

2024 Proposed Budget Workshop Questions/Comments and Responses

Preparation of the Budget

Question: With the rising cost of insurance and mandatory reserve requirements the Board should be scrutinizing every single budget line item. Ultimately, it's our GP Board's responsibility for submitting the budget proposal. In many instances HOA's rely heavily on the their hired management companies input. Ultimately, it's not their money and doesn't affect them personally, it only affects owners. However, it does appear they're all getting raises?

Comment: This budget has over a 30 per cent increase in two years. That is totally ridiculous!! It appears we need someone that knows how to control fixed cost.

Comment: When we purchased our unit in October 2020, the monthly HOA fee was \$516.95. We are currently at \$655.44 and projected to increase to \$839.88 based on the 2024 proposed budget which is approximately a 28% increase from 2023 and approximately a 62.5% increase since 2020.

Comment: While we understand costs are increasing such as insurance and reserve studies calling for additional money, this BOD needs to be proactively monitoring expenses and considering additional revenue streams other than just increasing the HOA fees and closet rental fees for the owners.

Response: The budget preparation process involves the management company reviewing all of the contracts, soliciting any bids necessary, going out for additional bids to help reduce costs, working with the maintenance and housekeeping supervisor to present a preliminary budget to the treasurer, president and secretary of the board for review. During the first review, the members of the board did in fact reduce some of the proposed items. The proposed budget is then reviewed by all of the board members and discussed at the budget workshop. The management contract for 2022-2024 includes not only our CAM, but all the fiscal management which includes accounting personnel and accounting systems, the physical management of our property and the assurance of compliance to all governmental regulations and requirements. The contract signed in 2022 includes a 5% escalation clause.

In 2021, our insurance was \$327,867 and the projected cost in 2024 is \$907,542. Our reserve contribution in 2021 was \$350,000 and the project contributions in 2024 is \$754,200. Both of these items are the major contributors to the cost increases.

Vending Machine and Expenses Income

Comment: Owner suggested we look at the cost of electricity to run the vending machines as it is costly and may not benefit the Association.

Response: The vending machines are there for the convenience of the owners and guests. Although this is not a budgeted item, in 2022 vending machine income was \$11,579 and from January 2023 to July 2023 the income was \$5,217 which would project about \$8,943 of income for 2023. The vendor was contacted regarding the estimate of the costs to run vending machine and they shared that they get this cost regularly and provided us with the following electricity costs per vending machine. Some of the vending machines may be outside but they are not in the sunlight.

(1) Ice Cooler (the machine just stores ice) \$12/mo, \$144 per year (1) Ice Cream Vending Machine, \$15 /mo, \$188/yr (3) Snack Machines \$20/yr for a total of \$60, (4) drink machines, \$15/mo, \$180/yr total of \$720. Total cost of all machines is \$1,104 based on the vendors information. Using a second source, the internet based on Florida prices states an average cost per machine is \$300-\$350 or a total \$2,700-\$3,150.

A third source states a vending machine owner can expect to pay \$25.95 per month which would equate to \$2,802.60.

NRU Income

Question: I’m assuming the Rental Income is associated with the commercial space. Is that correct and if so, can you provide the breakdown for the \$179,700.00 proposed rental income for 2024?

Response: Table listed below.

Question: In the budget, I don’t see a breakdown of the rental income. What does the HOA charge for rental retail space per foot?

Response: The average rent per square foot for the commercial leases is \$24.64. The current average for commercial space in our area today is \$17.86.

Question: Storage Rental goes from 65k to 75k or 14% but retail rental income only increased by 4%. Seems vendors got a lot better deal than owners on rental space?

Response: The retail rental is based on the negotiated contracts with three years leases. The Real Estate Office base contract expires on December 31, 2023 and they have exercised their first option with a 5% increase as specified in their contract. The other increase was due to additional units being managed by Panhandle Getaways as specified in their contract. One lease is due for renewal in August 2024 and two leases in February 2025, at which time additional increases will be negotiated. Prices for storage rental rates have remained the same for 3 years, and proposed increased is \$5 per month in 2024.

Response:

Non-Residential	Yearly	Lease	Options
Unit	Income	Expiration	Expiration
Tiki Hut	\$ 50,000	2/3/2025	2026, 2027 The tenant has 1st right of refusal for these years. New lease amounts will be presented based on current market.
Real Estate Office	\$ 31,500	1/1/2024 12/31/2026	2027,2030. Options included a 5% rate increase for each option period. First option was exercised for the period of 2024-2026 with monthly rent of \$2,625
Panhandle Getaway	\$ 66,000	8/1/2024	2027,2030. The first period of the lease included increases in what is paid based on the

			number of units at Grand Panama managed by Panhandle Getaway. Base rent \$5,000, if 40-49 units are managed, rent would be \$5,500, if 50-74 units \$6,000, if 75 or more \$6,500. Currently Panhandle manages 42 units. Each option rent will be negotiated at the time of renewal.
Coffee & Donut Shop	\$ 25,000	2/3/2025	The initial term was negotiated for \$25,000 plus 10% of revenue over \$100,000 after taxes. Income for 2021 was \$32,850, 2022 was \$36,665. The tenant has first rights of refusal for 2026 and 2027. New lease amounts will be based on current market
Digital Sign	\$ 7,200		The Real Estate Office and Panhandle Getaways pay \$300 a month each for the use of the digital sign
Total Yearly Income	\$179,700		

Beach Service Income

Question: Beach Rental income is budgeted up considerably, is this new amount from 63k to 85k secure and under contract?

Response: Yes, the contract was approved at the November 9, 2023 board meeting and was executed on November 14, 2023.

Maintenance Payroll

Question: Who and what positions are in maintenance payroll?

Response: One Maintenance Supervisor

Maintenance Payroll Overtime:

Comment: Big percentage cost increases need to be looked at. (some are not big dollars): Maintenance overtime +140% but only \$4200. Note: budget shows \$7200.

Response: Employees are on call after hours and outside of their shifts for which they are paid time and a half. The proposed budget equates to about 4 hours a week unscheduled time.

Owner Services Payroll

Questions: Who and what positions are in Owner Services Payroll. \$38K

Response: The budget provides for coverage at the front desk for guest check in, package handling and other administrative tasks every day, with the exception of Thanksgiving and Christmas. The hours of coverage are from 10AM - 6PM during the busy season and 10AM-5PM during the slower season. The front desk closes for an hour every day to allow a lunch break for the employee. Currently the hours are covered with three part time employees.

Bonus

Question: Who and what positions are Bonuses? 2k

Response: The amount budgeted is used to recognize our maintenance and grounds staff each year for going above and beyond expectations. This equates to an average of \$150 per employees.

Contract Labor

Question: Who and what positions are in Contract Labor? 375k

Response: Includes (5) maintenance employees, (6) common grounds employees and (1) seasonal employee. The average hourly rate including administration fee per employee is \$15.88 (\$14.88 salary + \$1.00 administration fee).

Management Fees

Question: Management Fees, who, and what specific positions does the \$154,369.85 cover.

Response: The management fees include:

Full time Community Association Manager (Cam) who ensures compliance of all stakeholders with the association by-laws, ensures compliance of the association with Florida Statute 718, conducts site and equipment inspections, resolves condo owner's complaints and disputes, supervise property maintenance and upkeep of facilities and amenities, support the association's board of directors, identifies requirements for repair, maintenance and upgrade and work with contractors to meet those requirements, oversee the vendor bidding process and supervise the contractors and staff on site, provide direction for maintenance, security and grounds teams, interview, hire and replace employees as required, communicate information, such as hurricane alerts, board meetings, owner's meeting and other required information to the owners, prepare, distribute and post meeting notices and meeting minutes, ensure required information is posted to the Association website and maintain presence on property and on call for off-hours emergencies.

Administration Support includes the collection of COA and miscellaneous fees from property owners, resolves past due accounts through notices and liens, resolves owner's questions, regarding fees, preparing, tracking and follows up on board of directors elections, proxy voting, and owner's voting certificates, prepares mailings, coordination and recording of changes in ownerships of the units in the association, creates and distributes welcome packages to new owners.

Bookkeeping Support includes tracking payments and invoices, depositing and reconciling receipts from dues, leases and other income sources, helps the board in budget preparation, maintaining checking, savings and other investments accounts assisting in the preparation of the annual audit and tax returns, making all disbursements from assessments for normal recurring expenses, preparing and furnishing monthly financial statements.

Security

Comment: This contract was up for renewal, but yet no additional quotes were requested. While the billing increase may be minimal, additional quotes should have been requested and discussed by the BOD and owners allowed to voice their opinions.

Question: Security budget seems high; however, I may not understand it . I took the wages so we would have coverage 24/7 and figured 2 security personnel during the 6 busy months. I did not figure any overtime or holidays. I came up with \$142,792 a far cry from 242,001.

Question: Who and what positions are in Security? 242k

Response: The Association Office did reach out to other Security Company for bids and received bids from Allied Universal and DSI. Their per hour bid was between \$3-\$5 an hour higher than American Security contract. The amount below is what Security Companies collect not what Security personnel is paid.

	Bill	Per	Hour
	ASA	DSI	Allied
Supervisor	\$ 25.20	\$ 28.50	\$ 30.26
Security Officer	\$ 22.40	\$ 25.50	\$ 27.60

Security Breakdown	# Hours	Pay Rate	Yearly Total
365 days, 24 hours coverage	8760		
Covered by (1) Supervisor (40 hours per week)	2080	25.20	52416
Covered by (3.2) Non Supervisors	6680	22.40	149632
Total	8760		202048
Additional Seasonal Coverage during peak season	1784	22.40	39962
Total Security			242010

Landscape

Comment: These are the big percentage cost increases (some are not big dollars): Landscape +32% for \$6,820

Response: As the current contract with RCI expires on February 9, 2024, the Association Office solicited and received bids from RCI, BrightView, Lawn Trust, Diamond Landscape and Northwest FL Landscape. One additional item that was included in the solicitation for bids was two palm tree trims instead of one. The bids received ranged from \$26,500 to \$62,995. The Board voted to accept the bid from Diamond, not only based on price but also on recommendations from local companies that are using their service.

Cable

Question: Is cable TV required under the governing condo docs, or is this elective benefit. With streaming services so prevalent, this could save owners 100k, has that been discussed or considered?

Comment: Need to verify the contract term for the WOW Contract.

Response: Condo Document 6.04 Cable Television - Basic cable television is included in the Association budget. However, each Owner of a Unit shall be responsible for obtaining any enhanced cable television services for its Unit, and shall pay all costs, expenses, fees, rates and other charges incurred in connection therewith, including, without limitation, any connection fees, directly to the cable company providing the same.

The Association Office has contacted WOW, the provider of our cable services, and they cannot get the Association a renewal quote until mid December because they are revamping their bulk video options and the rates won't be available until then.

Garbage

Comment: As Coastal Waste is will be collecting our garbage and they also do recycling, could they suggest a recycling plan for Grand Panama.

Response: Derek contacted Coastal Waste and they do not actively do recycling in our area.

Insurance and Bonds

Question: I know that the insurance market in Florida is in trouble and there are not many choices. Has the board tried another agent.

Comment: These are the big percentage cost increases (some are not big dollars): Insurance and Bonds +58% for \$332,621 (this is a big one; did this go out to bid?)

Response: Many insurance companies are leaving Florida entirely or staying and revoking policies, limiting coverage and raising premiums by double digits. All agents of record are pursuing the same market of carriers for their clients and will get the same pricing. Coastal Community, our Insurance Agent of Record, has always found the best combination of policies to ensure Grand Panama gets the best value and the best rate.

Other Licenses

Comment: These are the big percentage cost increases (some are not big dollars): Other Licenses +79% for \$285.

Response: It has been discovered that the Condo Association is required to be licensed by Florida Department of Business and Professional Regulation. This is the cost of the license.

Repairs and Maintenance

Question: Can the subcategories be provided for the REPAIRS & MAINTENANCE categories? All subcategories (building, pools, equipment, grounds) have an increased budget for 2024. Is the 2024 budget based on the projected actuals for 2023? Based on the notes provided for extra 2023 expenses related to POOLS and EQUIPMENT, I wouldn't think that some of those expenses would be recurring in 2024 (ex. pool heater, expenses associated with the new charcoal grill area, fire alarm and sprinkler service calls/repairs).

Comment: These are the big percentage cost increases (some are not big dollars): Repairs and Maintenance Building +34% for \$34,000.

Response:

General Maintenance costs have increased due to inflation and aging of general items on the property. The proposed budget looked at each element, what maintenance costs are running, eliminated any one time expenditures included in the 2023 actuals to establish the line item budgets. The following are the subcategories.

Repairs and Maintenance Building

Account	2023	2023	2024	
	Actual Jan-Jul	Budget	Proposed Budget	
	Budget Aug-Dec			
R&M Air Conditioning	11,243	2,500	15,000	CE Units repaired/replaced
R&M Building Plumbing	11,306	5,000	12,000	
R&M Door Locks	2,767	2,000	3,000	
R&M Doors	6,855	10,000	12,000	Repair/Replacement
R&M Electrical	1,569	2,500	3,000	
R&M Elevator	12,826	6,500	10,000	
R&M Exterior	3,203	1,500	3,000	
R&M Gym	234	500	500	
R&M Interior	7,422	3,000	6,000	
R&M Miscellaneous	6,250	15,000	10,000	
R&M Roof	417	1,000	1,000	
R&M Cleaning	46,852	42,000	50,000	Price Increases
R&M Supplies	9,607	8,000	8,000	
Building	120,551	99,500	133,500	

Repairs and Maintenance Pools

Account	2023	2023	2024	
	Actual Jan-Jul	Budget	Proposed Budget	
	Budget Aug-Dec			
R&M Pool Area Maintenance	5,255	2,500	3,000	
R&M Pool Area Painting	104	250	500	
R&M Pool Chemicals	29,341	28,000	35,000	Increases in cost
R&M Pool Equipment	16,751	10,000	15,000	Backup motors, etc
R&M Pool Furniture	15,984	10,000	7,500	
R&M Pool Gates	1,192	1,500	1,250	
R&M Grill Area	5,558	3,500	3,500	Gas Grill Replacements
R&M Pool Plumbing	4,769	5,000	5,000	
R&M Pool Supplies	5,255	5,000	5,000	
R&M Pool Miscellaneous				
Pools	84,209	65,750	75,750	

Repairs and Maintenance: Equipment

Account	2023	2023	2024	
	Actual Jan-Jul	Budget	Proposed Budget	
	Budget Aug-Dec			
R&M Fire Alarm & Monitoring	33,524	10,000	20,000	
R&M Fire Sprinkler & Backflow	17,508	5,000	15,000	
R&M Security Cameras	833	2,000	1,000	
R&M Fitness Equipment	1,530	750	1,000	
R&M Floor Machine	2,946	2,500	2,500	
R&M Generator	1,817	2,000	2,000	
R&M Small Tools	5,116	6,000	5,000	
R&M Equipment Miscellaneous	26,209	30,000	22,500	
Equipment	89,483	58,250	69,000	

Repairs and Maintenance: Grounds

Account	2023	2023	2024	
	Actual Jan-Jul	Budget	Proposed Budget	
	Budget Aug-Dec			
R&M Annual Planting	3,286	2,000	0	Included in landscaping contract
R&M Irrigation	3,172	2,000	3,000	
R&M Gates and Fences	6,034	2,000	2,000	
R&M Lighting	11,130	10,000	10,000	
R&M Parking Lot/Garage	6,716	2,000	2,000	
R&M Property Signage	3,567	2,500	2,500	
R&M Grounds Miscellaneous	17,769	15,000	15,000	
Grounds	51,674	35,500	34,500	

Loan Expense

Comment: The Association should increase the assessments in order to payoff the loan for the Non-Residential Units.

Response: The Association secured a loan from BanCorp South for \$2,300,000.00 which is amortized over 20 years at 4.25%. It has a 5 year balloon due 12/28/2025 and the payoff would be \$1,902,968.76, which is normal for commercial loan, and means at that point the association can pay off the loan, renegotiate the loan with the current bank or reach out to other banks for financing. The monthly payment is \$14,317.68, \$171,812.16 for each year.

Commercial Loan Payoff Options and Impacts to Unit Assessments			
Unit Type	Unit Sq Foc	2024 Proposed Assessment	Increase to 2024 Proposed Assessments to pay off the loan before balloon payment due
Tower 1			
C&D	1135	839.88	243.16
E&F	1431	1058.92	306.57
G	1916	1417.81	410.48
H	2220	1642.76	475.60
TOWER 2			
B	903	668.20	193.46
D	1135	839.88	243.16
E & F	1458	1078.89	312.36
G	1917	1418.55	410.69
H	2266	1676.80	485.46
NRU			
TIKI 1	392	290.07	83.98
TIKI 2	195	144.30	41.78
PM	255	188.70	54.63
Retail 1	2019	1494.03	432.54
Retail 2	2627	1943.93	562.80
Retail 3	1964	1453.33	420.76
Total	21833	16156.05	79,290.37
All Units	370107		0.214236342
Calculations			
Payoff on December 28, 2025 is \$1,902,968.76			
<u>Pay down the loan each month 24 months so there is no balloon payment</u>			
\$1,902,968.76/24 months = \$79,290.37 additional each month			
Since the Association owns the NRU's the assessments for those units would be absorbed by the residential units making their increases higher			

Items to look at.

- As NRU contracts expire or come up for renewal, increase rental fees
- Work with funding sources to minimize any interest impacts and loan payment amounts when balloon payment comes due
- Payoff options

Reserve Contribution

Comment: Reserve Contribution +110% for \$394,200 (this is another other big one; is this a choice?).

Response: Florida law requires condominium's annual budget to include both operating expenses and reserves for capital expenditures and deferred maintenance. To properly budget for reserves, condominiums must have a reserve study conducted. Florida Senate passed a bill in May 2022 that every condominium must have a structural integrity reserve study completed every 10 years after the creation of the building on the condominium property. The reserve contribution is based on the Reserve Study inspection completed by Reserve Advisors in August 2023. Members of the board worked through item by item to clarify assumptions made by Reserve Advisors and were able to find some reductions in the draft reserve study. The reserve study also reflects a 3.5% inflation factor every year which had not been reflected in previous reserve studies. Depending on when the reserve item is scheduled to be done, it is definitely higher with a 3.5% year after year added to present value.

The reserve study is available to all owners on the Grand Panama website: grandpanamacoa.com Owners Log in: Financials: Reserve Studies.

Budget Dispute

Question: What can be done if an owner(s) disagree with the budget adopted by the board of directors?

Response: Section 718.112(2)(e)2.a., *Florida Statutes* provides a mechanism for unit owners to require the association to notice and hold a special unit owners meeting at which unit owners may consider and vote on a substitute budget different than the budget adopted by the board of directors, but only where the budget adopted by the board exceeds 115% of assessments for the preceding fiscal year. Per the law, when determining whether the new budget exceeds 115%, you must exclude from the calculation the portions of assessments for reserve contributions and any portions of assessments related to items that are not expected to be incurred on a regular ongoing basis (i.e., one-time capital projects or repairs). Put another way, the calculation is essentially done only on the portion of assessments for ongoing, regular annual expenses. This is an important threshold matter as many of the assessment increases of late are a result of ramped up reserve funding – which increases would not be included in the 115% calculation. If the adopted budget has not increased 115% as calculated under the statute, unit owners do not have the right to petition for a special meeting to consider an alternate budget. In such situations where the budget has not increased by that percentage, the association would disregard a petition by unit owners – no matter how many owners sign it.

Presuming a budget has increased in excess of 115% under the statute, 10% or more of **all voting interests** in the association must make a written request to the association for a special unit owner meeting within 21 days of the adoption of such increased budget. An association who receives such written request with the time stated must call, notice and conduct the special unit owners meeting within 60 days of the adoption of the budget. The association's obligation is simply to schedule and notice the meeting. Neither the association nor the board has any obligation to assist the challenging owners in their endeavor to secure the requisite support for such substitute budget. At the meeting, quorum must be established to conduct business. If quorum is not achieved, the meeting would be closed, and the board's adopted budget would remain in effect. If quorum is achieved at the special meeting, a substitute budget

can only go into effect if approved by a **majority of all voting interests** in the condominium (unless the bylaws require a **greater** percentage). Note, the voting threshold is not a majority of those present, but a majority of the total voting interests. Thus, even where quorum is established at the special meeting, if a majority of the total voting interests do not approve a substitute budget, the board's adopted budget would remain in effect.