is aging. This includes repairs to units faced with water infiltration. These situations are normally discovered when an owner is doing improvements to his or her unit.

406 GROUNDS MAINTENANCE

This item covers replacing grass, mulch application and various other types of small works, and this year we are planning to install new outside bulletin boards; one for the social activities and one for the Association. These new boards will be fixed to the exterior wall of the club house and the surrounding area will be improved.

409 PLUMBING EXPENSES

Lately we have been faced with a series of blocked sewage drains due to root infiltration in sewer pipes, a direct relation to the age of the site. This item is of concern to your Board, and we have managed to limit cost and inconvenience to owners.

410 ELECTRICAL EXPENSES

A lot was done during the current fiscal year. Next year we will accelerate the replacement of outside electrical boxes for units C and D, and also review the outside electrical fixtures of our units, we do plan to replace 125 of them this year and same next year. We have now a disparate look and do intend to do a gradual replacement of the most damaged ones over the next four years.

RESERVES

For more explanations please refer to the appropriate chart on this subject. At the end of October 2009, the reserves balance will total \$284,057.00 compared to a budget forecast of \$ 268,187.00. The reserve accounts in 2008-2009 were used for a total of \$77,328.00, mainly for painting, for the pools (heat pump and electrical), awning repairs or replacement, and sprinklers equipment (remote control). This includes \$25,000.00 out of the current year's surplus for the future purchase of the land on Miner Road.

For the financial exercise 2009-2010 the contribution will amount to \$150,000.00, \$25,000 of which will serve for the second payment on the land purchase; \$10,000.00 for the pool repair and \$20,000.00 will be used for awning repairs and replacement, leaving a balance of \$384,057.00 in the various reserve accounts at the end of October 2010. We should have over \$570,000.00 by the end of October 2012. We did invest in late October 2009 in an additional term deposit of \$100,000.00. The interest revenue, even at low rate, are now more substantial.

The reserves are fully funded, meaning there is equivalent cash either in a separate bank account or in term deposits with RBC Bank.

CLOSING REMARKS

For the first time in many years the maintenance fee will remain the same as the previous year or \$290.00 a month. The maintenance program will be maintained as close to the same level as the current year's and new projects will be initiated.

No special assessment is required and we will have substantially increased our reserve. We do intend to charge all maintenance activities to the current operating budget with the exception of the awnings and will set up reserve for the land purchase.

Prepared by Andre Mongrain

October 24, 2009

WATERSIDE BUDGET FOR 2009-2010
AS OF OCTOBER 24,2009

<u>DESCRIPTION</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>08/09</u> <u>NON-AUD</u>	<u>MONTHLY</u> <u>COST</u>	<u>Y 09/10</u> <u>BUDGET</u>	<u>Y 10/11</u> <u>FORECAST</u>	<u>Y 11/12</u> <u>FORECAST</u>
<u>REVENUE</u>	290			290	295	300
NSF FEE	0	100		0	0	0
100 ASSESSMENTS **	1,430,280	1,427,960	290.00	1,430,280	1,454,940	1,479,600
102 LATE FEE INCOME	1,000	9,940		6,000	7,000	8,000
103 INTEREST INCOME	7,000	6,403		5,500	7,000	9,000
104 ESTOPPEL FEE	2,700	3,000		3,000	3,000	3,000
106 ACCESS/GATE CARDS	500	15		500	500	500
107 TRANSFER/SCREENING FEE	22,000	30,000		28,000	29,000	30,000
108 MISCELLANEOUS INCOME	1,300	4,182		3,500	3,500	3,500
RESERVE ACCOUNT	-125,000	-125,000		-150,000	-135,000	-125,000
2544 INTEREST TO RESERVE	0	-5,500		-5000	-6000	-8000
TOTAL REVENUE	1,339,780	1,351,100		1,321,780	1,363,940	1,400,600
<u>EXPENSES</u>						
<u>UTILITIES</u>						
200 ELECTRIC	53,000	44,603	11.15	52,000	57,750	61,800
201 WATER & SEWER	163,000	187,519	48.66	240,000	250,000	267,000
202 GARBAGE & RECYCLING	31,000	32,235	7.01	34,600	36,000	37,600
203 PROPANE GAS	7,000	381	.20	1,000	1,000	1,000
204 CABLE T.V.	62,000	64,570	13.38	66,000	67,000	68,000
205 TELEPHONE	7,200	9,068	1.52	7,500	7,700	8,000
205.1 WIFI	25,000	1,821	.41	2,000	2,000	2,000
	348,200	340,197	82.34	403,100	421,450	445,400

<u>DESCRIPTION</u>	<u>08/09 FINAL</u>	<u>08/09</u>	<u>MONTHLY</u>	<u>Y 09/10</u>	<u>Y 10/11</u>	<u>Y 11/12</u>
<u>ADMINISTRATIVE</u>	<u>BUDGET</u>	<u>NON-AUD</u>	<u>COST</u>	<u>BUDGET</u>	<u>FORECAST</u>	<u>FORECAST</u>
300 PAYROLL-ADMINISTRATIVE	109,000	109,240	22.94	112,860	116,550	120,050
301 PAYROLL-MAINTENANCE	59,300	61,752	12.98	66,000	68,000	70,000
302 PAYROLL TAXES	13,300	14,698	3.04	15,000	15,750	16,500
302.1 EMPLOYEE BENEFITS	11,200	10,212	2.53	12,500	13,000	13,500
303 PAYROLL SERVICE FEES	3,600	3,571	0.75	3,700	3,800	3,900
304 SECURITY GUARDS	52,500	50,979	10.64	52,500	53,500	54,500
305 ACCOUNTING	25,500	24,541	5.27	26,000	26,500	27,000
305.1 BANK FEES	600	1,540	.20	1,000	1,200	1,400
305.2 BAD DEBT	27,500	35,744	7.10	35,000	28,000	26,350
306 AUDITING	4,500	4,500	.97	4,800	5,100	5,400
307 LEGAL	9,000	9,273	2.89	14,250	13,000	13,000
308 PROPERTY TAX	2,100	4,098	0.44	2,200	2,300	2,400
309 INCOME TAX	700	-61	0.16	800	900	1,000
310 INSURANCE	283,000	232,187	38.82	191,500	220,000	240,000
311 OFFICE SUPPLIES	5,500	3,519	0.91	4,500	5,000	5,000
312 POSTAGE & SHIPPING	3,750	2,630	0.76	3,500	3,800	4,100
313 LICENSES	2,500	2,334	0.51	2,500	2,500	2,500
314 TRAVEL & MILEAGE	350	607	0.07	400	450	500
315 MEETINGS & EDUCATION	500	300	0.05	250	250	250
316 SCREENING	5,500	7,105	1.62	8,000	8,500	9,000
317 ALARM SYSTEM	500	319	0.12	600	700	800
318 COMPUTER REPAIR/SERVICE	2,000	0	0.48	2,400	2,400	2,400
319 COPIER	3,800	3,657	0.73	3,600	4,000	4,000
320 MISCELLANEOUS ADMIN.EXP.	2,500	5,589	1.01	5,000	5,000	5,000
320.1 WEBSITE IMPROVEMENT	7,500	6,154	0.51	2,500	2,500	2,500
	636,200	594,488	115.49	571,360	602,700	631,050

<u>DESCRIPTION</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>08/09</u> <u>NON-AUD</u>	<u>MONTHLY</u> <u>COST</u>	<u>Y 09/10</u> <u>BUDGET</u>	<u>Y 10/11</u> <u>FORECAST</u>	<u>Y 11/12</u> <u>FORECAST</u>
MAINTENANCE						
400 GASOLINE	750	613	0.25	750	750	750
401 SPRINKLERS	9,000	14,502	2.43	12,000	10,500	10,500
402 PEST CONTROL	24,000	24,802	4.46	22,000	22,000	22,000
402.6 MISC. MAINT.EXP.	500	971	0.10	500	500	500
403 LANDSCAPING	132,000	116,227	22.71	112,000	115,000	118,000
403.1 FERTILIZATION-WEED CONT.		15,226	1.61	8,000	9,000	9,000
404 TREE TRIMMING	7,000	8,725	2.23	11,000	11,000	12,700
404.1 NEW TREES & BUSHES	25,000	13,461	3.65	18,000	15,190	15,000
405 BUILDING MAINTENANCE	20,000	21,968	4.26	21,000	19,000	18,000
406 GROUNDS MAINTENANCE	7,000	9,976	1.42	7,000	6,000	6,000
407 SECURITY GATE EXPENSE	6,000	4,522	0.80	4,000	4,000	4,000
408 CAMERA & VIDEO EXP.	12,000	0	0.20	1,000	12,000	1,000
409 PLUMBING EXP.	1,000	2,443	0.30	1,500	1,500	1,500
410 ELECTRICAL EXP.	6,000	6,186	1.01	5,000	5,000	5,000
411 POOL SUPPLIES & REPAIR	10,000	13,658	2.03	14,000	15,000	16,000
412 STREET MAINTENANCE	10,000	48,836	0.80	4,000	4,000	4,000
413 UNIFORMS	260	0	0.05	250	250	250
414 GOLF CARTS	2,000	31	0.40	2,000	2,000	2,000
415 LOCKSMITH	400	511	0.10	500	500	500
416 FIRE SAFETY	5,500	5,755	1.16	5,750	6,000	6,250
417 JANITORIAL SUPPLIES	2,400	2,328	0.66	3,300	3,600	3,900
419 POSTAL STATION	3,000	524	0.00	0	0	0
420 PAINTING PROGRAM	13,000	15,000	10.13	50,000	50,000	50,000
421 STREET LIGHT	5,000	1,103	0.40	2,000	0	0
422 SHUFFLE BOARD CANOPY	5,000	10,130	0.00	0	0	0
423 FLAG POST	0	3,663	0.00	0	0	0
424 TENNIS	15,000	16,071	0.00	0	0	0
425 POOL CHAIRS/TABLES	6,500	5,787	0.40	2,000	0	0
426 ENTRANCE SIGNS/FOUNTAIN	5,000	11,902	0.61	3,000	0	0
427 OFFICE ENTRANCE/PATIO	0	0	0.00	0	0	0
EXERCISE ROOM	0	0	0.00	0	15,000	1,000
429 BENCHES REPLACEMENT	0	0	1.21	6,000	0	0
430 SHUFFLE BOARD SURFACING	0	0	0.61	3,000	0	0
431 CLUB HOUSE IMPROVEMENT	0	0	1.41	7,000	0	0
428 ACCESS BAR CODE	0	0	2.03	0	0	0
	333,310	374,921	67.52	326,550	327,790	307,850

<u>DESCRIPTION</u>	<u>08/09 FINAL BUDGET</u>	<u>08/09 NON-AUD</u>	<u>MONTHLY COST</u>	<u>Y 09/10 BUDGET</u>	<u>Y 10/11 FORECAST</u>	<u>Y 11/12 FORECAST</u>
450 CONTINGENCY	12,070	7,206	3.34	19,770	12,000	16,300
476 INTEREST EXPENSE	10,000	4,834	0.20	1,000	0	0
2544 LAND RESERVE	0	25000	-	-	-	-
	22,070	37,040	3.84	20,770	12,000	16,300
GRAND TOTAL EXPENSES	1,339,780	1,346,647	268.81	1,321,780	1,363,940	1,400,600
SURPLUS REVENU OVER EXPEMSES	0	435	0	0	0	0

<u>DESCRIPTION</u>	<u>08/09 FINAL BUDGET</u>	<u>08/09 NON-AUD</u>	<u>MONTHLY COST</u>	<u>Y 09/10 BUDGET</u>	<u>Y 10/11 FORECAST</u>	<u>Y 11/12 FORECAST</u>
RESERVES						
2510 ROOFS	25,000	25,000	5.07	25,000	25,000	25,000
2515 PAINTING	2,400	2,400	0.49	2,400	2,400	2,400
2530 ASPHALT	25,000	25,000	7.10	35,000	35,000	35,000
2542 POOLS	12,600	12,600	2.55	12,600	12,600	12,600
2543 AWNINGS	20,000	20,000	4.06	20,000	20,000	20,000
2546 SPRINKLERS	10,000	10,000	1.01	5,000	5,000	5,000
2545 WORKING CAPITAL	30,000	30,000	5.07	25,000	25,000	25,000
INSURANCE DEDUCTIBLE	0	0		0	10,000	0
2544 INTEREST REV. RESERVE	0	5,000		5,000	6,000	8,000
2548 LAND PURCHASE	0	25,000	5.07	25,000	0	0
	125,000	155,000	30.41	155,000	141,000	133,000

24-Oct-09