

To: Members of Spanish Wells Community Association (SWCA)
From: SWCA Treasurer
Date: October 17, 2022
Subject: SWCA Budget Proposal for 2023

You should have received the 2023 Spanish Wells Community Association (SWCA) proposed budget, dated October 12, 2022, that was mailed last week. The SWCA board will meet in the Card Room at the Club House at 10:00 AM on Monday, Nov 7, 2022 for final consideration. A summary is provided below.

The SWCA Board, in a budget workshop open to all members on October 5, 2022, supported the proposed budget. This budget, along with supporting materials was transmitted to all SWCA members in advance of the November 7th board meeting in accordance with our governance requirements.

As you may be aware, the SWCA budget is comprised of two pieces. The first is a typical line-item budget that supports the daily operations of the services for our community. The second is a 'Reserve' fund which ensures we are planning to have adequate funds set aside to replace all assets as they reach the end of their useful life and also to maintain those assets as their functionality becomes impaired.

The monthly member assessment for the operations portion of the budget for 2023 will increase from \$189.00 to \$199.00, a 5.29 percent increase. The basis for the year over year increase is due primarily to high inflation, significant insurance premium increases, and annual increase per the Summit Broadband cable TV and internet bulk service agreement. Summit Broadband will increase from \$89.04 to \$93.26 per month, the assessment component to support SWCA daily operations will increase from \$77.61 to \$81.65 a month, and the component for repayment of the loan used to purchase the SWG&CC will remain the same at \$22.35 per month. A line item for \$1.74 per month was added to cover hurricane damage.

Funding of the Reserve portion of the budget addresses two categories of assets. First, any asset that completes its useful life in 2023 has funding for replacement, refurbishment, or restoration included. The SWCA Board will determine, on a case-by-case basis, whether the replacement is warranted in 2023 or can be deferred. Second, funding is included for ongoing work to enhance the lake banks and improve lake water quality.

For your review, the budget provides a summary of the monthly assessment, as well as a line-item breakdown of income and expenses which includes the 2022 budget, a forecast of 2022 year end results based on costs incurred to date and known projected costs for the remainder of 2022, and the budget for 2023. Also, included is the reserve schedule for 2022 and 2023. A detailed reserve study is on file.

We look forward to the continued success of Spanish Wells.

To Members of the Spanish Wells Community

Please find the budget details for 2023 and my comments on some issues contained therein:

- Monthly assessments will increase by 5.3% to \$199 or \$2,380 yearly.
 - This includes \$1.74 for Hurricane Ian clean up
- When purchasing a home, the buyer will now pay a Capital Contribution Fee of \$2,350 up from \$2,000. The \$2,350 will be added to our reserve fund.
- Privacy control drops from \$544,000 to \$540,000. Due to higher labor costs for our security services, SWCA will convert some of the access/entry gates to a virtual guard.
 - See note below for an explanation.
- The reserve interest earned from new CDs has increased from 0.3% to between 3.8% and 4.06%.
- Reserve contributions are currently \$517,000 per year. The recent Papson Reserve study is based on a contribution rate of \$525,000. This may need to be increased in future budgets.
- The Summit increase is mandated by our contract.
- Estoppel fees now accrue to SWCA as defined by the new contract with Indigo.
- Insurance costs are up significantly.

Respectfully submitted by your Treasurer.

Art Fairrie

Note on security changes

In an effort to reduce security expense and address manpower issues, Spanish Wells will be installing a Virtual guard application. The virtual guard allows for the monitoring of gate access by a remote agent via a camera and microphone.

Access to the property will remain the same except there will be no physical guard at the gate. Visitors or vendors will have to present identification to gain access to the property. The remote guard will verify the identity of the visitor and will remotely open the gate to allow access.

Visitors or vendors not on a resident's DwellingLive access list will be refused access in the same manner as is done today. This application will be utilized at the Marbella gate entrance and also in at the Spanish Wells main gate during the midnight shift.

The roving patrol vehicle will remain the same. The day shift and afternoon shift at the main gate will remain manned as well as the Cordova day shift.

SWCA 2023 PROPOSED BUDGET
AS OF 09/15/2022

SPANISH WELLS COMMUNITY ASSOC., INC.	2022	2022	2023	Delta \$	Delta %
Name	Budget	Forecast	Budget	2022-2023	2022-2023
SWCA Lots	1,358	1,358	1,358		
Summit Units	1,350	1,350	1,351		
Summit Unit Fee/Mo.	89.04	88.98	93.26	4.22	4.74%
Summit Unit Fee/Yr.	1,068.53	1,067.74	1,119.12	50.59	4.73%
Summit Revenues	1,442,522	1,442,522	1,511,931	69,410	4.81%
SWCA Lots Debt Service	364,203	364,203	364,203	-	0.00%
SWCA Debt/Lot	268.19	268.19	268.19	-	0.00%
SWCA Debt/Lot/Mo.	22.35	22.35	22.35	-	0.00%
SWCA Maintenance Fees	1,580,839	1,544,589	1,663,200	82,361	5.21%
SWCA Maintenance Fees/Club	316,168	308,918	332,640	16,472	5.21%
SWCA Maintenance Fees/Member	1,264,671	1,235,671	1,330,560	65,889	5.21%
SWCA Maintenance Fee per Member	931.27	909.92	979.79	48.52	5.21%
SWCA Fee per Member/Mo.	77.61	75.83	81.65	4.04	5.21%
Hurricane Clean-Up			1.74		
TOTAL MONTHLY ASSESSMENT RATE	189.00	187.15	199.00	10.00	5.29%
<u>INCOME</u>					
Maintenance Fees	1,264,671	1,235,671	1,330,560	65,889	5.21%
Summit	1,442,522	1,442,522	1,511,931	69,410	4.81%
Debt Service	364,203	364,203	364,203	-	0.00%
Bar Code Income	3,400	6,750	5,000	1,600	47.06%
Legal Fees Collected	-	-	-	-	0.00%
Interest Income	-	-	-	-	0.00%
Capital Contributions	200,000	180,000	132,000	(68,000)	-34.00%
SWCC Maintenance Fees	316,168	308,918	332,640	16,472	5.21%
Late Fees & Interest	-	-	-	-	0.00%
Reserve Interest	5,000	6,000	50,000	45,000	900.00%
Estoppels		22,700	15,000	15,000	
Misc Income	-	-	-	-	0.00%
TOTAL INCOME	3,595,964	3,566,764	3,741,334	145,371	4.04%
<u>EXPENSES</u>					
PROFESSIONAL					
Audit	19,000	29,000	23,000	4,000	21.05%
Legal	7,500	3,800	7,500	-	0.00%
Engineering	12,000	2,000	5,000	(7,000)	-58.33%
Total Professional	38,500	34,800	35,500	(3,000)	-7.79%

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Name	Budget	Forecast	Budget	2022-2023	2022-2023
ADMINISTRATIVE					
Debt Service - Interest	160,000	156,527	144,595	(15,405)	-9.63%
Debt Service - Principal	204,203	207,677	219,608	15,405	7.54%
Supplies HOA	6,000	6,400	6,000	-	0.00%
Phone	3,600	1,200	1,200	(2,400)	-66.67%
Licenses, Fees, Permits	1,200	2,000	1,000	(200)	-16.67%
Annual & Budget Meetings	8,000	6,500	6,500	(1,500)	-18.75%
Appraisal		-	5,800	5,800	
Reserve Study	-	3,500	750	750	
Unit 1 Lot Maintenance	200	200	-	(200)	-100.00%
HOA Management Fees	175,000	172,000	180,000	5,000	2.86%
Computer Equipment	-	3,500	2,500	2,500	
Mgmt Expenses (Mileage, Travel, etc.)	-	4,650	4,500	4,500	
FedEx	-	300	100	100	
Total Administrative	558,203	564,454	572,553	14,350	2.57%
PRIVACY CONTROL					
Barcode Expense	2,000	4,250	4,000	2,000	100.00%
Privacy Control Service Provider	544,923	544,923	540,000	(4,923)	-0.90%
Entry Access System	19,000	13,700	15,000	(4,000)	-21.05%
Vehicle Expenses	2,500	4,000	2,500	-	0.00%
Repair & Maintenance Gate	15,000	31,500	25,000	10,000	66.67%
Building Repair & Maintenance Gatehouse	12,000	11,500	12,000	-	0.00%
Supplies - Security	3,000	3,500	3,000	-	0.00%
Passes	3,000	2,000	2,500	(500)	-16.67%
Pest Control	1,000	850	1,100	100	10.00%
Total Privacy Control	602,423	616,223	605,100	2,677	0.44%
COMMON GROUNDS					
Landscape & Irrigation Contracts	82,000	82,000	90,000	8,000	9.76%
Irrigation Repairs	3,500	2,000	3,000	(500)	-14.29%
Tree Service	8,000	5,000	8,000	-	0.00%
Building Maintenance, Repairs, & Supplies	10,000	10,000	10,000	-	0.00%
Holiday Decorations	13,000	13,200	14,000	1,000	7.69%
Landscape Enhancement	25,000	25,000	25,000	-	0.00%
Fuel/Diesel/Gas	-	-	-	-	0.00%
Light Repairs	2,000	7,000	2,000	-	0.00%
Sidewalk & Curb Maintenance	-	-	10,000	10,000	
Total Common Grounds	143,500	144,200	162,000	18,500	12.89%

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Name	Budget	Forecast	Budget	2022-2023	2022-2023
SURFACE WATER MANAGEMENT					
Lake Management	65,500	71,000	70,000	4,500	6.87%
Wetland Management Preserve Contract	9,200	8,700	8,600	(600)	-6.52%
Pump Service Contract	2,500	3,500	3,800	1,300	52.00%
Pump Maintenance & Fuel	1,200	1,200	1,200	-	0.00%
Total Surface Water Management	78,400	84,400	83,600	5,200	6.63%
OTHER MAINTENANCE					
Entrance Fountain Maintenance	33,000	13,000	12,000	(21,000)	-63.64%
Total Other Maintenance	33,000	13,000	12,000	(21,000)	-63.64%
UTILITIES					
Electricity - Street & Ground Lights	23,300	20,700	21,800	(1,500)	-6.44%
Electricity - Guard Houses	5,500	4,500	4,700	(800)	-14.55%
Electricity - Fountains	-	17,200	18,000	18,000	0.00%
Electricity - Lake Pump	3,000	3,600	3,800	800	26.67%
Electricity - Irrigation Pumps	-	1,700	1,800	1,800	
Gas/Propane	-	700	700	700	
Water - Guard Houses	-	1,100	1,200	1,200	
Water - Fountain	-	5,700	5,900	5,900	
Water - Irrigation	4,000	3,200	3,300	(700)	-17.50%
Summit Broadband - Guardhouse Phones	3,632	4,300	4,500	868	23.90%
Summit Broadband - Bulk Cable & Internet	1,442,522	1,456,740	1,511,931	69,409	4.81%
Total Utilities	1,481,954	1,519,440	1,577,631	95,677	6.46%
TAXES & INSURANCE					
Insurance - GL/Flood/Piers	34,000	39,400	46,000	12,000	35.29%
Insurance - Country Club	75,000	91,800	108,000	33,000	44.00%
Taxes on Reserve Interest Earned	-	1,000	10,000	10,000	
Taxes on Association Property	3,300	2,700	1,950	(1,350)	-40.91%
Total Taxes & Insurance	112,300	134,900	165,950	53,650	47.77%
TOTAL OPERATING EXPENSE W/O RESERVE FUNDS	3,048,280	3,111,417	3,214,334	166,054	5.45%
RESERVE FUND CONTRIBUTION					
Reserve Fund Capital Contributions	200,000	180,000	132,000	(68,000)	-34.00%
Reserve Interest Transfer Less Income Tax	5,000	6,000	40,000	35,000	700.00%
Reserve Fund Contribution Partial (Members)	338,516	338,516	345,000	6,484	1.92%
Total Reserve Fund Contribution	543,516	524,516	517,000	(26,516)	-4.88%
TOTAL OPERATING EXPENSE W/RESERVE FUNDS	3,591,796	3,635,933	3,731,334	139,538	3.88%

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SPANISH WELLS COMMUNITY ASSOC., INC.	2022	2022	2023	Delta \$	Delta %
Name	Budget	Forecast	Budget	2022-2023	2022-2023
RESERVE EXPENSES	2022	2022	2023	Delta \$	Delta %
Paving					
Walls					
Fence - Chainlink					
Fence - Perimeter					
Fence - Picket					
Drainage	40,000				
Drainage Clearing			100,000		
Vehicle	25,526	27,699			
Roofs	24,938				
Paint & Repair Main Gate & Structures			40,000		
Paint & Repair Marbella GH			21,000		
Paint & Repair Cordova GH			32,000		
Lights - Fountain					
Lights - Islands	13,623				
Lights - Blvd.					
GG Equipment - Cordova					
Gate - Main					
GH - Main - Windows					
Generator - Main GH					
Generator - Cordova GH					
Marbella GH					
Pump Generators					
Pump Components Vault					
Pump Station					
Pumps					
Signage - Main					
GH Access Control					
Lake Banks & Water Quality	240,000	80,000	200,000		
Waterscape			125,000		
Pump House			12,000		
TOTAL RESERVE EXPENSES	344,087	107,699	530,000		

NOTES:

- 1 Summit- increase per contract
- 2 Debt service- same mortgage payment
- 3 Capital contribution- decrease as home sales are expected to be down; but increase charge from \$2,000 to \$2,350.
- 4 Reserve interest income- up per inflation projections for bank CDs.
- 5 Estoppel income- new revenue based on management contract for SWCA retention
- 6 Insurance expense- increase predicated on industry inflation projections