

COMMENTS ON THE 2013/2014 OPERATING AND RESERVES BUDGET – OCTOBER 29, 2013

We all remember last year's budget presentation, as we increased our maintenance fee from \$290.00 to \$300.00 a month, after 4 years of no increase. At that time we submitted a forecast for the fiscal year 2013/2014 at a monthly rate of \$300.00 a month and a forecast for the fiscal year 2014/2015. **We are now facing reality that a new budget for the upcoming fiscal year has to be \$305.00 a month.** We will comment on the evolution and justification later in this memo.

THE PAST YEAR Last year we produced a report that covered the previous 6 years' accomplishments and special situations. This section will only cover the fiscal year 2012/2013 accomplishments. For our new owners that are interested in the past, please refer to our website to find out the previous years' various reports from the Board.

The main event this past twelve months is the **completion** of the acquisition of the Miner Road Park. It is set up with sod, trees, a sidewalk, a swing, benches, sprinklers and other required finishing touches. Thanks to all the volunteers that did help with this beautification project. By the way, we had purchased 79 pallets of sod, 39 of which were used for the new park, and the rest of the sod was used to complete grass repairs throughout the property. Over the past 3 years we have maintained a more-than-adequate grounds- keeping standard and should continue in the future.

We completed the replacement of **our gazebos and of a pergola**. We planted over **800 new trees and bushes** all over the site. We did replace **old swings** with the help of volunteers and the same with the **additional storage racks** for the propane tanks. We **built a pad** for the motorbikes and also made major **improvements** to the back portion of the shop in order to create more room within the existing space.

We also **replaced all circular windows** with hurricane- approved protective material and fixation devices. This was required for insurance purposes necessary for the mitigation report. For owners of unit type C, D and DD you can find the various data on this point on our website. We are left with 4 owners out of a **total of 15** that still need to replace their garden windows. We completed the setup of our library by adding **additional shelving**.

We **completed all of the requirements of our budget to the highest standard**, in terms of building and landscape maintenance with the rejuvenation of our hedges attacked by whiteflies, pest control and other visible elements of our budget.

One major project that was launched by our group of artists under the direction of Guy Begin and Denis Lalande is the wall **mural**. It is such a nice addition to Waterside. We also improved our **website design**, due to the great work of Mr. Scott Perron. We hope to complete the French section over the coming winter months. One of your Board members, Mr. Michael Shane was a very active participant with the various groups involved with the **railroad future usage**.

Again your Board wants to thank all our public works volunteers for their outstanding contribution; a lot was accomplished due to their involvement. Thanks to the social club management for their outstanding year. A special note for the Sharing Project group under the leadership of Mr. Dubord --

with all the owners and renters involved Waterside project a very strong, deeply humanitarian community, which has made it a happy and popular place to live. This was mentioned at a public session of the Town of Hypoluxo council and we maintain an excellent relationship with the Town due to our involvement in community affairs.

THE OPERATING BUDGET FOR 2013/2014

COMPARISON TO LAST YEAR'S PUBLISHED FORECAST FOR THE YEAR 2013/2014 As mentioned, the monthly fee will change from \$300.00 a month to \$305.00. What are the components that prevent us from maintaining the fee at the same level? The last year's budget presentation did show a forecast for the year 2013/2014 at \$300.00. This evolution is mainly due to cost increases in what is called Utilities Expenses – the monthly cost of Direct TV increased, the garbage and recycling cost went up with a new monthly charge called “environmental,” and a projected increase in electric, water and sewage. This represents \$0.86 out of the \$5.00 monthly increase. The administrative types of expenses are down by \$0.29 a month when compared to last year forecast.

We have a \$1.32 increase per- month in the maintenance category. When compared to last year's forecast for the same period, costs are up in pest control, in landscaping, in building maintenance and in the painting program. We will explain the reason for those items increase later on. To partially offset these increases we are below previous forecasts in street lights and installation of a third pergola.

The main component of the distortion when compared to last year's forecast is on the contingency which accounts for \$3.01 of the increase, and can be used for emergency. Your Board hopes to be able to use this increase **for noise and dust abatement** alongside the retention pond and the US1 railroad tracks.

INCREASE OF \$5.00 COMPARED TO CURRENT YEAR RESULTS

Major cost increase in 2013/2014 when compared to the 2012/2013 non-audited forecast for the current fiscal year come from:

Water and sewage: \$10,000.00 Please remember, that's water consumption as well as waste water.

Garbage and recycling: \$3,000.00 just on the recycling charge we have an increase of close to \$1,000.00 for an environment tax. This is the smallest of the 3 components of our garbage and recycling cost.

Payroll related components: \$9,500.00 or 4.5%. This may be on the high side but we have limited control and predictability over government- related costs. Base salary components are up by 2.9% and government- related are up by 8.6%.

Insurance: \$25,000.00 we did obtain estimates for the various types of insurance policies that cover Waterside for fire, wind, and general liability. This includes directors and officers, equipment and an umbrella policy from our insurance broker. Newspapers have been reporting how Citizens, which is the provider for our wind insurance, plans a 10 to 12%, increase on top of the last two years' 12% increase. If it continues that way, in just over 6 years the wind premium will have doubled.

Landscaping: \$11,000.00 we are in the negotiation process on this major contract. We did benefit over the past couple of years of limited increases. We do have a well-maintained site and though costly, we intend to continue to maintain and improve it. We are considered a commercial site that is maintained like a private home with its own botanical gardens

Fertilization and weed control: \$2,500.00 since early this year we have added a weed control and removal contract under this grouping. We tried to do this with volunteers but the task is too demanding. For 24 month we have not deviated from a very exhaustive fertilization and herbicide program and this is why our lawns are in top shape.

Painting program: \$12,000.00 it is more costly to paint C and D type of buildings, and next year the program covers those types of buildings. We are concerned as we have seen this year price increase, that this may not be enough and we may have to delay some work or use reserve. We got a break in 2017/2018 as the warranty on the paint is now extended by one year. Then it will be decision time.

Contingency: \$15,600.00 remembers that this is more a reserve than an actual expense; normally your Board is not using this account till we have a clear indication about the hurricane season.

Railroad noise and dust abatement: next year your Board plans to use **\$25,000.00** of this budget for the noise and dust abatement at US1 and railroad tracks.

Major cost decrease in 2013/2014 when compared to the 2012/2013 non-audited forecast for the year comes from:

Cable TV: \$3,000.00 in 2013/2014 we will not have to replace the Direct TV decoders like in 2013.

Collection cost: \$ 3,000.00 we are left with 3 serious situations which are fewer than prior years, but the remaining cases continue to be addressed with full legal tools available to the Association.

Social facilities: \$5,000.00 in 2012/2013 fiscal year we invested a substantial amount of funds in new fridges, a stove, barbecue grill, a defibrillator and new swings. These investment are now done. We are left with the replacement of old swings and probably the addition of one. These should cost about \$3,500.00 and the remaining will be for social activities.

Building maintenance: \$9,000.00 we invested in the refurbishing of the back portion of the shop, the protection for the mural, the motorbike pad and other minor projects, that are now completed. We will initiate a replacement program for the vents that are located on the sides of our buildings. Wood has rotted and steel ones have rusted. This is required to protect integrity of the buildings.

Pool supplies and maintenance: \$10,000.00 in 2012/2013 we did major work on the east pool due to leaks. The cost was close to \$11,000.00 and was charged to the operating budget not the pool reserve.

Garden windows and circular windows: \$36,600 this is now completed. This completes the major ups and downs of operating budget evolution.

THE RESERVE FOR 2013/2014 On the last page of the budget data sheet you can see the budget plan for the fiscal year 2013/2014 and the forecast for the next two years. A reconciliation sheet of the various reserve components is attached and is called 2013/2014 Budget Evolution of the various reserve accounts. The data dates back to 2005 and we also forecast the years 2015 and 2016. We have not used any reserve funds during the past year; it is always the intention of the Board to use the operating budget for what may be considered maintenance, like we did with the east pool repair or with the awnings for the painting program of 2012/2013. ***The reserve principle is quite simple ---yearly expenses are part of the regular budget, reserve fund are for crucial situation like redoing our asphalt. This should be pointed out to potential buyers at Waterside to take into consideration as it reduces the risk of special assessment.*** Waterside reserves are funded on a monthly basis.

We still need to conduct an independent survey of our asphalt. We increased our contribution to the roofs and the asphalt accounts. We remain cautious on the interest revenue. Rates are currently low and some of the old CDs that had higher yield are now at term and will be replaced by lower yield CDs. We will reach close to \$1,000,000 in reserves, possibly for that purpose, in 5 different banks.

CONCLUSION 2012/2013 was a satisfactory fiscal year. The era of big projects may be over for now. With costs going up we cannot forecast what a new club house or the remodeling of the existing one would mean. Modification to our entrance gate system may cost \$15,000.00 and a full two- alley entrance may cost \$50,000.00. There is no guarantee that a new TV system would offer the same service for the future, or a full site internet access would be feasible.

This year we will concentrate our efforts in maintaining the highest standard for our site and finding a solution for the upcoming additional noise and dust possibility from the railroad. We will also work with our insurance agent to obtain a premium reduction due to the installation of new circular window protection and the removal of the garden windows. Owners who changed their Florida rooms to the new standard improved the look of Waterside; we hope all owners will do the same.

To the owners that still receive this via mail, if you have an email address PLEASE fill in the proper form. This helps in reducing cost and keeps you posted on what's going on at Waterside.

The meeting to approve the operating and reserve budget is scheduled for October 29, 2013 at 7.30 pm at the clubhouse. Every owner is welcome.

On behalf of the Board,

Andre C. Mongrain

President and Treasurer

WATERSIDE BUDGET FOR THE YEAR 2013/2014
AS OF OCTOBER 29, 2013

<u>DESCRIPTION</u>	<u>2012/2013 NON AUDIT</u>	<u>Y 12/13 BUDGET</u>	<u>MONTHLY COST</u>	<u>Y 13/14 BUDGET</u>	<u>Y 14/15 FORECAST</u>	<u>Y 15/16 FORECAST</u>
<u>REVENUE</u>	300	300		305	310	323
NSF FEE	191	0		0	0	0
100 ASSESSMENTS **	1,479,600	1,479,600	305.00	1,504,260	1,528,920	1,593,036
102 LATE FEE INCOME	5,500	3,500		3,500	3,500	3,000
103 INTEREST INCOME	14,937	6,100		8,000	9,000	10,000
104 ESTOPPEL FEE	3,300	3,000		3,000	3,000	3,000
106 ACCESS/GATE CARDS	50	100		200	200	200
107 TRANSFER/SCREENING FEE	25,500	31,000		26,000	26,500	27,000
108 MISCELLANEOUS INCOME	2,000	1,500		2,000	2,000	2,000
RESERVE ACCOUNT	-92,500	-92,500		-92,500	-92,500	-92,500
2544 INTEREST TO RESERVE	-14,800	-6,000		-8,000	-9,000	-10,000
TOTAL REVENUE	1,423,778	1,426,300		1,446,460	1,471,120	1,535,736

EXPENSES
UTILITIES

200 ELECTRIC	44,200	44,200		46,000	47,000	48,000
201 WATER & SEWER	220,000	230,000	46.63	230,000	237,000	245,000
202 GARBAGE & RECYCLING	39,000	43,000		42,000	44,000	46,000
203 PROPANE GAS	150	500		500	500	500
204 CABLE T.V.	67,800	60,000	13.18	65,000	66,000	67,000
205 TELEPHONE	7,300	7,200		7,200	7,200	7,200
205.1 WIFI	1,750	1,750		1,750	2,000	2,000
	380,200	386,650	79.57	392,450	403,700	415,700

<u>DESCRIPTION</u>	<u>2012/2013</u> <u>NON AUDIT</u>	<u>Y 12/13</u> <u>BUDGET</u>	<u>MONTHLY</u> <u>COST</u>	<u>Y 13/14</u> <u>BUDGET</u>	<u>Y 14/15</u> <u>FORECAST</u>	<u>Y 15/16</u> <u>FORECAST</u>
<u>ADMINISTRATIVE</u>						
300 PAYROLL-ADMINISTRATIVE	111,500	111,500		114,000	116,500	119,000
301 PAYROLL-MAINTENANCE	72,800	74,500		76,500	78,500	80,500
302 PAYROLL TAXES	15,050	17,000		17,000	18,500	19,500
302.1 EMPLOYEE BENEFITS	10,500	12,000		12,000	13,000	14,000
304 SECURITY GUARDS	53,100	56,500		57,000	59,000	61,000
305 ACCOUNTING	24,500	25,000		25,500	26,500	27,500
305.1 BANK FEES	900	900		900	900	900
305.2 BAD DEBT	11,000	18,000		12,000	10,000	8,000
305.3 COLLECTIONS COST	11,000	8,000		8,000	7,000	6,000
306 AUDITING	4,400	4,400		4,400	4,600	4,800
307 LEGAL	1,500	2,000		2,000	2,500	3,000
308 PROPERTY TAX	2,525	2,300		2,600	2,800	2,900
309 INCOME TAX	0	500		500	500	500
310 INSURANCE	245,600	243,000	54.74	270,000	298,600	332,500
311 OFFICE SUPPLIES	2,900	2,250		2,500	2,500	2,500
312 POSTAGE & SHIPPING	900	1,500		1,200	1,500	1,500
313 LICENSES	2,334	2,500		2,500	2,500	2,500
314 TRAVEL & MILEAGE	1,100	1,000		1,100	1,100	1,100
315 MEETINGS & EDUCATION	300	300		300	300	300
316 SCREENING	7,500	9,500		7,500	7,700	8,000
317 ALARM SYSTEM	500	500		500	600	700
318 COMPUTER REPAIR/SERVICE	2,000	3,500		2,000	2,000	2,000
319 COPIER	3,700	4,000		4,000	4,000	4,000
320 JANITOR, WATER, MISC.	5,400	4,000		4,500	4,700	4,900
320.1 WEBSITE IMPROVEMENT	1,500	1,500		1,500	1,500	1,500
323 SOCIAL FACILITIES	13,177	7,000		8,000	7,000	7,000
	605,686	613,150	129.35	638,000	674,300	716,100

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MAINTENANCE						
400 GASOLINE	1,400	1,300		1,400	1,400	1,400
401 SPRINKLERS	6,200	6,000		6,000	7,000	7,000
402 PEST CONTROL	27,200	21,000		25,000	26,000	27,000
402.6 MISC. MAINT.EXP.	800	1,000		1,000	2,000	2,000
403 LANDSCAPING	113,800	117,000	25.14	124,000	128,000	133,000
403.1 FERTILIZATION-WEED CONT.	22,520	25,000		25,000	26,000	27,000
404 TREE TRIMMING	10,800	7,500		9,500	7,500	7,500
404.1 NEW TREES & BUSHES	13,000	12,500		12,500	12,500	12,500
405 BUILDING MAINTENANCE	36,000	20,000		27,000	22,000	22,000
406 GROUNDS MAINTENANCE	27,000	20,000		24,000	24,000	24,000
407 SECURITY GATE EXPENSE	9,300	6,000		6,000	6,000	6,000
408 CAMERA & VIDEO EXP.	3,500	2,000		2,000	2,000	2,000
409 PLUMBING EXP.	3,000	3,000		3,000	3,500	4,000
410 ELECTRICAL EXP.	3,600	3,000		3,000	3,500	4,000
411 POOL SUPPLIES & REPAIR	23,000	14,000		13,000	14,000	14,000
412 STREET MAINTENANCE	2,000	4,000		5,000	5,000	5,000
413 UNIFORMS	300	300		400	400	400
414 GOLF CARTS/GROUND EQUIP.	3,500	5,000		5,000	2,000	2,000
415 LOCKSMITH	250	300		300	500	500
416 FIRE SAFETY	2,625	5,000		4,000	4,000	4,500
417 JANITORIAL SUPPLIES	1,800	2,000		2,000	2,000	2,500
418 AWNINGS REPAIRS	20,780	21,000		17,000	23,000	24,000
420 PAINTING PROGRAM	40,998	36,000		53,000	47,000	50,000
421 STREET LIGHT	4,125	3,000		2,000	2,000	2,000
424 TENNIS COURT RESURFACING	6,632	6,000		0	0	0
425 POOL CHAIRS/TABLES	1,000	2,000		2,000	2,000	2,000
429 BENCHES REPLACEMENT	4,872	3,000		1,000	1,000	1,000
477 PERGOLA	6,340	7,000		0	0	0
479 LIGHTS RETENTION POUND	0	5,500		0	0	0
	396,342	359,400	75.85	374,100	374,300	387,300

<u>DESCRIPTION</u>	<u>2012/2013 NON AUDIT</u>	<u>Y 12/13 BUDGET</u>	<u>MONTHLY COST</u>	<u>Y 13/14 BUDGET</u>	<u>Y 14/15 FORECAST</u>	<u>Y 15/16 FORECAST</u>
450 CONTINGENCY	1,238	27,100		16,910	18,820	16,636
RAILROAD NOISE/DUST	0	0		25,000	0	0
SHUTTER GW/CIRCULAR	36,264	40,000	0.00	0	0	0
	37,502	67,100	8.50	41,910	18,820	16,636
GRAND TOTAL EXPENSES	1,419,730	1,426,300	293.20	1,446,460	1,477,120	1,541,736
SURPLUS REVENU OVER EXPENSES	4,048	0	0	0	0	0

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RESERVES						
2510 ROOFS	28,000	28,000		30,000	30,000	32,500
2515 PAINTING	1,500	1,500		1,000	1,000	0
2530 ASPHALT	20,000	20,000		21,500	23,000	26,500
2542 POOLS	8,000	8,000		8,000	8,000	8,000
2543 AWNINGS	5,000	5,000		3,000	3,000	3,000
2546 SPRINKLERS	5,000	5,000		5,000	5,000	5,000
2547 TV CABLE INFRASTRUCTURE	12,500	12,500		12,500	12,500	12,500
2545 WORKING CAPITAL	12,500	12,500		11,500	10,000	5,000
2544 INTEREST REV. RESERVE	14,800	6,000		8,000	9,000	10,000
	107,300	98,500	20.38	100,500	101,500	102,500

Oct-29-2013

Andre Mongrain President and Treasurer