

Valencia Financial Overview and Budget Proposal

Valencia at South Beach Condominium
September 12, 2023





Discussion

- Board Commitment
- Financial Oversight
- Financial Overview
- Fund Specifics
- Budget Considerations
- Proposed Budget Analysis
- 2024 Budget Recommendations



Board Commitment

- ❖ Be transparent
- ❖ Adhere to applicable rules and regulations
- ❖ Be fiscally responsible without jeopardizing the integrity, appearance & marketability of our community
- ❖ Work with homeowners, listen to their inputs & minimize surprises
- ❖ Manage capital projects with Settlement Fund and Reserves
- ❖ Maintain and improve our collective investments (resale value)



Valencia Financial Oversight

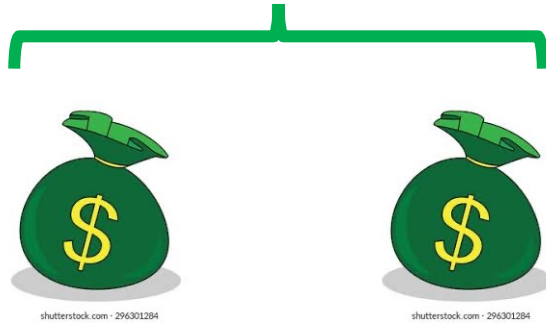
- ❖ Treasurer Experience
- ❖ Finance Committee
- ❖ Board of Directors
- ❖ Management Company provides:
 - ❖ Financial system services
 - ❖ Advice, guidance and oversight
- ❖ Audit firm - Lake Brown Williams CPAs and Consultants, Inc.
 - ❖ Annual Audit
 - ❖ Regular consultation
- ❖ Legal consultation when needed

Current Valencia Fund Overview



Valencia Association Financials

Typical Condo Association Financials



Operational

Reserves

Will be depleted by the end of 2023



Settlement
Fund

Special
Assessment
Fund



Settlement Fund

- ❖ Five-year legal battle over construction defects
- ❖ Extensive engineering analysis
- ❖ 22 construction defects Identified
- ❖ Legal strategy to focus on the biggest issues
 - ❖ Roofs
 - ❖ Windows
 - ❖ Stucco
- ❖ Association settled for \$8.6M in February 2020

Settlement Fund Expenditures



Anticipated 2023 Year End

Remediation Project	Actual cost
Litigation legal & engineering expenses	\$1,188,404
Roof replacements	\$4,144,555
Site paver and drainage remediation projects	\$211,912
Window Replacement	\$3,155,000
Total	\$8,700,000

\$8,700,000 total - \$8,600,000 Settlement, \$100,000 Interest earned



Special Assessment Fund

- ❖ To fund trial proceedings, remaining legal and professional fees from the lawsuit
 - ❖ Settlement legal expenses
 - ❖ Settlement professional fees
 - ❖ Remediation legal and professional fees
- ❖ Passed in November 2019
- ❖ Collected \$427,578 February 2020



Special Assessment Fund

Anticipated 2023 Year End

Costs by Category	Actual or estimated cost
Litigation and remediation legal expenses (2020-2022)	\$223,752
Professional Services (2020-2022)	\$84,200
2020 & 2022 Operational deficit (Board approved)	\$121,874
Total	\$429,826



Operational Fund

- ❖ Day-to-day expenses of the Association
- ❖ Funding from monthly fees
- ❖ Budget Issues – Increase components listed by dollar impact
 - ❖ Continual Increase in Insurance costs – 96% Increase
 - ❖ Contracts Increase - 13% Increase
 - ❖ Reserves contribution requirements – 15% increase
 - ❖ Salary & Benefits – 10% increase
 - ❖ Repairs and maintenance – 50% increase (smaller dollar amount)
 - ❖ Increase in utility costs - 8% Increase
 - ❖ Added contingency of \$20,000



Valencia Insurance

- Insurance Components
 - Property
 - General liability
 - Umbrella
 - Crime
 - Directors & officers' liability
 - Equipment and machinery
 - Workers' compensation
- Standard set of policies
- Property and General Liability are the major costs
- Because of the total cost, it is financed to spread the costs over the year



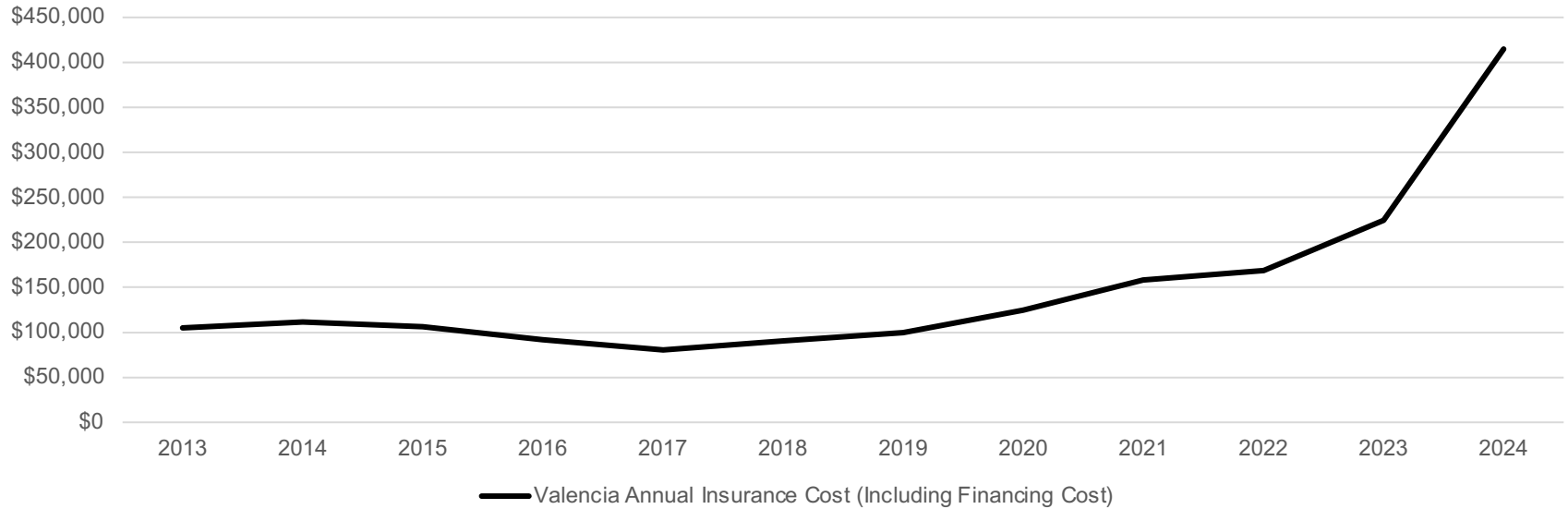
Insurance Costs

- Insurance costs continue to increase – 96% this year
- Property
 - Surf Side & recent hurricane effects in Florida
 - 118% increase
 - Solicited bids from 29 companies
 - 11 Declined outright
 - 17 Could not meet requirements (typical issue our development was too large)
- General Liability
 - 3 Homeowner lawsuits, one still outstanding
 - Two moved out, and one is still a resident
 - Solicited bids from 18 companies
 - 14 Insurance companies declined due to loss history
 - Picked lowest of the four bids provided
 - 48% increase
 - Every owner is now paying \$20/month for homeowner lawsuits



Annual Insurance History

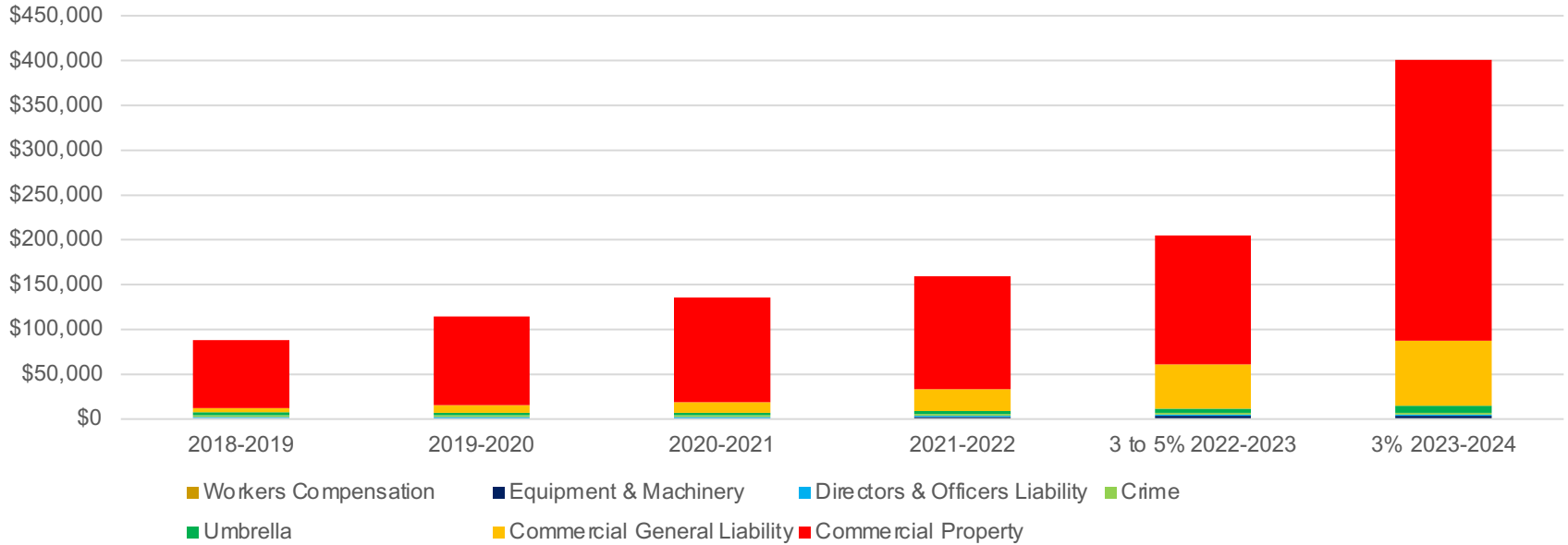
Valencia Annual Insurance Cost





Annual Insurance History

Valencia Insurance History



Insurance Components



Coverage	2022-2023	2023-2024	Change
Property	\$143,594	\$313,074	119%
Commercial General Liability	\$49,284	\$72,699	47%
Umbrella	\$5,050	\$8,109	60%
Crime	\$1,699	\$1,699	0%
Director & Officers	\$2,872	\$2,872	0%
Boiler & Machinery	\$1,590	\$2,746	0%
Workers Compensation	\$599	\$599	0%
Financing cost	\$5,743	\$13,076	
Total Annual Premium	\$211,587	\$414,874	96%



Contracts

- Landscaping \$55,000 increase
 - Owner desire for quality
- Pool maintenance changes \$11,000 increase
 - Current supplier was acquired
 - Realities of the current market



Reserves Fund

- ❖ Monies for large capital projects & maintenance of the facilities, systems & site assets
- ❖ Applicable to long-lived assets
- ❖ Required by condominium law
- ❖ Analysis of facilities (Reserve Study) recommended every three years (2020, 2023)
- ❖ Whenever a Reserve Study is produced, it supersedes any prior projections
- ❖ New Structural Integrity Reserve Study (SIRS) currently underway – 2023
 - ❖ Roof
 - ❖ Load bearing walls
 - ❖ Floor
 - ❖ Foundation
 - ❖ Fire protection systems
 - ❖ Plumbing
 - ❖ Electrical systems
 - ❖ Windows

2023 Reserves Fund Activity



Costs by Category	Actual cost	
2023 Beginning Balance		\$588,759
Exterior Building Elements	\$81,984	
Interior Building Elements	\$0	
Building Service Elements	\$58,709	
Property Site Elements	\$59,804	
Clubhouse	\$14,549	
Pool Projects	\$5,537	
Garage Elements	\$0	
Anticipated additional expenditures	\$101,000	
Total 2023 Expenditures		-\$322,183
Annual Contributions		\$350,000
2023 Ending Balance		\$616,566

Over \$250,000 budget due to window project additional activities



Reserves Fund Future

- ❖ Required by condominium law with new requirements
- ❖ Annual funding history
 - ❖ 2020 - \$212,800
 - ❖ 2020 Study Recommended \$350,000
 - ❖ 2023 Study Recommended \$500,000
- ❖ The Structural Integrity Reserve Study underway – must be completed by 12/31/24
- ❖ Recommend we move to \$400,000 in 2024
- ❖ Once complete, we must break the fund into two accounts
- ❖ In 2024, reconfigure accounts and raise to the appropriate contribution in 2025

Future Valencia Funds



Valencia Association Financials



Day to Day
Association Expenses

Long Term Facilities Investments



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Operational Fund



Traditional Reserves Fund



Structural Integrity
Reserves Fund



Labor Costs

- People are leaving the industry
- People leaving for more money or more meaningful jobs
 - Required increase in hourly rate
 - Equity issues
- Our people are attractive to other properties
- Average 5% employee increase
- Overall, 10% increase



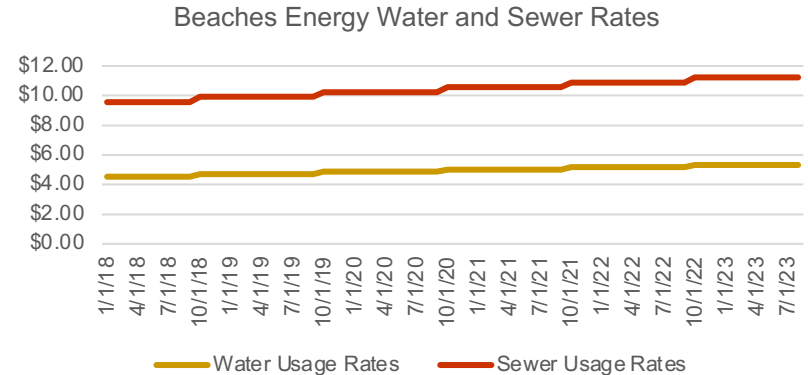
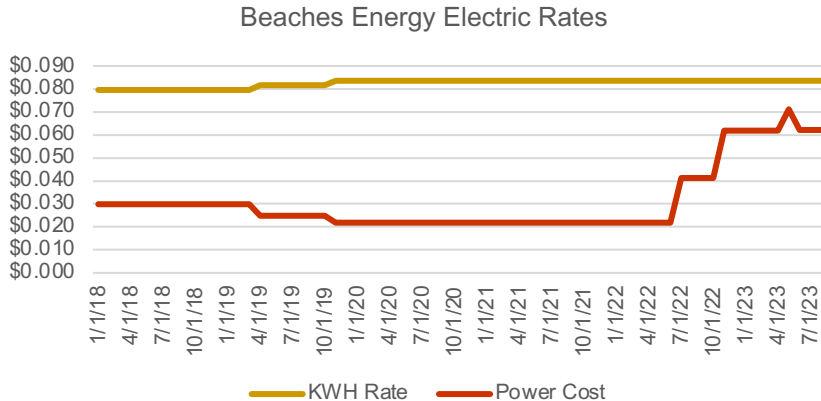
Repairs and Maintenance

- Age of facilities
- Age of systems
- 50% increase (\$34.5k)



Utility Rate Changes

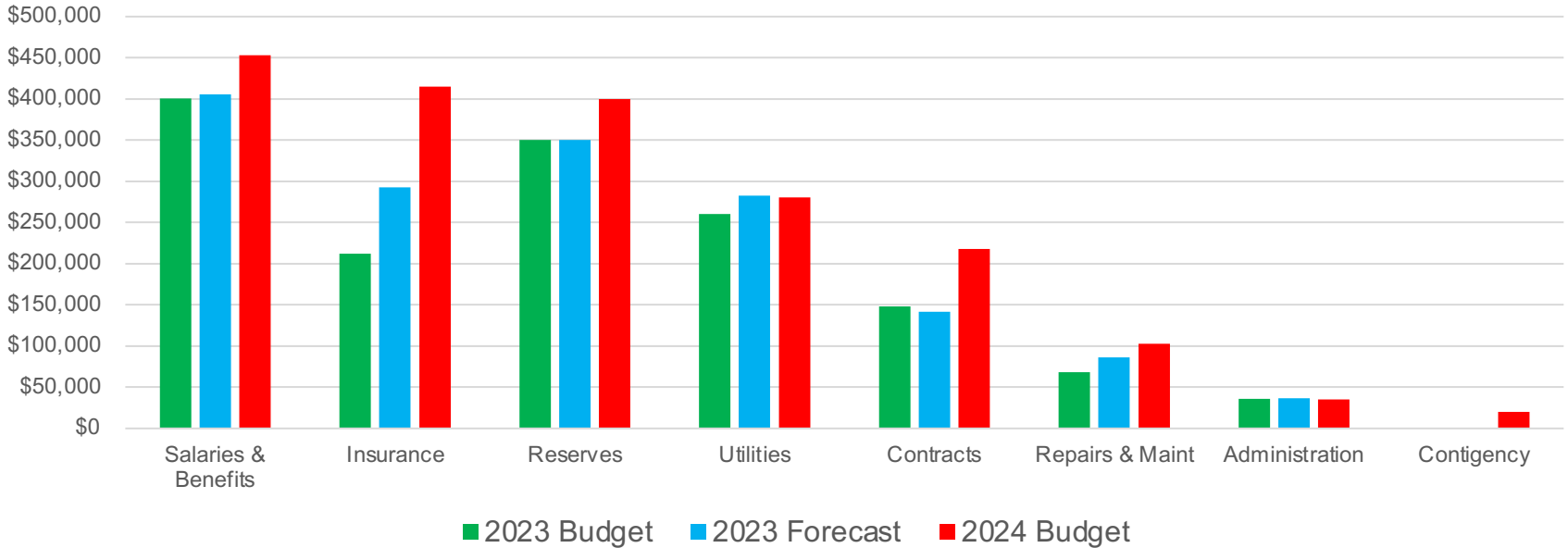
- Significant electricity rate increases over the last year
 - Beaches cost of purchased power
 - Partially offset by association usage reduction efforts (30%)
- Water and sewer regular annual increases
- First increase in Trash costs in 5 years (from \$1,610 to \$2,484 per month)



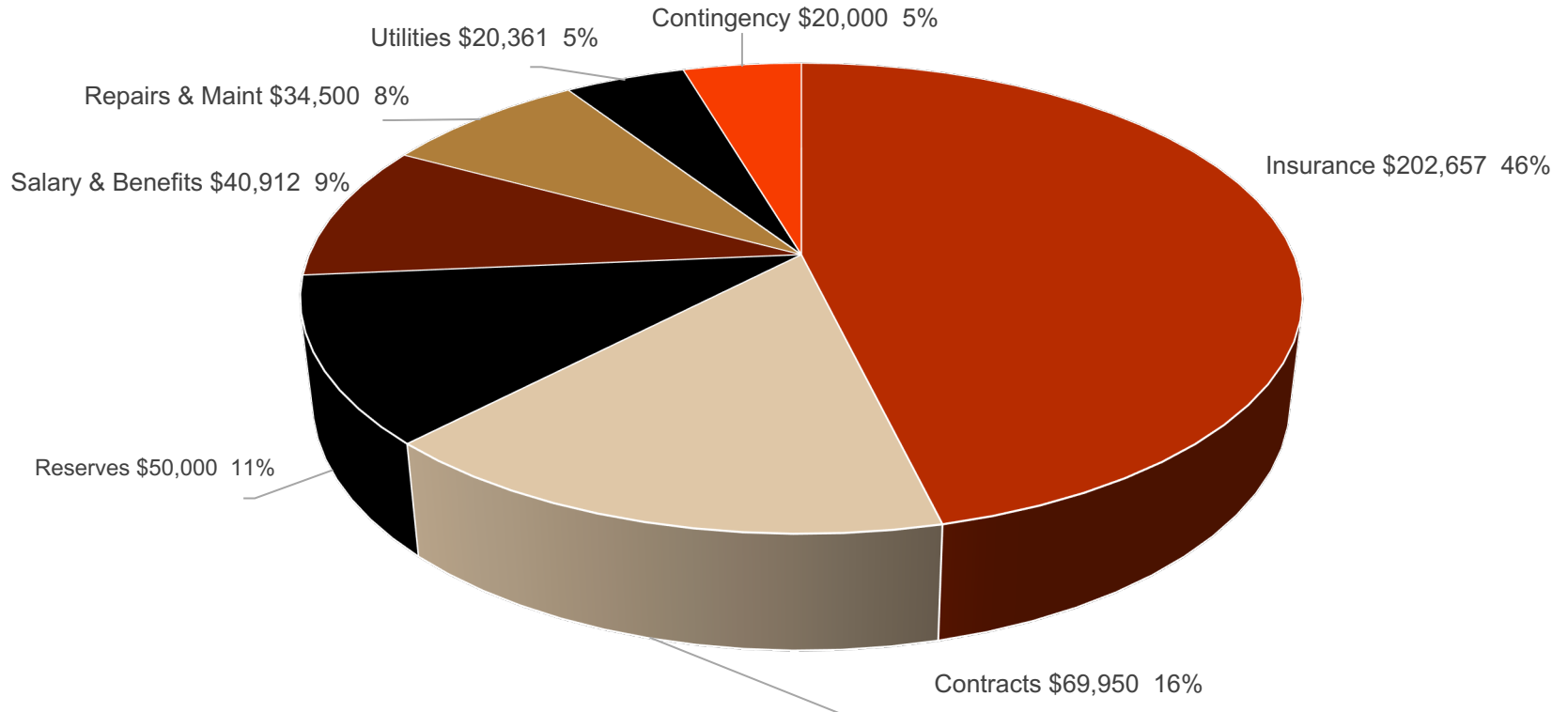
2023 Budget & Actuals to 2024 Budget Comparison



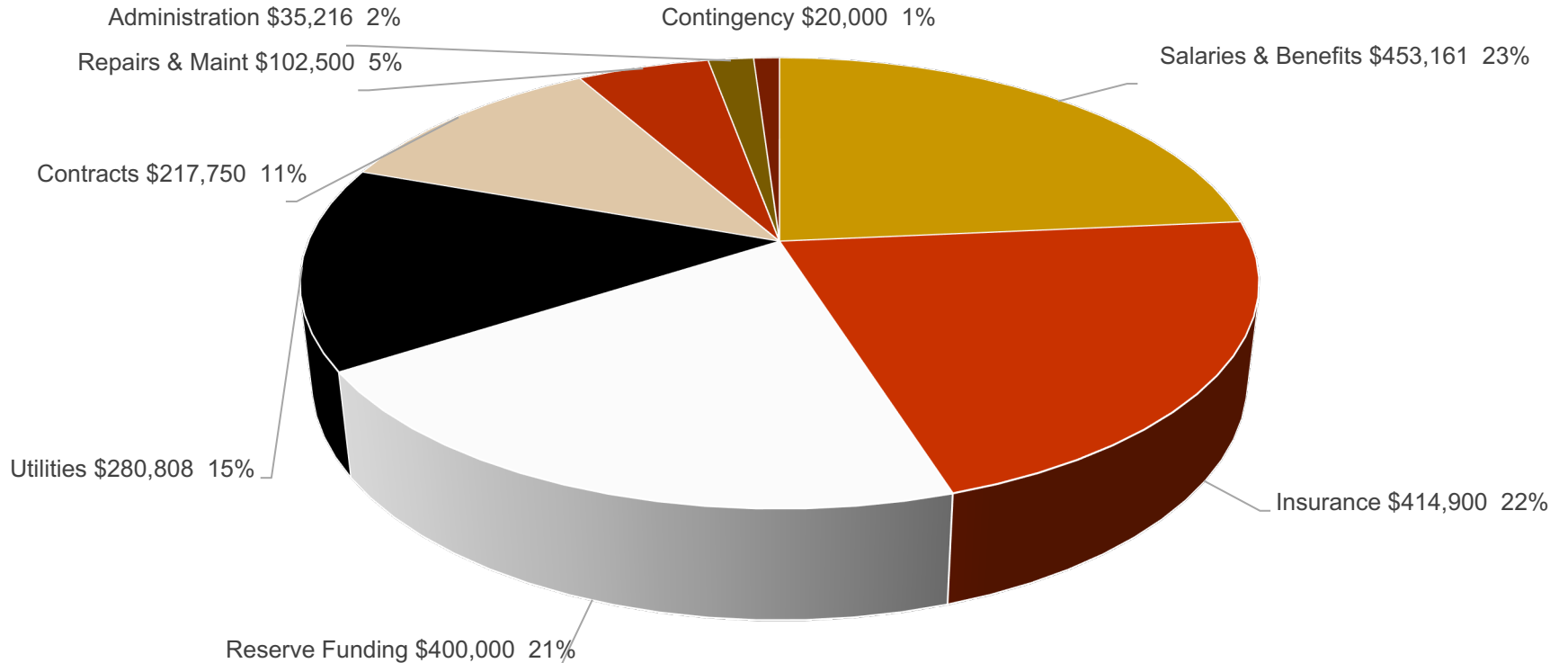
Expense Categories



Valencia 2024 Expense Increase Drivers



Valencia 2024 Expense Components



Valencia 2023 Actual/Budget versus 2024 Budget



2024 PROPOSED INCOME / EXPENSES ANALYSIS			
	2023 Est. YE Expense	2023 Actual Budget	2024 Proposed Budget
Income			
Expense Income	\$1,137,060	\$1,137,009	\$1,524,335
Reserve Income	\$350,000	\$350,000	\$400,000
Miscellaneous Fees	\$8,512	0	
Total Income	\$1,494,574	\$1,487,009	\$1,924,335
Expenses			
Administration	\$36,940	\$36,170	\$35,216
Insurance	\$292,885	\$212,243	\$414,900
Utilities	\$282,590	\$260,447	\$280,808
Contracts	\$141,331	\$147,800	\$217,750
Salaries & Benefits	\$405,296	\$412,249	\$453,161
Repairs & Maint	\$86,521	68,000	\$102,500
Reserve Transfer	\$350,000	\$350,000	\$400,000
Contingency	\$0	\$0	\$20,000
Total Expenses	\$1,595,563	\$1,487,009	\$1,924,335

Proposed Homeowner Fees to Fund Proposed 2024 Operating Budget and Reserves



Unit Type	Count	Sq Ft	2023 Monthly Current	2024 Monthly Proposal	2024 Monthly Increase	2024 Total Monthly Increase	2024 Monthly Increase wo/Ins & Res
Bellavista	33	1356	\$506.98	\$656.08	\$149.10	29.4%	12.4%
San Marco	27	1488	\$556.18	\$719.75	\$163.57	29.4%	12.4%
Cordova	90	1622	\$606.26	\$784.56	\$178.30	29.4%	12.4%
Madrid	3	1786	\$667.56	\$863.89	\$196.33	29.4%	12.4%
Barcelona / Santana	51	1868	\$698.21	\$903.55	\$205.34	29.4%	12.4%



**Valencia Finance Committee Recommends:
The Valencia Board approve the 2024
Budget Recommendation**

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