

CELEBRATION CAPE HOMEOWNERS ASSOCIATION, INC.
BOARD OF DIRECTORS
BUDGET WORKSHOP MEETING
A Corporation Not-for-Profit
Thursday, September 8, 2016 at 6:30 pm
Held at: Celebration Cape Pavilion (203 Destiny Circle, Cape Coral, FL 33990)

1. CERTIFY A QUORUM AND CALL TO ORDER:

Jim Arnold, Board President, called the meeting to order at 6:29 pm. A Board quorum was established with Jim Arnold (President), Susan Dyszel (Treasurer) and Linda Foreman (Secretary) present.

Also present were Mark Rudland, CAM (Tropical Isles Management, Inc.); and Doug Roedding, Senior Accountant (Spires & Associates, P.A.), the Association's accounting firm.

2. PROOF OF NOTICE OF MEETING:

Notice was posted on site at the Pavilion signboard in accordance with Florida Statutes, Chapter 720 and the Association By-Laws, announced at the August 15, 2016 Board of Directors meeting, and emailed to all Homeowners.

3. NEW BUSINESS:

A. 2016 Operating Budget Review and Planning for 2017:

- i. The draft budget for 2017 was prepared by Doug Roedding (Spires) and presented to the Board.
- ii. The workshop process involved reviewing each line item in the 2016 budget, comparing actual with budgeted expenses, and projecting reasonable costs for each in 2017. Of note:
 1. **853. Management Fees.** \$8 per door, per month.
 2. **860 Accounting Services.** \$5 per door, per month. Account stays the same – office expenses could be reduced.
 3. **865 Annual Corporate Report.** Doug Roedding noted that this filing is required by law. Copies of reports for Celebration Cape Community Association are available at www.sunbiz.org.
 4. **874 Office Expenses** Includes the cost of attendance of management company representative at meetings, association mailings, rental fees for external meeting sites, etc. Cost control measures will be put in place for 2017.
 5. **877 Tax Preparation** Includes the cost of tax return and budget preparation.
 6. **879 Property Taxes** Actual tax bill must be referenced for accurate budgeting. Comparisons are made against the previous year and further back, if necessary.
 7. **891 Plant Replacement** Although no funds were spent thus far in 2016, \$3,500.00 was retained in the budget to cover palm tree replacement.
 8. **893 Mulch Commons** No funds were spent thus far in 2016. It was agreed to reduce the budgeted amount from \$2,205.00 to \$1,000.00 for 2017.
 9. **897 Irrigation Maintenance** The high dollar amount in the 2016 budget reflects major repair costs that had been incurred in 2015. Given that projected actuals for 2016 are stated at \$3,261.24, it was agreed to reduce the budgeted amount from \$11,000.00 to \$6,000.00 for 2017.

10. **899.1 Commons Maintenance** Can include miscellaneous expenses, such as sidewalk repairs. Budget remains the same.
11. **902 Pressure Washing** No funds were spent thus far in 2016. It was agreed to reduce the budgeted amount from \$6,850 to \$5,000.00 for 2017. Pressure washing of the interior of the wall may be necessary in 2017.
12. **925 Contingency** Budget was increased from \$805.00 to \$2,421.00 to cover the cost of unexpected or uncategorized expenses.
13. **936.2 Wall Maintenance** Expenses incurred will be covered by the 2017 reserve funds.
14. **932 Fountain Maintenance** Although no funds have been expended, it was decided to keep \$1,000.00 in the budget for unforeseen expenses.
15. **935 Gate Maintenance** Actual costs thus far for 2016 are higher than expected due to resetting gates after road surface topping. Budget increased from \$2,400.00 to \$6,850.00 for 2017.
16. **955 Telephone** Covers cost of land line for gate access. Costs for 2016 thus far have been less than amount budgeted. Budget reduced from \$1,100.00 to \$950.00. We should plan for an average service fee increase of 3% per year in successive years.
17. **Rental Income** The actual collected amount for 2016 did not seem to reflect the three (3) new rental agreements put in place for this year. Mark Rudland to follow up.

iii. **Discussion on Budget Practices**

1. Q: Board: Can the Association move surplus funds from operating budget to reserve account?
A: Doug: This is not recommended.
2. Q: Board: What expense amount should the Association consider for clean-up of tree damage as a result of storms?
A: Doug: Storm damage and clean-up for Common Areas is not covered under our current insurance policy. Based on the landscape composition on the property, it is advised to set aside approximately \$5,000–\$12,000.00 for such expenses. Homeowners are liable for any damage or loss that occurs on their property.
3. Doug: Reserve funds earmarked for Deferred Maintenance (R602, R969) can be used for either Operating or Reserve expenditures.
4. The Budget Committee and the Board are working to delineate and properly categorize “operating expenses” vs. “capital expenditures” which can be carried in reserves account.
5. Reserves Account – General Discussion and Statements:
 - a. Per our governing documents, and recognizing its fiduciary duties, the Board is committed to building reserves in order to establish and maintain financial stability and integrity for the benefit of the Association.
 - b. The plan currently under consideration by the Budget Committee involves an initial assessment of \$2,000.00 per Member Unit for 2017, and \$400.00 per year, per Member Unit for succeeding years.
 - c. Members can elect to make reserve payments upfront at the beginning of the year, or on the same quarterly schedule as regular assessments.
 - d. Monies collected for reserves funding will be maintained in separate accounts.
 - e. The budgeted amount for wall repair is based solely on the one proposal received as of this date, plus reasonable funds needed for restorative landscaping and other property work, for a total of approximately \$100,000.00. If other solutions and proposals are presented, the amounts needed in reserve can be adjusted. If monies budgeted for wall repairs are not fully utilized, unspent dollars can be moved into the general reserves fund.
 - f. Creating reserves using cash flow or “pool” methods is recommended, since funds can be used for any identified capital expenditures.

- g. Doug recommended that these Minutes specifically note that the Board is electing to waive the creation of “statutory reserves” in favor of using the cash flow or “pooling” method for its reserves account.
- h. Any Capital Contributions collected by the Association can be used for any approved purpose, and should be maintained and added to reserves account.
- i. If sufficient reserves are not collected, it could reflect poorly on the Association’s financial health. This could become an issue for potential buyers, who may have difficulty obtaining financing for purchasing a home in this community.

4. ADJOURNMENT:

The Board thanked Mark Rudland and Doug Roedding for their service and advice. The Board also appreciates the continued involvement of Association Members concerning these important issues.

There being no further business to conduct, the meeting was adjourned at 7:33 pm.

Respectfully submitted,

Linda Foreman
Secretary, Board of Directors
Celebration Cape Association

(The preceding minutes were approved by the Board of Directors on September 26, 2016.)