

## CARRINGTON @ STONEBRIDGE

### Proposed Budget 2024

#### Budget Objectives

1. Balanced Operating Budget (Expenses equals Revenue)
2. Provide adequate funds to maintain our property values
3. Provide adequate funds for Building maintenance (considering the age of our buildings)
4. Ensure our Reserves are adequate for future major capital expenditures (no more assessments!)
5. Ensure Reserve contributions are appropriate for current vs future Homeowners

#### 2023 Forecast

Based on our actual expenditures to September 31 2023 and our estimates for expenditure during the final three months of the year, we are forecasting an operating deficit of around \$25,000 for 2023. The main reasons for this deficit are primarily as follows:

- Insurance - our budget for renewal on July 1<sup>st</sup> 2023 reflected a premium increase of around 40% compared to July 1<sup>st</sup> 2022. Our actual premium increase was 85%. Therefore, we will end the year around \$22,000 over budget for insurance. Historically we have underestimated the Insurance premium increases (unfortunately we renew in July and set the budget 8 months earlier, so it is difficult. 2024 needs to be more realistic.
- Utilities- our Utility costs (Electric, Trash/Recycling Collection and Water/Sewage) will be around \$20,000 more than budgeted. We have an unresolved issue with Waste Management re the collection cycle. Our pool contractors used electricity during construction and we overspent on water due to emptying the pool during construction. We also had two leaks at the pool.
- Mulch – We were \$8,000 overspent due to the fact that the invoice for 2022 arrived in March this year and was not accounted for in 2022.

The over spends were to an extent offset by the fact we had a relative low level of expenditure with our buildings maintenance.

#### 2024 Budget

Our Budget for 2024 is based on the Forecast for 2023, adjusted for anticipated increased costs due to inflation, increased insurance premium costs (more realistic than in 2023), and additional projects/capital works the Board feels will be required in the future for the Community.

There are various budget areas where we have no control:

- Insurance premiums
- Contractual monthly maintenance agreements that are reviewed annually (e.g. Project Management from CPM, Janitorial Services, Grounds Maintenance from Juarez; Utilities charges; Pool Maintenance and Pest Control)

Then there are budget areas where we do have control:

- Landscaping improvements and investment
- Building/Facilities upgrades (e.g. Pool renovation, new pool furniture, Lighting, etc.)

The Budget we are proposing is provided in pages at the end of this report. Here are some highlights:

**Insurance** – Our Broker has confirmed that we should expect an increase of around \$97,000 in premiums at our July renewal (from \$225,000 in July 2023 to \$322,000 in July 2024), an increase of 43%. However our budget for 2023 was based on an increase of 40%, but the actual increase was 76%: therefore our budget increase for 2024 budget v 2023 budget will be 78%. This alone represents an assessment increase for 2024 of \$220 per quarter.

**Utilities** - we expect around a 17%% increase in these costs in 2024. These are expected inflation related increases, plus addition waste management costs due to heavier usage.

**Grounds/Landscaping**- our Landscaping Company has advised us of an increase in our monthly contract by 3%, due to inflation.

**Building Maintenance** - based on the age of our buildings, we anticipate continued expenditure to maintain. Although we had a lower than expected spend last year we have budgeted for a more normal year.

**Pool maintenance** - our Pool maintenance company has informed us of a 3% increase to our Pool maintenance contract.

**Reserve Accounts** – we need to increase our annual contribution to Reserves in 2024 by 54% (from \$87,000 to \$135,000). This is to accommodate the following:

- Increased contributions to offset the spend on Hurricane Ian Roof repairs,
- Increased contributions to offset the spend on pool lights and a new pump,
- Increased contributions to offset the spend on re-sealing the car park area in front of the pool and
- a major increase our Unallocated Reserves for major Capital Projects (especially related to actions required after attic piping inspections, our 20/10 year Sprinkler System inspections and our Electrical Panel inspections).

## Conclusions

We have achieved a lot during the last few years, without any additional assessments to our Homeowners. The Community looks great, and our Reserves are appropriate considering our future expected obligations. We have also kept our Quarterly Maintenance Fees as low as possible.

Unfortunately, with Insurance premium increases of 78% year on year, other inflation related increased expenses expected in 2024, and due to the age of our buildings, we will have to increase our Quarterly Homeowner Maintenance Fees again in 2024.

The expected Insurance premium increase alone in 2024 will add \$220 per quarter to our Maintenance Fees. The increase in Reserves will add a further \$87 per quarter, the Board believes that this needs to be done to avoid future assessments. Other budget item increases will add another \$43 per quarter. So, our 2024 Quarterly Maintenance Fees will increase from \$1,050 to \$1,400.

This is a significant increase but necessary considering our high inflation environment, the Insurance issue (out of our control) and the need to increase our Reserves to meet future major expenditure.