

**Preliminary reserves  
for the period from July 1, 2024 to June 30, 2025  
What is my reserve cost for next year?**



**APRIL 18, 2024  
PRESENTATION**

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# Reminder about conduct

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Respect other owners and the volunteers working for you

Respect agenda for today

- Focus on reserves for the preliminary budget from July 1, 2024 to June30, 2025
- Not a meeting for airing complaints or personal financial problems

Time to ask questions will be limited to 3 minutes per participant at the end of the presentation

We will collect all questions and those sent to [FinancialFAQ@LakeClarkeGardens.com](mailto:FinancialFAQ@LakeClarkeGardens.com)

- Questions that cannot be answered today and others will be posted on the LCG secure website under a section called (“FAQ”) Frequently Asked Questions
- Questions about your payments or account should still be sent to [office@lakeclarkegardens.com](mailto:office@lakeclarkegardens.com)

# Agenda

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1. Brief review of Financial 101
2. Reserve reports received to date
3. Baseline reserves for the draft budget 2024-25
  - Finance Committee adjustments
  - Reserve costs for 2024-25 - preliminary results
4. What does it mean for me?
5. Next steps

# Financial 101 review

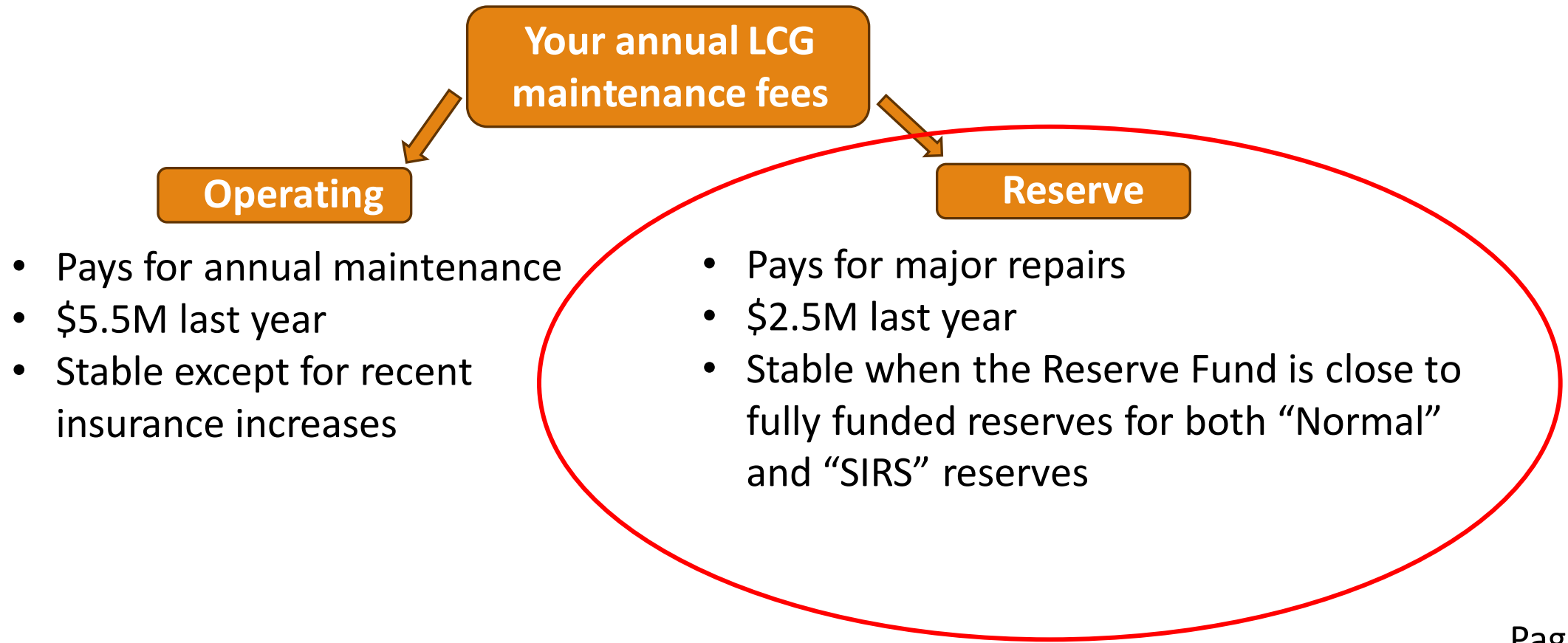
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- We will use some terminology from the presentation of March 28, 2024
  - See Financial 101 presentation
  - See Financial FAQ documents
  - Both documents are on the secured LCG website or get a copy at the office

\*\*\*\* All numbers presented today are in draft form and are subject to change in the final budget FY25 \*\*\*\*

# Financial 101 presentation - review

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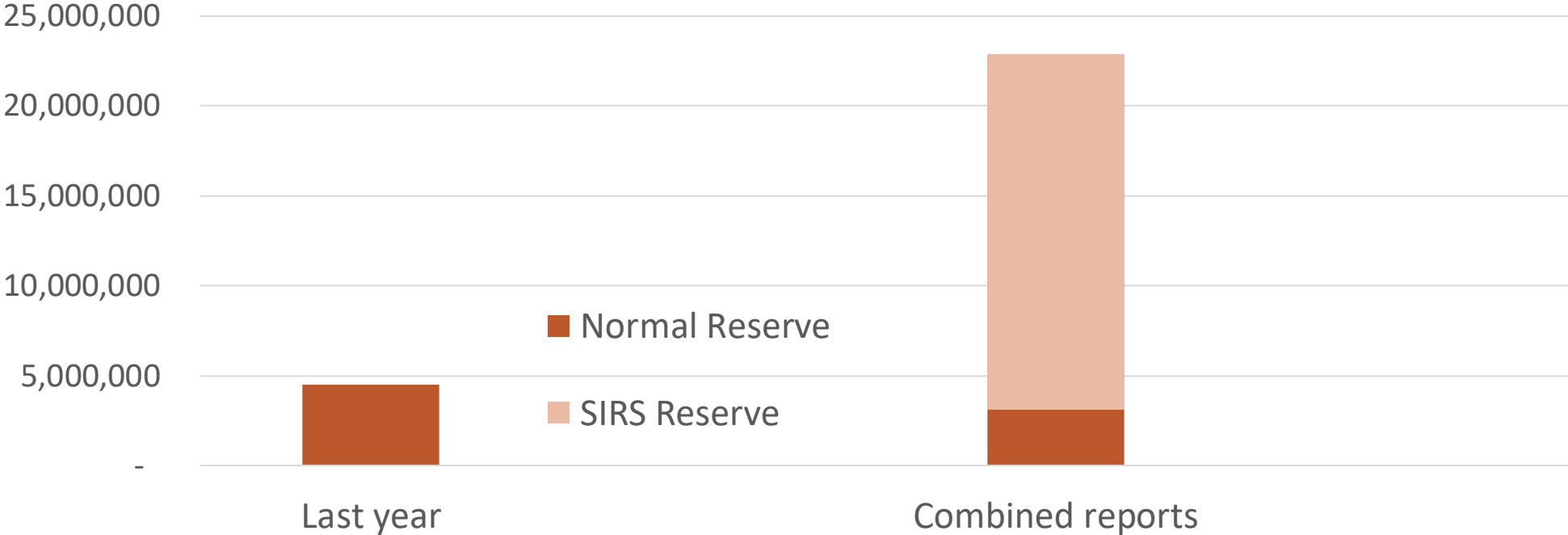


# Reserve reports received as of April 11, 2024

The “Normal” reserve report of 2020

The draft “SIRS” reserve report of 2024

When both reports are combined, the reserve needed for 100% funding is enormous compared to last year:

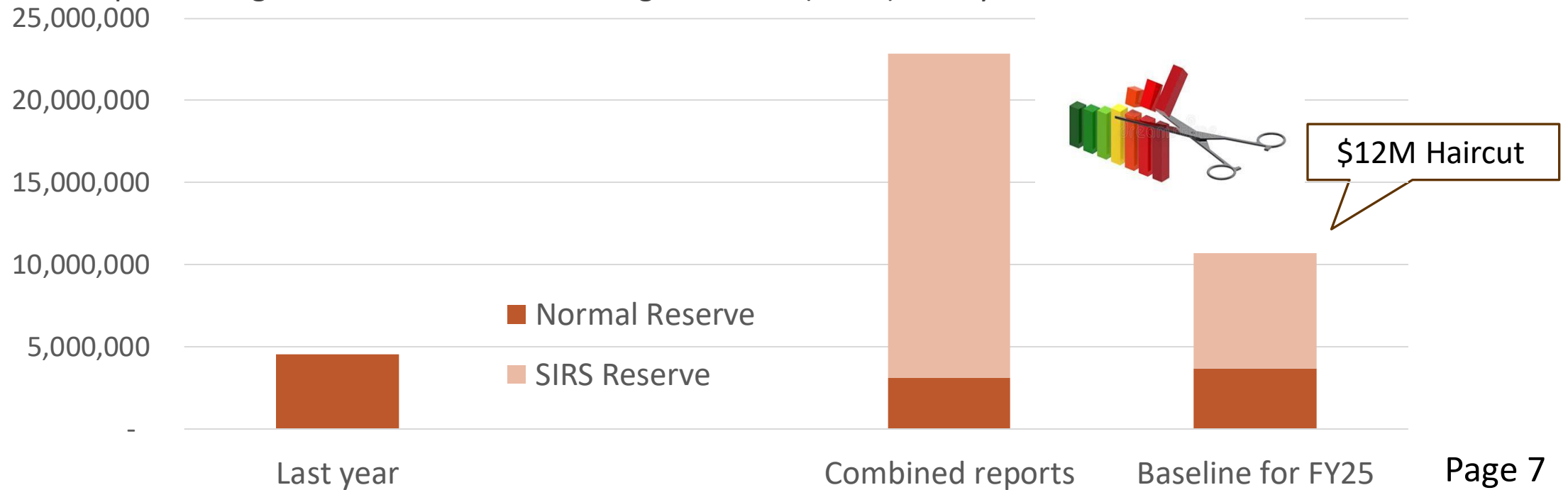


# Finance Committee baseline with large cuts

An updated “Normal” reserve report underway for 2024 - no big changes are expected

The final “SIRS” reserve report of 2024 expected shortly - large reductions are expected

Draft report has high end costs and no Remaining Useful Life (“RUL”) for any item



# Baseline reserves for the draft budget 2024-25

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Finance Committee has established a baseline for the 2024-25 budget

- Includes all reports and information available
- Uses a set of reasonable costs and repair schedule
- Includes costs to finish elevator repairs in FY25 and for elevator modernization in #7 and #12
- Includes all repairs and recommendations from the MIR24
  - In particular, for the full cost for roof replacements rather than just re coating
  - To improve roof drainage
  - For inspection and repairs of plumbing
  - For exterior painting and minor crack repairs
  - For urgent concrete restoration repairs in #3, #8, #12, #14
- Termite treatments are excluded from reserves
  - to be done on a case by case basis with special assessments, if funds are not available



# Baseline for the draft budget 2024-25

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These adjustments and reductions are permissible only this year

- Next year we will have no choice but to use the SIRS report as is
- The reserves in the final SIRS report could be higher or lower than the baseline used for this budget

Remember - SIRS Reserve costs cannot be waived by owners

# We have started to grow our Reserve Funds

Reserve Fund Balance	For buildings		For common areas		Total
	Normal	SIRS	Normal	SIRS	
Cash in Reserve Fund as of July 1, 2023	711,548	-	104,429	-	815,977
Deposits from reserve assessment	2,458,802	-	26,756	-	2,485,558
Plus interest *					
Transfer to SIRS *	(408,000)	408,000	-	-	-
Minus disbursements for expected repairs					
Elevator repairs, etc. *	(344,300)	-	(20,000)	-	(364,300)
<b>Cash in Reserve Fund as of July 1, 2024 *</b>	<b>2,418,050</b>	<b>408,000</b>	<b>111,185</b>	<b>-</b>	<b>2,937,235</b>

\* Forecast based on estimates – for budget purposes only

\*\*\* All numbers are subject to change in the final budget FY25

## Reserve costs for 2024-25 - baseline results

<b>Component to repair or replace</b>	<b>100% Reserve 1 Jul 2023</b>	<b>100% Reserve 1 July 2024</b>
SIRS Roofing	0	4,698,026
SIRS Structural systems	0	40,000
SIRS Fire protection systems	0	27,910
SIRS Plumbing systems	0	808,768
SIRS Electrical systems	0	564,792
SIRS Exterior improvements	0	0
SIRS Painting and waterproofing	0	883,221
"Normal" items not in SIRS	4,559,527	3,701,576
<b>Total "Normal" + "SIRS"</b>	<b>4,559,527</b>	<b>10,724,293</b>
Cash in Reserve Fund as of July 1,	(815,977)	(2,937,235)
<b>Reserve shortfall</b>	<b>3,743,550</b>	<b>7,787,058</b>

Still a large increase!  
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\*\*\* All numbers are subject to change in the final budget FY25

## Reserve costs for 2024-25 - baseline results

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The reserve shortfall is \$7.8M compared to \$3.7M last year

- Due to higher roof replacement costs, and new SIRS items like electrical and plumbing costs

- Funding ratio improves to 27%
- But well below the 100% target

	1 Jul 2023	1 Jul 2024
Funding ratio	18%	27%
	= 0.8M /4.6M	= 2.9M /10.7M

- This means the maintenance fees for reserves will increase in the next budget

# Reserve costs for 2024-25 - baseline results

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What does it mean for me?

What can we do?



# Voting options

The Budget documents for 2024-25 can provide two options for owners to vote:  
 Full funding of the \$7.8M reserve shortfall or partial funding over two years

	Full funding option		Partial funding option			
	Reserve	Funded status	Reserve cost		Funded status	
	cost		FYE25	FYE26	at FYE25	at FYE26
Building Normal reserve	0.5	100%	0.2	0.2	51%	75%
Building SIRS reserve	6.5	100%	3.3	3.4	64%	100%
Common areas Normal reserve	0.7	100%	0.2	0.2	51%	75%
Common areas SIRS reserve	0.1	100%	-	-	64%	100%
<b>Total in \$ millions</b>	<b>7.8</b>		<b>3.7</b>	<b>3.8</b>		

\*\*\* All numbers are subject to change in the final budget FY25

## What does it mean for me? - baseline results

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Two options to pay the reserve shortfall:

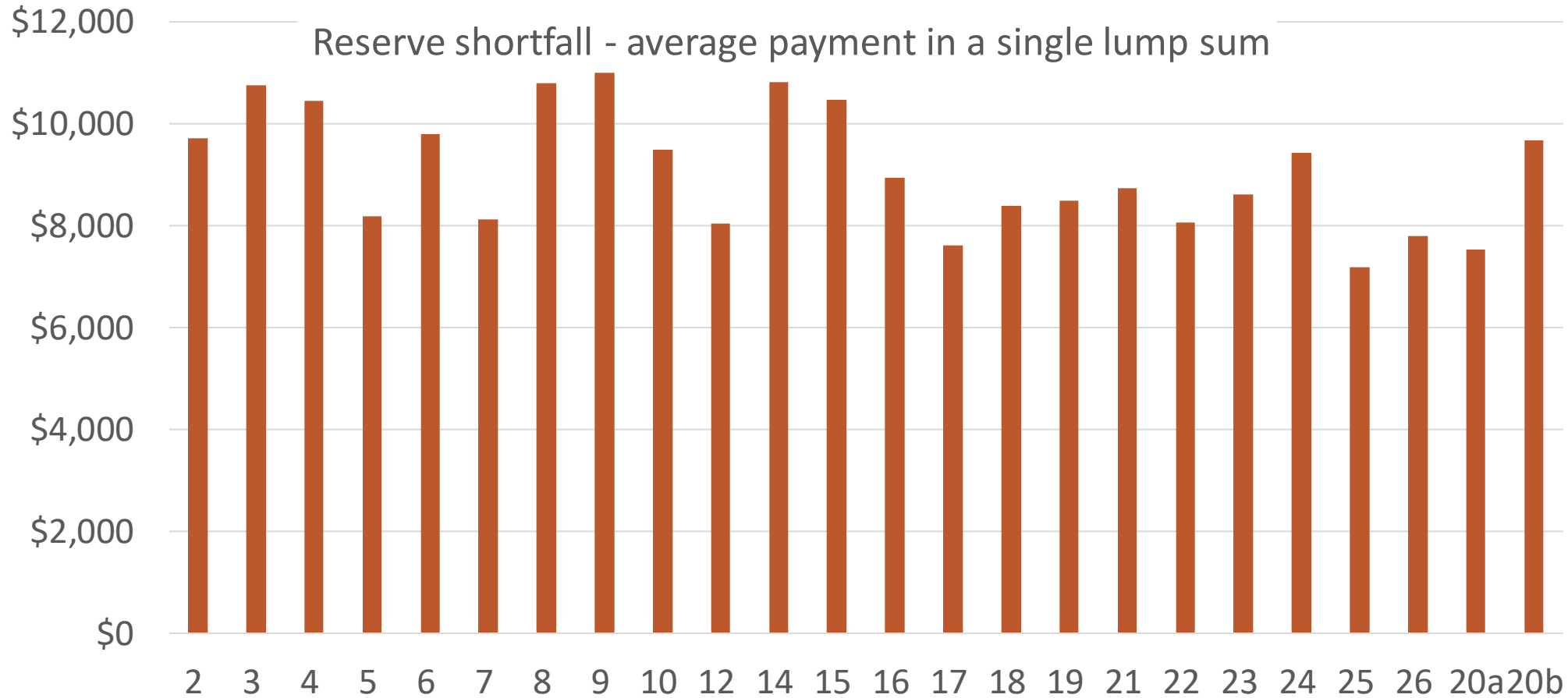
1. Everyone pays his share of the reserve shortfall in a single payment, just like a special assessment:

\$7,200 to \$11,000 per unit in addition to what was paid last year

- E.g. The total reserve needed is \$12,000. I paid \$3,000 last year, so I will need another \$9,000
- Varies by your unit size and your building
- Would be paid before 30 June 2025
- Reserve expense after July 1, 2025 would be reduced to a small monthly amount to cover normal usage of about \$60 to \$100

\*\*\* All numbers are subject to change in the final budget FY25

# What does it mean for me? - preliminary results





\*\*\* All numbers are subject to change in the final budget FY25

## What does it mean for me? - preliminary results

Two options to pay the reserve shortfall:

### 2. Pay in monthly payments

- Use 24 months to pay the SIRS portion of the reserve shortfall
- Use 36 months to pay the Normal portion of the reserve shortfall

E.g. Reserve fees would increase for most owners for two years then decrease in the third and fourth year:

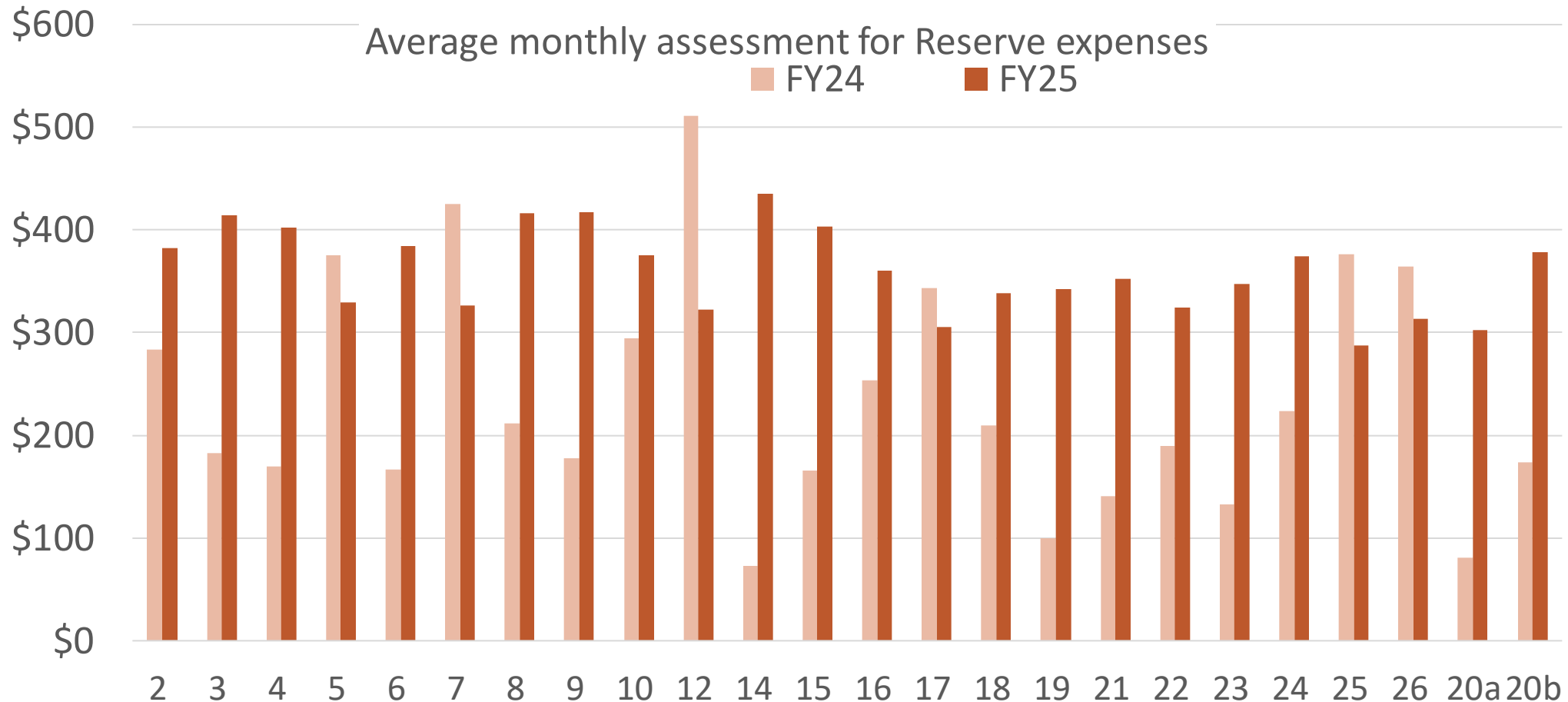
Year ended	June 30, 2024	June 30, 2025	June 30, 2026	June 30, 2027
Average monthly reserve expense	\$100 to \$520	\$280 to \$560	\$290 to \$580	\$90 to \$190

Recall that this is the portion of your maintenance fees for the Reserve Expense only

- Need to add the Operating Expense portion (see page #5) to get the total monthly fees

\*\*\* All numbers are subject to change in the final budget FY25

# What does it mean for me? - preliminary results



\*\*\* All numbers are subject to change in the final budget FY25

## What does it mean for me? - preliminary results

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How much is needed for my building to be 100% funded in 2025?

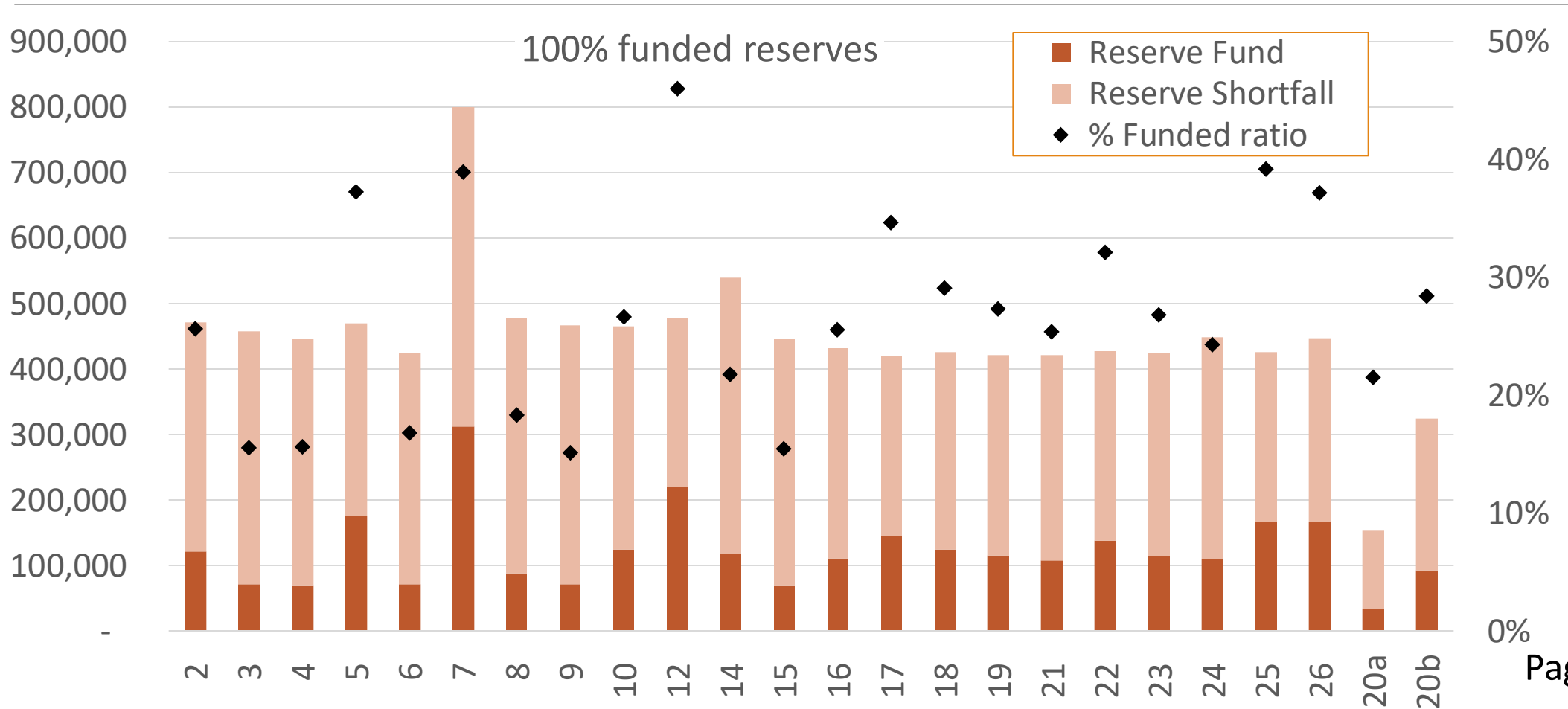
The Reserve shortfall for each building varies by number of units in the building and ranges from \$120,000 to \$490,000

The funding ratio varies from 15% to 46% for each building

- Differences come in part from the partial funding vote last year 60% or 100%
- Many condos in Florida have better funding ratios
- Median ratio 51% according to an informal survey:  
<https://reservestudyfl.com/reserve-fund-comparisons/>

\*\*\* All numbers are subject to change in the final budget FY25

## What is needed for my building to be 100% funded in 2025?



\*\*\* All numbers are subject to change in the final budget FY25

## What does it mean for me?

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A better and safer environment

Over the next six years we expect the following important repairs to be made with this Reserve Fund:

- 7.4M Roof replacements no later than June 30, 2030
- 0.3M Clean and repair rain gutters and storm drains at the same time as the roofs
- 0.8M Elevator repairs and modernization in 2024-25
- 0.6M Inspect and repair plumbing pipes and drains in 2024-25
- 0.7M Common area amenities in 2024-2029

A total of \$9.8M of repairs over six years!

# Next steps

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We are exploring options to reduce costs for our reserves:

- Getting a second opinion on “SIRS” reserve
- Obtaining actual quotes for the roof repairs from a roofing contractor
- Obtaining a second quote for the elevator repairs
- Include the final version of the “SIRS” report as soon as it becomes available
- Include a four year plan in your budget packets so you will see both options for 100% funding: fully paid by June 30, 2025 or spread over the next four years

In the meantime, the Finance Committee is preparing the 2024-25 budget using the baseline numbers presented here until we get new information or final reports

\*\*\* All numbers will definitely change for the next budget in 2025-26 \*\*\*

# Fiscal responsibility

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The Board of Directors has a duty to be fiscally responsible:

- Include reasonable assumptions and estimates
- Cannot ignore or minimize the reality of the situation
- Fair treatment of everyone, current and future owners
  - Cannot send tab to future owners.
- Prior years of bad funding is not an excuse to do it again
  - Digging deeper in the hole is not a solution

# Questions and Answers

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