

# Lakeview Estates Financial Presentation

Our current situation and a potential way forward  
June, 2023

## Introduction

- When this Board took office, we understood that co-owners had a major concern about the current level of dues and our financial wellbeing
- Dues were raised to \$450/month in 2022
- One of our goals was to better understand our current situation
  - Both financially and the state of our buildings and common areas
  - The two are obviously linked. Much of our money goes to maintain our buildings
- There was also an underlying question: is the \$450 dues necessary
- We have worked hard to understand our current situation and want to present our best understanding as well as a proposed way forward
- Goal tonight: give a common understanding and language to our situation as we try to be good stewards of Lakeview Estates

## A couple questions as we begin...

- What do our dues go towards?
  - Today's expenses: lawn and snow, water, trash and recycling, management company, repairs, insurance etc
  - Future Expenses: capital improvements such as new roofs, siding, road repair, clubhouse repair, rainwater runoff, etc
- In both categories there are fixed items and items that are discretionary
  - Can be different opinions on what is needed/necessary
  - Items in the budget are easy to see
- For future expenses, we use a tool called a Reserve study
- A Reserve Study is a 25 year projection of future capital improvements
- Compiled by a professional who estimates useful life and cost to repair

## More on Reserve Studies

- For example: Our roofs were replaced in 2009. The useful life is 25 years
  - The reserve study says they should be replaced in 2034
  - It looks at today's cost and projects it forward to 2034
  - Obviously, this is only a tool. The roof may last longer or shorter and the cost could be more or less
  - But, it's a very helpful estimate and a standard in the Condo management field
- We are given this tool and we can make changes, additions or subtractions
- We put away money in savings for future expenses
- The goal is to put away enough money to cover our future needs
- If we don't have enough money, we need to make changes, if we have too much money, perhaps dues are too high, etc

## Current situation

- LVE paid for a reserve study to be completed in 2021 and updated it in 2022
- What we received showed a need for \$9.3 Million of capital improvements over the next 25 years
- At our 2023 proposed saving rate, our reserve study showed a deficit of \$3.3 Million.
  - This included the \$450/month dues. That's ugly.
- What was it composed of? Roughly:
  - \$5.0M for complete repair of all asphalt
  - \$1.3M for siding
  - \$970K possible HVAC chimney vent replacement to current code
  - \$750K for roofs
  - \$570K for clubhouse and pool repairs
  - \$800K for other items including pond, gutters, carports, light fixtures etc

## What are our options

- 3 Main Options
  - Reduce our current and future budgets to save more
  - Modify and adjust projects to reduce costs
  - Increase dues to save more towards the future
- All three are ways to shrink the deficit we have over the next 25 years
- Our team is working on all 3 of these areas
- And, we would like to present our findings and recommendations

## Budget Reductions

- Right away we reduced the budget by \$19,500
  - Savings from miscellaneous expenses
- We have experienced high spending to make up for the COVID year when projects couldn't be completed
  - We believe we can reduce our budget another \$40k for next year
  - This puts us primarily in the mode of spending only what's necessary
- We believe these are sustainable reductions

## Project modifications

- Our goal was to modify projects without compromising the wellbeing of our infrastructure long-term
  - Otherwise, are we really accomplishing our goal?
- We started by looking at our largest expected expenses
- Project modifications:
  - Asphalt: instead of doing full replacements in 2029 and 2036. Instead do mill and overlay in 2029, 2036 and 2046 and then a total replacement in 2047.
    - Savings or difference of \$1.2M
  - After discussion with paving company, we believe this is feasible
    - We are budgeted \$25k a year in asphalt repairs
    - This is cheaper than full repair
  - HVAC Chimney replacement: we are proposing requiring residents to move to high efficient water heaters and furnaces by 2034
    - Savings: \$970k

## Potentially Changing Dues

- Our proposed budget reductions and project savings closed the gap substantially, but did not cover our full costs
- From 2026-2030 we would be projected to go negative
  - It is also possible costs could go up or unexpected major repairs could be needed
- Therefore, it seems some dues increase might be needed
  - We think it would be best to begin regular small dues increases as opposed to large unplanned increases
  - A \$10 a month increase every other year (or \$5 annually) would help close the gap
  - If half of that can be put into savings, it makes our reserve study work and gives us \$1.5M over the 25 years for additional projects and needs

## Current Reserve Situation

- At the end of April, 2023 we had \$180k in operating funds and \$410k in reserve savings.
  - We are adding \$21k a month to the reserve fund
  - We are preparing to spend \$80k on necessary projects
- For comparison
  - As of July, 2021, we had \$89k in operating funds and \$193k in reserve
  - As of July 2022, we had \$75k in operating funds and \$273k in reserve
- This money is also being saved for future projects
- As interest rates have increased, we have been investing some of the reserve funds in short-term CD's
  - They are earning 4-5%

## Summary and Closing Thoughts

- We believe all of us want Lakeview Estates to be a great place to live
- As our units age, we have large, major necessary repairs needed in the future
- Given our current state, we will not have the funds for necessary projects
- We have three ways to get the funds:
  - Reduce our current and future budgets to save more
  - Modify and adjust projects to reduce costs
  - Increase dues to save more towards the future
- Many different mixes of these 3 items could work to close the gap. We have put forward one possible solution
- Could be other solutions and ways to achieve our common goal
- A consistent agreed upon approach with good discipline will be needed in all scenarios

## Questions and Comments

- We know many of you have lived here for a long time
- There are lots of good ideas and smart people who live in Lakeview Estates
- We are very open to ideas, questions and suggestions