

## Finance Committee Budget Workshop Minutes

February 1, 2016

Draft

Committee Workshop was properly posted and convened at 6PM in the Sea Winds Clubhouse.

### Attendees:

Peter Weir – Sea Winds Director and Treasurer, Finance Committee Chair

Nigel Smith – Sea Winds Director, Building & Grounds Committee

Mike Hughes – Sea Winds Director, Finance Committee

Steve Feldman – Owner, Building & Grounds Committee

The Budget Workshop was convened to start the development of the 2016-2017 Fiscal Year budget for owner approval. Gary Thompson-CAM has queried our various service providers for any increase expected in renewed contracts for the next year. This is the 1st attachment.

Laura Hughes our accountant provided a table of year-to-date with a projection of the annual expense with her recommended changes in Budget expense. this is the 2nd attachment.

Recently drafted Audit was cursorily reviewed and it was noted that Operating has outstanding liability to Reserves and Rental has outstanding liability to Operating. These inter-fund debts will be gone in the current fiscal year since (1) the owners approved the reserve reduction of \$77,707 last spring and (2) transfers from rental to operating will be complete by this June 30. This will simplify our books going forward and our next audit should have these values zeroed out.

The line by line review of the budget elicited several differences between the two attachments and other issues to be resolved as follows:

1. On the income side, the rent received from the foreclosed Unit #2 was raised to the current rent which is \$1350/month. It is recognized that this offsets part of the assessments receivable and uncollectible assessments going forward until Chase Bank takes title and/or sells the Unit.
2. Starting on the expense side, the Lift Station actual payment is \$170/month so this can be reduced to \$2100.
3. Termite Bond was invoiced and paid recently at \$3295, so a 5% increase should result in \$3500 to cover next year.
4. Landscaping is projected to cost \$21700 this year, so with no increase from the vendor allows \$22000 to cover next year.
5. Mulch hasn't been done this year, so next year should have this budgeted at the same amount.
6. Grounds repair and improvement should be kept level with the possibility to use it to install a drain from the east lagoon to the main lagoon to prevent flooding.
7. Pool Repairs may be lowered from recommended \$3000 to \$2000 considering the extensive work that is currently underway.
8. Trash Pickup has been running considerably lower than budgeted this year (projected \$155 rather than budgeted \$1100). Should consider lowering this to \$175.

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9. Electricity can be lowered by \$1000 as FPL rates were reduced starting in January. Recommend \$13000 next year.
10. Telephone expense is running higher than budgeted (\$300 vs \$200) so the higher amount is likely to continue into next year (plus 5% for inflation).
11. Water/Sewer consumption is likely to come down with the elimination of the pool leaks for at least the next year. Even recent bills are coming in lower than projected though this isn't exact since usage goes up in the winter & spring seasons. It is likely we can keep this level.
12. Payroll/Contractors:
  - a. CAM contract fee has not been increased in over 2 years. It is recommended that a \$2000k fee increase (6%) be implemented. This is currently allocated as 90% operating/10% rental which can be maintained next year.
  - b. Maintenance payroll was discussed and increase was not settled. CAM has recommended a one time \$0.50/hr increase (vs. two increases in the past). No change to the 90%/10% split was considered.
  - c. Office Staff payroll was discussed and a one time \$1/hr increase was considered appropriate. No change to the 10%/90% split (reverse of others above) was considered.
  - d. Bookkeeping/Accounting contract was discussed and current year's excessive hours to unravel and cleanup our books should be completed by the end of the year. Subsequent discussion with J. Hartman-President found concurrence with this opinion and the only change would be to the allocation of hours from 90% operating/10% rental to 66% operating/34% rental. Need to decide if weekly hours can go to 12 hrs (or 16 hrs) from the 20 hrs average/week experienced over the first half of this year.
13. Bank Charges from Fidelity have been \$25/month so the \$400 can go to \$300.
14. Office and Administrative Expense may include the Internet as the latter bills have been paid out of Admin expense account. The 50%/50% split may be adjusted as the Internet was budgeted 20% operating/80% rental in the current year.
15. Internet expense-see Office/Admin above.
16. Reserve contribution will be per the new Reserves Study (\$110,823)
17. Disposition of the Legal Reserves account must be completed to further simplify our books and audit. Transfer of its balance (currently \$24,368) to operating to provide all or part of a down payment on Insurance (to lower finance fee) was recommended. This requires owner approval and, thus, will need to be part of the owners proxy.

One question was if current railing/deck work is being funded out of reserves (as it should). This will be confirmed. Also, during research into invoices it was evident some cleaners bills are being paid out of operating that creates more effort to subsequently pay operating out of rental.

All Assessments are fully paid except problem units (2, 77). Budget allocation for non-paying units is likely to be maintained (at \$16000) though income on Unit 2 will offset this.

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CAM will be consulted with these additions/alterations to his list of changes for contracted budget items for the FY 2017-2018.

Rental Budget will be included in the owner ballot notice. It is recognized that income and expense is variable due to variation in bookings.

Proxies with Budget to be distributed to owners by March 26, 2016 to support April 9, 2016 Annual Meeting schedule.

Scheduled next FY 2016-2017 Budget Workshop for February 6, 2016.

Meeting adjourned at 8 PM.

DRAFT