

COMMENTS ON THE 2016/2017 OPERATING AND RESERVES BUDGET-SEPTEMBER 23, 2016

Your Board recommends that the monthly fee be increased from \$310.00 to \$315.00 for the upcoming budget year. This includes a \$3.00 fee in order to pay for the interest during ***possible construction of a clubhouse.***

Over a period of 8 years the monthly fee went from \$290.00 to \$315.00 after the \$3.00 related to ***construction interest***, this is equivalent to an ***increase of 10.86% over that period, a yearly compounded average increase of 0.82%.***

We added the forecast for 2017/2018 equivalent to monthly fee of \$331.00 inclusive of monthly cost of \$21.00 to cover the reimbursement of the capital and interest of the debt on the ***possible club house*** and for 2018/2019 of a monthly fee of \$340.00 also inclusive of an expected \$21.00 for the club house and these are for reference only. ***These projections are subject to change depending on the Board's orientation and economic condition.***

As you can see in 2017/2018 if it was not for the club house, costs would have come back to the same level as in 2015/2016 i.e. \$310.00, due to the fact that there will be no painting program going on during that year and also the following year at a minimum. Why no painting program for 2 or 3 years? The current ongoing program includes an excellent preparation process and the paint warranty period was also extended by the paint manufacturer.

THE PAST YEAR:

This year we saw our Property Manager, Mrs. Stacey Casey, go through a surgical procedure as both knees needed to be replaced, and she is recuperating very well. During Stacey's absence, Mrs. Monique Dell played a very important and dedicated role. We have also agreed with Mr. Gaetan Prgent's request to go part time. He was mainly assigned to painting tasks like the railings, which are not yet completed but excellent progress was made. We have added to our maintenance staff, Mr. Rafael Rivas. ***All of our staff's excellent performance needs to be mentioned and we are all thankful for their committed and dedicated service to Waterside.***

During the past year we have reintroduced our monthly comments, instead of the quarterly report that we did for a period of one year and it is now practically a monthly newsletter. Thanks to Mr. Scott Perron for his formatting and photos, this appears to be well appreciated by our owners, but it is very demanding in terms of time required for preparation, and let's hope that this will be maintained in future years. All of those reports are on our website.

A section of the budget presentation shows the evolution of the various reserve accounts. You can notice that under ***the working capital reserve we have recorded a reduction of \$22,500.00*** which is the only firm commitment toward the possible club house, and ***if the club house project manages to go over all of the hurdles*** than a further \$77,500.00 will be used out of the working capital reserve.

The report that provides budget evolution for the past nine years should be issued by mid-October; it is not a mandatory report of the budget process in accordance with the Florida Statute. This report show

the numerous one-time projects completed over that time period. ***Owners' investment indicates a real commitment in the future of Waterside.***

During the year we did mention that an agreement was signed with AT&T as we were faced with a serious situation about the availability of internet DSL ports and lack of support from AT&T. ***The installation is now going on and each owner will have to make a decision to which service they want to subscribe to, phone line, internet or TV. Owners that do not want the UVerse fiber optic service will be in a position to maintain their current DSL service until year 2020, after which DSL will not be maintained by AT&T. The Association and owner's representation and complaints that were filed with the FCC did produce results.*** If all goes in accordance with schedule and parts availability, this project should be completed by the end of March, 2017.

We completed the entire budget objective and more than the budget requirements, always to the highest quality standard, but it was a very stressful year. We look forward to the future and to our new residents, welcome on board and we now have 28 full time renters that we need to make sure feel at home.

The social committee had a very successful year under the direction of Guy Hamel and his team. The events were numerous, well prepared, well attended and of the highest quality, it will be hard to beat the last season achievement. ***Thanks to all the volunteers that support this committee! We need to make sure there are new residents that join the current dedicated group of residents involved in the social activities.*** Thanks also to the volunteers that were involved in the various "public works" tasks; your help is greatly appreciated.

We also have to notice the very successful year for the Sharing Project under the leadership of Paul Dubord and Diane Paquin, \$20,000.00 was donated by our residents to support the Rolling Green Elementary school music program. By the way, our example is now followed this year by a group of local business owners. A group of owner's accepted the invitation of the school Management to review what our contribution of the previous years did accomplish and we were surprise with the result, the high tech room was the main focus of our visit.

THE OPERATING BUDGET FOR 2016/2017

1. MAIN 2016-2017 BUDGET ITEMS WITH AN INCREASE OVER 2015-2016 FORECASTED RESULTS

Water and sewage: \$5,000.00. This cost will continue to grow at an accelerated pace, due to the increased number of full time renters, that are replacing snowbird guests and renters. Year after year this expense item is one we have limited control over. We keep asking owners to take consideration of their consumption of water.

Garbage and recycling: \$3,000.00. Here we have no control.

Security guard: \$5,000.00. We estimate that our cost will go up this year following no rate increase last year.

Payroll-maintenance \$15,000.00. We have added a part time employee to our maintenance staff and he will perform specific tasks on building maintenance, like the painting of railings, the sidewalk around pool, the painting of restroom etc.

Bad debts: \$7,000.00. We estimate that we will have 2 bad debt cases to handle next year.

Insurance: \$13,600.00. Even with no significant hurricane events in Florida the insurance cost will go up as a large portion of the insurance market is subject to co-insurance, so our rate is impacted by events not related to Waterside.

Pest control: \$3,500.00. Waterside did not spend as much as in previous year on this heading due to a reduction of spraying for whiteflies.

Contingency: \$22,953.00. We have to remember that the reference figure is still subject to decisions or events that may take place during September and October 2016. This account may be used to support events not planned at this time.

2. MAIN 2016-2017 BUDGET ITEMS WITH A DECREASE OVER 2015-2016 FORECASTED RESULTS

Cable TV: -\$6,200.00. We added equipment to the system in 2015/2016, which was a onetime event.

Payroll-administrative: -\$7,200.00 2015-2016 was years of transition for our staff and due to the increase in long term renters compared to snowbird, we have reduce staff time in the office.

Building maintenance: -\$17,500.00. We completed a series of special tasks during 2015-2016 like spending close to \$27,500.00 for water damage mainly in unit type A and we hope that we have fixed those situations. We also did preparatory work on buildings that were painted during the last program in hope that it will reduce water infiltration.

Awnings repairs: -\$9,500.00. 2016/2017 painting program covers C and D type of units, and there are fewer awnings on those types of units and also we did have to do some of them during the 2015/2016 painting program due to their condition.

3. THE RESERVE FOR 2016-2017

On the last page of the budget data sheet you can see the budget plan for fiscal year 2016/20176 and the forecast for the next two years. A reconciliation sheet of the various reserve components is attached and is called "2016/2017 budget evolution" of the various reserve accounts. The data dates back to 2005 and we also forecast the years 2017 and 2018.

We did have a fair performance on our investment of the reserve money; in 2015/2016 we achieved \$12,000.00 all subject to adjustment before the publication of the audited statement for the year as two of our deposit have a maturity date post the publication of this report and for the upcoming year budget we are forecasting \$10,000.00. We have to remember that interest revenue is not part of our operating budget; it remains in the reserve account and is subject to allocation between the various reserves depending on the balance in each of the reserve accounts.

4. FIXED VERSUS VARIABLE COST

The following is an allocation of cost between what we can consider fixed cost, meaning where your Board has limited say on cost, than another category that we can say are partially variable, but may be considered like essential to the future of Waterside and finally the fully variable cost, that can be cut and then the future owners may be face with a substantial cost and also a deterioration of our value.

FIXED COSTS:

The total of the fixed cost amount to \$ 862,000.00 or equivalent to \$175.00 a month and it does include mainly the utilities type of expenses, the insurance, the contribution to the reserve, the auditing, fire safety, property tax, licenses and a series of smaller expenses.

SEMI-VARIABLE COST:

This group of expenses where there is some flexibility amount to \$464,650.00 or equivalent to \$94.00 a month. It does include expenses like the salaries components, office supplies, postage, travel, meeting and education, computer repair, copier, janitor, water, website, social facilities, gasoline, sprinklers, pest control, landscaping, building maintenance, plumbing expenses, electrical expenses, pool supplies, golf carts, locksmith, awning and street lights.

After these two groups of expenses we have reach a total of \$268.00 out of our monthly fee of \$315.00.

VARIABLE COSTS:

Now this group of expenses is the decisional group and amount to \$226,800.00 or \$47.00 a month. Included in that group of expenses we mainly have the security guards, gate expenses and cameras for a total of \$72,000.00. Considering actual situations on the security front, do we really want to abandon these services?

Under that group we also have bad debt, collection cost, screening, fertilization, weed control, new trees and bushes, mulch and ground maintenance, street maintenance, uniforms, janitorial supplies, painting, chairs and benches, as you can see it is hard to cut even from this list, unless the owners want to go back to the time where we had to buy our own trees and bushes, of buying and spreading our mulch, etc. your Board does not think so.

Not too many of our expenses can be simply cut off, without significant negative impact on the quality of our site and of the life on. The most important task is the proper management of all expense components.

5. CONCLUSION

We are pleased to say **welcome** to all the new owners, and please get involved in the activities at Waterside and in the social events.

To the owners that receive this information by regular mail, please if you have an email address fill in the email request form W-013 at the office or from our website. This helps our cost reduction goal and office productivity, and keeps you informed on a monthly basis.

The agenda for the approval of the operating budget and the reserve accounts budget is attached and is scheduled for Saturday, October 29, 2016 at 1:30 pm at the clubhouse. Every owner is welcome.

On behalf of the Board,
Andre C. Mongrain, President
Claude Comtois, Treasurer
Sept. 28, 2016

WATERSIDE VILLAGE BUDGET FOR THE YEAR 2016-2017 AND 2 YEARS FORECAST
AS OF SEPTEMBER 28, 2016

	<u>2015/2016</u>	<u>Y 15/16</u>	<u>MONTHLY</u>	<u>Y 16/17</u>	<u>Y 17/18</u>	<u>Y 18/19</u>
<u>DESCRIPTION</u>	<u>NON AUDIT</u>	<u>BUDGET</u>	<u>COST</u>	<u>BUDGET</u>	<u>FORECAST</u>	<u>FORECAST</u>
Monthly with CH	310	310		315	331	340
REVENUE Monthly without CH				312	310	319
NSF FEE	100	0		0	0	0
100 ASSESSMENTS **	1,416,420	1,528,920		1,553,580	1,632,492	1,676,880
102 LATE FEE INCOME	2,800	2,000		3,000	2,500	2,000
103 INTEREST INCOME	387	9,000		10,000	10,000	11,000
104 ESTOPPEL FEE	2,100	3,000		1,500	1,800	2,100
106 ACCESS/GATE CARDS	225	200		200	200	200
107 TRANSFER/SCREENING FEE	25,250	30,000		26,000	26,000	26,000
108 MISCELLANEOUS INCOME	2,000	1,500		1,500	1,500	1,500
RESERVE ACCOUNT	0	-112,500		-92,500	-96,500	-96,500
2544 INTEREST TO RESERVE	0	-9,000		-10,000	-11,000	-11,000
TOTAL REVENUE	1,449,282	1,453,120		1,493,280	1,566,992	1,612,180

EXPENSES
UTILITIES

200 ELECTRIC	47,000	51,000		49,000	51,000	53,000
201 WATER & SEWER	246,000	242,000	49.06	251,000	253,000	255,000
202 GARBAGE & RECYCLING	44,000	46,000		47,000	49,000	50,000
203 PROPANE GAS	600	200		200	200	200
204 CABLE T.V.	73,200	66,000	13.38	67,000	67,500	68,000
205 TELEPHONE	7,200	7,200		7,200	7,200	7,200
205.1 WIFI	2,300	3,000		2,500	2,500	2,500
	420,300	415,400	84.23	423,900	430,400	435,900

<u>DESCRIPTION</u>	<u>2015/2016</u> <u>NON AUDIT</u>	<u>Y 15/16</u> <u>BUDGET</u>	<u>MONTHLY</u> <u>COST</u>	<u>Y 16/17</u> <u>BUDGET</u>	<u>Y 17/18</u> <u>FORECAST</u>	<u>Y 18/19</u> <u>FORECAST</u>
ADMINISTRATIVE						
300 PAYROLL-ADMINISTRATIVE	110,600	105,000		103,400	106,500	110,000
301 PAYROLL-MAINTENANCE	76,500	74,000		91,500	94,200	97,100
302 PAYROLL TAXES	10,600	15,000		10,800	11,400	11,800
302.1 EMPLOYEE BENEFITS	5,000	7,000		5,500	6,000	6,500
304 SECURITY GUARDS	54,000	57,000	11.76	59,000	61,500	63,000
305 ACCOUNTING	25,200	26,500		26,000	27,000	27,500
305.1 BANK FEES	1,250	1,250		1,250	1,250	1,250
305.2 BAD DEBT	-1,000	6,000		6,000	6,000	6,000
305.3 COLLECTIONS COST	3,000	5,000		4,000	4,000	4,000
306 AUDITING	4,400	4,600		4,600	4,600	4,700
307 LEGAL	1,500	2,500		2,500	2,500	2,500
308 PROPERTY TAX	3,612	3,700		3,700	3,700	3,800
309 INCOME TAX	0	500		500	500	500
310 INSURANCE	281,400	289,000	58.60	295,000	310,000	326,000
311 OFFICE SUPPLIES	2,000	3,000		2,500	2,750	3,000
312 POSTAGE & SHIPPING	750	1,500		1,000	1,250	1,500
313 LICENSES	2,500	3,200		3,200	3,200	3,200
314 TRAVEL & MILEAGE	750	1,000		750	900	1,100
315 MEETINGS & EDUCATION	400	500		500	500	500
316 SCREENING	8,500	12,000		8,500	8,500	8,500
317 ALARM SYSTEM	500	500		500	600	700
318 COMPUTER REPAIR/SERVICE	1,000	2,000		2,000	2,000	2,000
319 COPIER	4,000	4,000		4,000	4,000	4,000
320 JANITOR, WATER, MISC.	6,500	6,000		7,000	7,500	8,000
320.1 WEBSITE IMPROVEMENT	2,020	1,500		2,000	2,000	2,000
323 SOCIAL FACILITIES	12,500	10,000		11,000	11,500	12,000
	617,482	642,250	130.22	656,700	683,850	711,150

<u>DESCRIPTION</u>	<u>2015/2016 NON AUDIT</u>	<u>Y 15/16 BUDGET</u>	<u>MONTHLY COST</u>	<u>Y 16/17 BUDGET</u>	<u>Y 17/18 FORECAST</u>	<u>Y 18/19 FORECAST</u>
MAINTENANCE						
400 GASOLINE	500	800		500	1,000	1,400
401 SPRINKLERS	7,200	8,000		8,000	8,000	8,000
402 PEST CONTROL	17,500	26,000		21,000	22,000	23,000
402.6 MISC. MAINT.EXP.	800	1,000		1,000	1,000	1,000
403 LANDSCAPING	123,000	126,000	25.55	123,000	127,000	130,000
403.1 FERTILIZATION-WEED CONT.	25,000	25,000		25,000	26,000	27,000
404 TREE TRIMMING	10,000	10,000		10,000	10,000	8,500
404.1 NEW TREES & BUSHES	8,000	8,000		8,000	8,000	10,000
405 BUILDING MAINTENANCE	42,500	25,000		25,000	25,000	25,000
406 GROUNDS MAINTENANCE	21,000	22,000		20,000	22,000	22,000
407 SECURITY GATE EXPENSE	10,000	7,000		9,000	7,000	7,000
408 CAMERA & VIDEO EXP.	4,500	4,000		4,000	2,000	2,000
409 PLUMBING EXP.	10,000	3,500		5,000	5,000	5,000
410 ELECTRICAL EXP.	5,500	4,000		5,000	5,000	5,000
411 POOL SUPPLIES & REPAIR	9,000	14,000		11,000	12,000	13,000
412 STREET MAINTENANCE	3,500	2,500		3,500	3,500	3,500
413 UNIFORMS	400	400		400	400	400
414 GOLF CARTS/GROUND EQUIP.	1,500	2,000		2,000	2,000	2,000
415 LOCKSMITH	100	200		200	500	500
416 FIRE SAFETY	5,061	4,000		5,000	5,500	6,000
417 JANITORIAL SUPPLIES	3,000	3,000		3,000	3,200	3,500
418 AWNINGS REPAIRS	27,500	20,000		18,000	15,000	10,000
420 PAINTING PROGRAM	45,500	47,000		47,000	0	0
421 STREET LIGHT	3,000	1,000		3,000	1,000	1,000
424 TENNIS COURT RESURFACING	0	0		0	0	0
425 POOL CHAIRS/TABLES	2,500	2,000		2,500	2,500	2,500
429 BENCHES REPLACEMENT	0	500		500	500	500
477 PERGOLA	0	0		0	0	0
479 LIGHTS RETENTION POUND	0	0		0	0	0
LOUVER	36	0		0	0	0
	386,597	366,900	74.39	360,600	315,100	317,800

<u>DESCRIPTION</u>	<u>2015/2016 NON AUDIT</u>	<u>Y 15/16 BUDGET</u>	<u>MONTHLY COST</u>	<u>Y 16/17 BUDGET</u>	<u>Y 17/18 FORECAST</u>	<u>Y 18/19 FORECAST</u>
450 CONTINGENCY	14,127	28,570		37,080	32,642	42,330
CH LOAN REIMBURSEMENT	0	0		0	105,000	105,000
INTEREST DURING BUILT	0	0		15,000	0	0
PROVENCE ALLEY	3,083	0		0	0	0
CLUB HOUSE STUDY	1,498	0		0	0	0
WELL AND PUMP EAST	3,152	0		0	0	0
REVISION CONDO DOC'S	3,043	0		0	0	0
	24,903	28,570	5.79	52,080	137,642	147,330
GRAND TOTAL EXPENSES	1,449,282	1,453,120		1,493,280	1,566,992	1,612,180
SURPLUS REVENU OVER EXPENSES	0	0	0	0	0	0

<u>DESCRIPTION</u>	<u>2015/2016 NON AUDIT</u>	<u>Y 15/16 BUDGET</u>	<u>MONTHLY COST</u>	<u>Y 16/17 BUDGET</u>	<u>Y 17/18 FORECAST</u>	<u>Y 18/19 FORECAST</u>
RESERVES						
2510 ROOFS	33,500	33,500		34,000	36,500	36,500
2515 PAINTING	0	0		0	0	0
2530 ASPHALT	23,500	23,500		26,500	29,500	29,500
2542 POOLS	8,000	8,000		4,500	4,500	4,500
2546 SPRINKLERS	5,000	5,000		5,000	5,000	5,000
2547 TV CABLE INFRASTRUCTURE	12,500	12,500		12,500	0	0
2545 WORKING CAPITAL	30,000	30,000		10,000	21,000	21,000
2544 INTEREST REV. RESERVE	12,000	9,000		10,000	11,000	11,000
	124,500	121,500	24.64	102,500	107,500	107,500

28-Sep-16

Andre Mongrain President

Claude Comtois Treasurer

2005/2016 BUDGET EVOLUTION
EVOLUTION OF THE VARIOUS RESERVE ACCOUNTS

	<u>ROOFS</u>	<u>PAINTING</u>	<u>STREETS</u>	<u>POOL</u>	<u>AWNING</u>	<u>SPRINKLER</u>	<u>INTEREST</u>	<u>WORKING CAPITAL</u>	<u>LAND PURCHASE</u>	<u>TV NETWORK</u>	<u>TOTAL</u>
ENDING FUND BALANCE 10/31/05	23,782	85,848	14,246	19,333	10,225	0	0				153,434
ENDING FUND BALANCE 10/31/06	18,716	68,883	11,505	5,731	-9,673	0	148				95,310
ENDING FUND BALANCE 10/31/07	70,416	47,206	17,705	12,481	10,850	0	3,107				161,765
ENDING FUND BALANCE 10/31/08	94,866	22,238	21,005	40,482	15,850	9,394	3,107	0	0		206,942
2009 OWNER'S ADDITION	25,000	2,400	25,000	12,600	20,000	10,000	865	30,000			125,865
2009 LAND PURCHASE									25,000		25,000
2009 EXPENSES	0	-22,768	-10,000	-29,986	-9,775	-6,173	4,634	0			-74,068
ENDING FUND BALANCE 10/31/09	119,866	1,870	36,005	23,096	26,075	13,221	8,606	30,000	25,000		283,739
2010 OWNER'S ADDITION	25,000	2,400	35,000	12,600	20,000	5,000	0	25,000			125,000
2010 LAND PURCHASE									25,000		25,000
2010 PROJECTED EXPENSES	0	0	0	-29,156	0	-1	7,098	0	0		-22,059
ENDING FUND BALANCE 10/31/10	144,866	4,270	71,005	6,540	46,075	18,220	15,704	55,000	50,000		411,680
2011 OWNER'S ADDITION	25,000	2,400	15,000	10,000	10,000	5,000	0	25,000	0		92,400
2011 LAND PURCHASE									-50,000		-50,000
2011 PROJECTED EXPENSES	0	0	0	0	0	0	9,186	0			9,186
ENDING FUND BALANCE 10/31/11	169,866	6,670	86,005	16,540	56,075	23,220	24,890	80,000	0		463,266
2012 OWNER'S ADDITION	25,000	2,400	15,000	10,000	10,000	5,000	0	12,500		12,500	92,400
2012 PROJECTED EXPENSES	0	0	0	0	0	0	10,400	0			10,400
ENDING FUND BALANCE 10/31/12	194,866	9,070	101,005	26,540	66,075	28,220	35,290	92,500	0	12,500	566,066
2013 OWNER'S ADDITION	28,000	1,500	20,000	8,000	4,999	5,001	0	12,500		12,500	92,500
2013 INTEREST REVENU							14,574				14,574
2013 PROJECTED EXPENSES											0
ENDING FUND BALANCE 10/31/13	222,866	10,570	121,005	34,540	71,074	33,221	49,864	105,000	0	25,000	673,140
2014 OWNER'S ADDITION	30,000	1,000	21,500	8,000	3,000	5,000	0	11,500		12,500	92,500
2014 INTEREST REVENUE							20,488				20,488
2014 PROJECTED EXPENSES							-67,000	-58,000			-125,000
ENDING FUND BALANCE 10/31/14	252,866	11,570	142,505	42,540	74,074	38,221	3,352	58,500	0	37,500	661,128
2015 OWNER'S ADDITION	33,000	0	23,000	8,000	1,000	5,000	0	10,000		12,500	92,500
2015 INTEREST REVENUE							17,140				17,140
2015 PROJECTED EXPENSES											0
ENDING FUND BALANCE 10/31/15	285,866	11,570	165,505	50,540	75,074	43,221	17,492	71,500	0	50,000	770,768
2016 OWNER'S ADDITION	33,500	0	23,500	8,000	0	5,000	0	30,000	0	12,500	112,500
2016 PROJECTED INTEREST REV							12,000				12,000
2016 PROJECTED EXPENSES											0
ENDING FUND BALANCE 10/31/16	319,366	11,570	189,005	58,540	75,074	48,221	29,492	101,500	0	62,500	895,268
2017 OWNER'S ADDITION	34,000	0	26,500	4,500	0	5,000	0	10,000		12,500	92,500
2017 PROJECTED INTEREST REV							10,000				10,000
2017 PROJECTED EXPENSES								-22,500			-22,500
ENDING FUND BALANCE 10/31/17	353,366	11,570	215,505	63,040	75,074	53,221	39,492	89,000	0	75,000	975,268
2018 OWNER'S ADDITION	36,500	0	29,500	4,500	0	5,000	0	21,000		0	96,500
2018 PROJECTED INTEREST REV							11,000				11,000
2018 PROJECTED EXPENSES											0
ENDING FUND BALANCE 10/31/18	389,866	11,570	245,005	67,540	75,074	58,221	50,492	110,000	0	75,000	1,082,768
2019 OWNER'S ADDITION	36,500	0	29,500	4,500	0	5,000		21,000	0	0	96,500
2019 PROJECTED INTEREST REV							11,000				11,000
2019 PROJECTED EXPENSES											
ENDING FUND BALANCE 10/31/19	426,366	11,570	274,505	72,040	75,074	63,221	61,492	131,000	0	75,000	1,190,268
	<u>ROOFS</u>	<u>PAINTING</u>	<u>STREETS</u>	<u>POOL</u>	<u>AWNING</u>	<u>SPRINKLER</u>	<u>INTEREST</u>	<u>WORKING CAPITAL</u>	<u>LAND PURCHASE</u>	<u>TV NETWORK</u>	<u>TOTAL</u>