

## 2019 Adopted Budget Strand Master Property Owner's Association

### Revenue, Major Expense Category and Reserve Commentary

November 14, 2018

#### Revenue

Income of \$1,643,384 will be sourced with \$92,600 estimated 2018 Profit Carryover largely the result of the Hurricane Irma Assessment expenses that were initially funded from free cash flow in our operating bank accounts, \$40,000 from our Capital Contribution Fund and \$352 quarterly unit owner assessments yielding \$1,510,800.

#### Maintenance and Operations Expense

Maintenance and Operations Expense is \$37,200 higher than the 2018 budget. The Strand Blvd. Landscape Refurbishment and Replacement Project with targeted spending of \$40,000 will be funded by our Capital Contribution Revenue as previously noted in the Executive Summary. Comcast Cable Cost contractually increased 3% at \$23,700, Irrigation System improvements added another \$7,000 and the entry way signage painting contributed an additional \$2,000 over the 2018 budget. These increases were offset in part by zero based budgeting savings of \$15,800 and expense cycle (every other year) savings of \$8,100. As noted we are spending an additional \$7,000 for irrigation system improvements. The system is now 20+ years old and is one of our largest assets. Mainscapes, our new landscape management company, is conducting a complete system evaluation and will provide us with their recommendations in November.

#### Environmental Management

Environmental Management Expense increased \$41,400 in particular the cost of the Phase 1 Lakes and Water Quality Improvement Project at \$38,700. This is the first phase of a multi-year project to improve our lakes and overall water quality. Several communities have been impacted by the adverse effects of algae outbreaks, midge fly swarms and lake bank erosion. Our Lakes Committee has taken the initial step to have our lakes evaluated by Collier County Environmental and Pollution Control Biologists which more or less provided us with a "road map" to begin the improvement process. The Evaluation helped us to establish a base line as well as specifics for the overall project. First year steps are detailed on the Lake and Water Quality Improvement Schedule.

#### Security

Security costs decreased \$7,700 year over year predominantly the result of lower than planned 2018 Gilyard Security cost increases of \$15,600 partially offset by the Back Gate Camera Upgrade Project budgeted at \$7,000. This project specifically addresses security issues at our North Gate by improving the clarity and reception of vehicles and pedestrians entering and exiting the community via the camera link to the Front Gatehouse. The second project in the Security Category is the re-painting of the Gatehouse at \$3,000 to present a cleaner and fresher appearance at the entry to our community. This project was funded by zero based budget savings.

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### Revenue, Major Expense Category and Reserve Commentary Continued

#### Administration

Administrative costs increased \$48,600 versus the prior year's budget principally \$22,500 in Legal Costs, \$17,400 Property Management and \$12,300 Insurance and Risk Management all contributing to the increase. The legal cost increase is comprised of two components. First, \$13,000 has been allocated for a complete re-write of The Master Association Declarations and Covenants. Over the past two years several legal issues requiring an interpretation of the Documents has highlighted the fact that our guiding documents are now 22 years old. With references such as declarant, developer, builder, etc. that are no longer relevant and conflicting directives concerning boundary and common areas the Board has concluded it is time update our documents. The second aspect of the legal cost increase is an increase in Counsel fees to clarify and resolve a few issues that in the long run will save the community money in the future.

As noted in the minutes of the October 2018 Board of Directors meeting, the Board voted to seek proposals and put out for bid the property management contract. The Board has selected 10 management companies to develop proposals for submission in early November. To provide the Board with the flexibility to negotiate a contract with a company that provides the best services, responsiveness and overall management capabilities the Board allocated an additional \$17,400 for property management services.

Insurance and Risk Management costs reflect the Board's February 2018 decision to insure the I-75 and Livingston Road boundary walls, perimeter fencing and well & pump equipment that were previously uninsured. The Board also voted to secure a \$15million Directors and Officers Liability Policy at that time.

#### Reserves and Strand Blvd. Re-Paving

Over the past 8 years the Board of Directors has prudently established and funded reserves for the replacement of the community's assets such as roadways, sidewalks, water management systems, building and equipment. At the conclusion of the 2019 fiscal period all reserve assets with the exception of the Strand Boulevard re-pave are now projected to be fully funded for replacement based on the remaining useful life of the asset.

The re-paving of Strand Boulevard has been debated on several occasions over the last 4 years. After careful thought and evaluation, and, in light of the Hurricane Irma Wall Replacement the Board has accelerated the project by appropriating \$140,600 for re-paving the entire length of Strand Blvd from the Gatehouse to the North Gate. As with all re-paving projects the contractor will be required to mill out the top 1 ½" to 2" of the existing roadway in preparation for the re-paving. Additionally, any base repairs will be made prior to laying down the new roadway asphalt. The project will not be started till after the completion of the I-75 wall installation and is anticipated to begin in late July or early August.