



CCPOA

**Presentation of
2021 Budget Process**

November 19, 2020



**A copy of the
Proposed 2021 Budget
is available online from the CCPOA
webpage at**

CypressCreekPOA.ORG

Budget Process Began Last Year

- **Board acknowledged in 2019 the probable need for an increase in quarterly assessments in 2020**
- **Board was divided in 2019 on changes to quarterly assessments without an updated reserve study**
- **A reserve study was necessary to identify reserve requirements as a key component of budget development**
- **Ultimately, no increase in assessments in 2020 budget**
- **Consultants conducted an asset condition assessment and a 20-year reserve study was completed in 2020**

Importance of Reserve Study

- **Last change in quarterly assessments was in 2013 with an amendment to Governing Documents**
- **Previously completed reserve study was significantly out-of-date**
- **Must consider the current condition of Association assets to predict remaining serviceable life and project costs for repair, renewal or replacement**
- **Necessary to identify reserve requirements as a key component of budget planning & development**

Reserve Study Completed in 2020

- **Consultants completed the asset condition assessment and reserve study in September 2020**
- **Reserves are payments to cover the cost of current wear and tear on CCPOA assets, not just money put aside for a rainy day**
- **Pooled reserves provide most flexibility for Association Members**
- **Many assets still have a long useable service life**
- **Copy of reserve study in the financial section of CCPOA Website at CypressCreekPOA.ORG**

Reserve Study Results

- **Recommend continued use of pooled reserves**
- **Recommended expanding scope of CCPOA assets included in reserve pool**
- **Accumulated reserves are underfunded**
- **Reserve contributions are underfunded**
- **Recommended budgeted increase in reserve contributions to at least \$104,000/year in 2021 with minimum 3% annual increases thereafter**
- **Recommended periodic updates of reserve study**

Multistep 2021 Budget Process

- **Step 1 -- Board Approves initial “austerity” 2021 Budget with NO increase in quarterly assessments**
 - **Approval by Board necessary to have a budget going into 2021**
 - **Only requires Board Approval because 2021 “austerity” budget does not exceed the existing \$350/quarter cap**
 - **Cap was established as an amendment to the Declarations in our Governing Documents in 2013 when approved by Member vote**
 - **The existing \$350 quarterly assessments are unchanged and remain due January 1, 2021**
 - **Revenues based on 400 Members in the Association**

Multistep 2021 Budget Process

- **Step 2 -- Board approves Recommended 2021 Budget that requires increases in quarterly assessments to RECOMMEND for Member Approval**
 - **2A – Board Approves the recommended 2021 budget that includes an increase in quarterly assessments to the Members and RECOMMENDS Member approval of the recommended 2021 budget**
 - **2B -- Member Approval is required to adopt recommended 2021 budget changes** which will be presented at the Annual Meeting of the Members on February 18, 2021 which would become effective and due the first quarter after Member approval (we're targeting April 1, 2021)

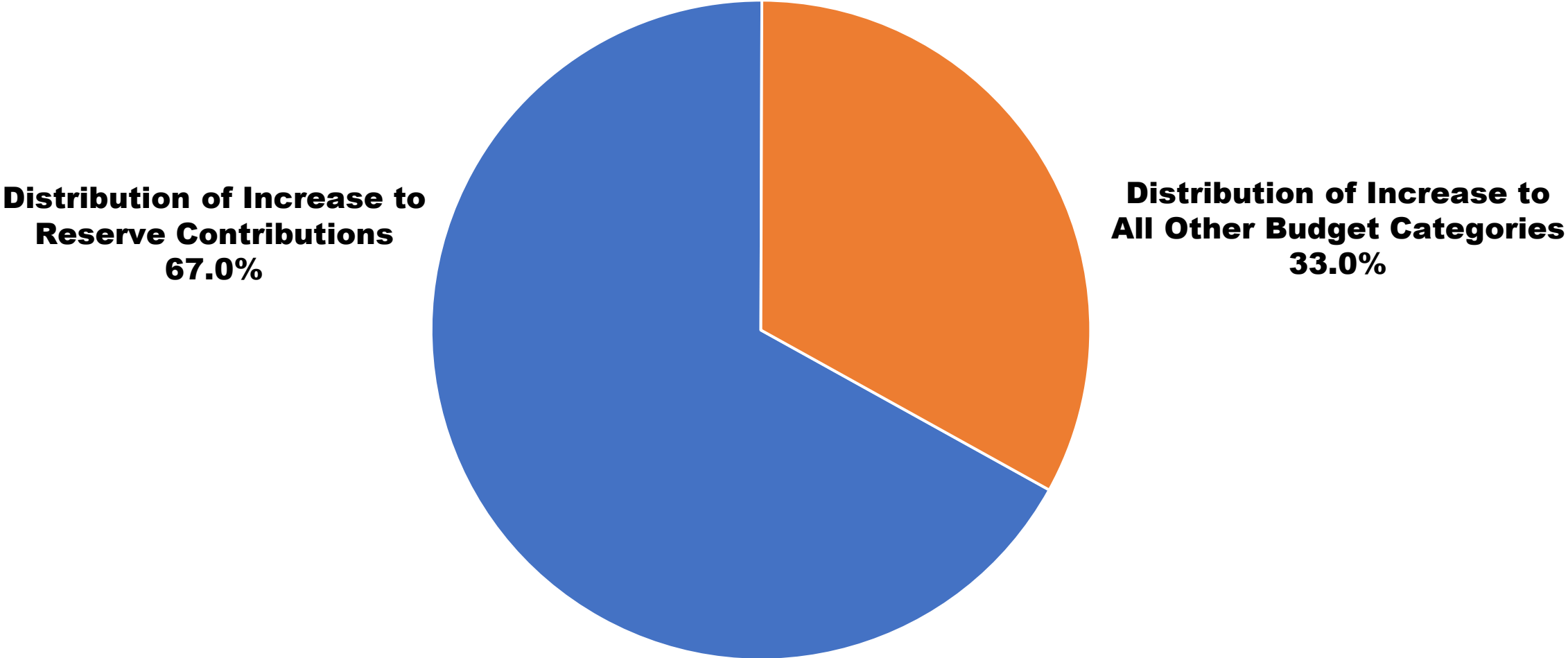
Board Recommends 2021 Budget Changes

- **CCPOA costs continue to increase**
- **There have been no quarterly assessment increases in 7 years since the 2013 Governing Document Amendment was Approved by the Members**
- **2013 amendment to CCPOA Declarations capped assessments to a maximum of \$350/quarter**
- **Loan payments for drainage repairs have dramatically reduced necessary reserve contributions**
- **Accumulated reserves must increase to avoid potential Special Assessments when repairs are needed**

Amendment to Governing Documents

- **Step 3 – To make any increase permanent the Board must first Approve the Amendments to the Governing Documents to increase the quarterly assessment cap and then RECOMMEND Member Approval**
 - **3A – Board Approval is required to RECOMMEND amendments to the Association’s Governing Documents to Members, prior to the Annual Meeting of the Members to permanently increase the cap on quarterly assessments**
 - **3B -- Member Approval required to AMEND Governing Documents (targeting 2021 Annual Meeting of the Members on February 18, 2021)**
 - **Not required for Members to approve recommended 2021 budget. If not approved the Board and Members must go through the extended budget process and Member vote every year**

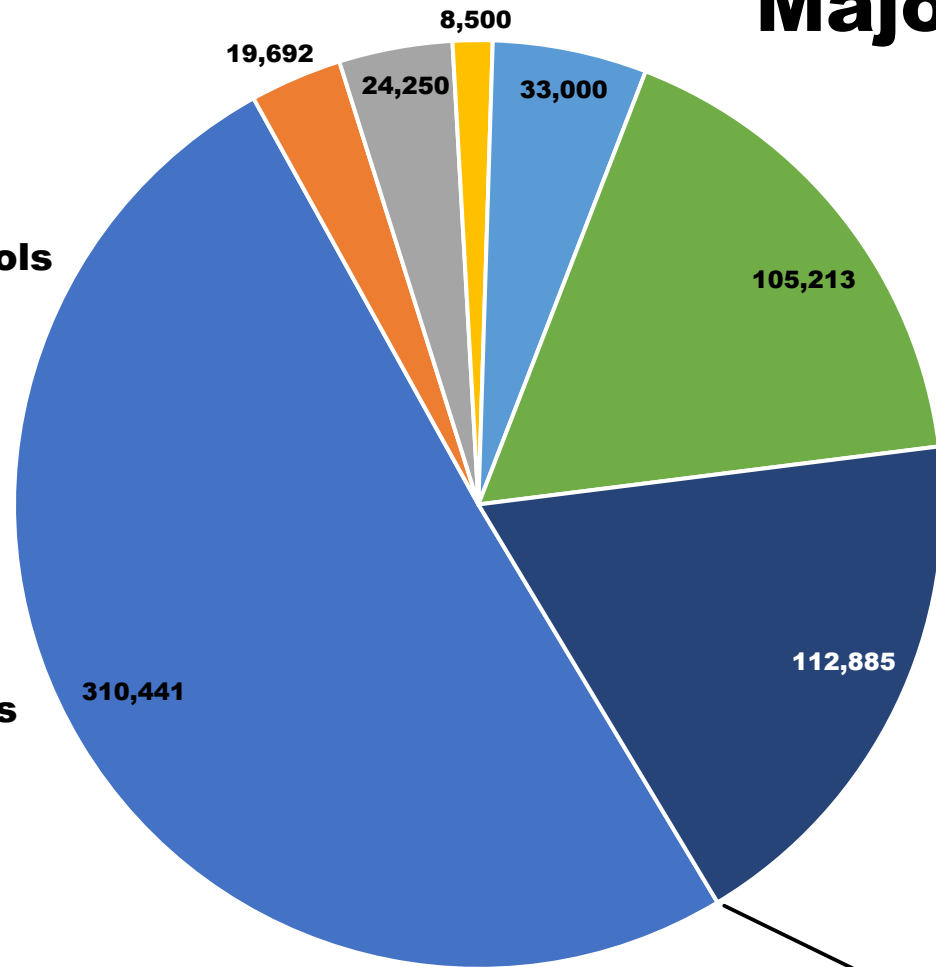
**Distribution of Recommended 2021 Quarterly Assessment Increase
between Contributions to Reserves and All Other Operations**



Recommended 2021 Budget

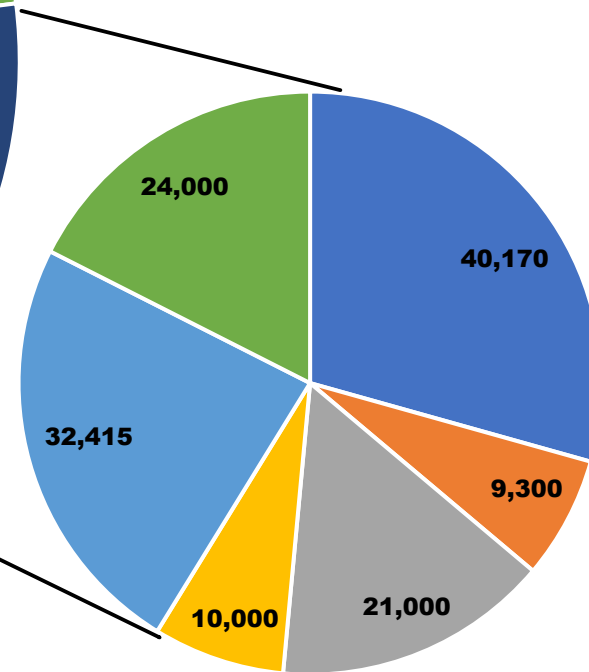
Major Expense Categories

- Major Expense Categories**
- Guard Services
 - Gate & Access Controls
 - Landscape
 - Misc. Maintenance
 - Utilities
 - Reserve Contributions
 - Total Administrative Expenses



Total Administrative Expenses

- Property Management
- Office Supplies & Expenses
- Insurance Expenses
- Bad Debt Allocations
- All Other Administrative Expenses
- Legal



Recommended 2021 Budget

	2020 Budget	Austerity Budget for 2021 With NO ASSESSMENT INCREASE	Recommended Full-Year 2021 Budget FOR MEMBER APPROVAL	
Administrative Expenses				
Audit and Tax Preparation	2,430	2,430	2,430	
Legal	25,500	24,000	24,000	
Permits/Taxes/Fees/Dues COBRA etc.	575	575	575	
Storage Locker	1,270	960	960	
Newsletter	400	-	-	
Property Management	40,950	40,170	40,170	
Office Supplies & Expenses	5,544	9,300	9,300	Combines all office supplies, postage, and copying
Web Services	1,700	1,500	1,500	
Social Activities				
Events Committee	950	1,239	2,350	
Welcome Committee	-	400	600	
Insurance Contract	18,400	21,000	21,000	
Bad Debt Allocation	10,000	10,000	10,000	
Total Administrative Expenses	107,719	111,574	112,885	3.4% increase/4.8% increase in recommended budget

	2020 Budget	Austerity Budget for 2021 With NO ASSESSMENT INCREASE	Recommended Full-Year 2021 Budget FOR MEMBER APPROVAL	
General Maintenance & Repairs				
Utilities				
Electric - Street Lights	21,100	22,300	22,300	
Electric - Guard Houses	3,000	3,000	3,000	
Water & Sewer	1,400	1,500	1,500	
Comcast/Internet/Phones Contract (3 locations)	5,900	6,200	6,200	
SUBTOTAL UTILITIES	31,400	33,000	33,000	
Guard Services				
Security Guard Contract	290,088	297,089	297,089	Increase reflects actual 2020 experience
Additional Safety Patrols	4,160	2,424	7,272	Includes both SPoF and PBSO Patrols
Additonal Signage & Hardware	731	-	-	
Gatehouse Maintenance, Pest Control & Cleaning	1,580	1,080	6,080	Includes installation of hurricane windows
SUBTOTAL GUARD SERVICES	296,559	300,593	310,441	1.4% increase/4.7% increase in recommended budget
Landscape				
Lawn Mowing & Shrub Pruning Contract	13,200	16,500	16,500	Increased Costs of Lawn Service Contract
Large Tree Maintenance	3,000	3,000	3,000	
New Plantings, Mulching & Other Landscaping Costs	2,000	2,000	4,750	Significant landscape improvements
SUBTOTAL LANDSCAPE	18,200	21,500	24,250	18.1% increase/33.2% increase in recommended budget

	2020 Budget	Austerity Budget for 2021 With NO ASSESSMENT INCREASE	Recommended Full-Year 2021 Budget FOR MEMBER APPROVAL	
Gate & Access Control System Maintenance				
Gate Software Contract	3,000	5,292	5,292	Reflects upgrade to cloud-based solution
Surveillance Camera Maintenance & Upgrades	1,500	1,500	1,500	
Transponders	3,600	5,400	5,400	More closely reflects actual 2020 experience
Gate Hardware Maintenance	16,500	7,500	7,500	More closely reflects actual 2020 experience
SUBTOTAL GATE & ACCESS CONTROL MAINTENANCE	24,600	19,692	19,692	
Maintenance Misc.	8,500	4,882	8,500	
Total General Maintenance Expenses	379,259	379,667	395,883	0.2% increase/4.9% increase in recommended budget
Reserves				
Funding Contribution to Reserves	10,009	10,009	40,000	
Drainage Loan Repayment from Reserves	65,213	65,213	65,213	
Total Road Reserve	75,222	75,222	105,213	39.9% recommended increase in reserve contributions
Total Expenses	562,200	566,463	613,981	

	2020 Budget	Austerity Budget for 2021 With NO ASSESSMENT INCREASE	Recommended Full-Year 2021 Budget FOR MEMBER APPROVAL	
Income - Total Lots 424				
Members - 400 at start of 2021	558,600	560,000	560,000	
Transponder Revenues to offset access control expenses	3,600	5,000	5,000	
Required contributions from nonmembers		1,463	1,913	
Total Budgetary Income	562,200	566,463	566,913	
Current CCPOA Quarterly Assessments	350	350	350	
PROJECTED BUDGET SHORTFALL WITHOUT ASSESSMENT INCREASE		-	(47,068)	
PROJECTED SHORTFALL IN TERMS OF QUARTERLY ASSESSMENT		0.00	(29.42)	
REQUIRED QUARTERLY ASSESSMENT			380	Minimum assessment if collected over full year
Annual Percentage Increase over 2020			8.6%	
RECOMMENDED INCREASED QUARTERLY ASSESSMENT			400	No projected increase in 2022 and 2023
Annual Percentage Increase			14.3%	14.3% increase, first since 2013 increase

The budget of the Association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in our governing documents. Because the Owners have not elected to provide for reserve accounts pursuant to Section 720.303(6), Florida Statutes, these funds are not subject to the restriction on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.

2021 Austerity Budget

- **Board approves 2021 Austerity Budget with no increase in quarterly assessments so that there is an approved budget in place at the start of 2021**
- **Quarterly assessment due January 1, 2021, will be \$350 for the quarter**

Recommended 2021 Budget

- **Board must approve Recommended 2021 Budget that increases quarterly assessments from \$350 to \$400/quarter before it can recommend approval by the Members**
- **Board recommends that the Members Approve the Recommended 2021 budget that includes an **increase in quarterly assessments from \$350 to \$400/quarter****
- **The current Declaration requires a majority of Member property owners (400 X 50% +1 = 201) to temporarily increase quarterly fees above the existing \$350/quarter cap (201 votes required to approve the recommended 2021 budget increase)**
- **The recommended \$400 quarterly assessment is expected to satisfy the Association's budget needs for the next three (3) years, until 2024**

If Recommended 2021 Budget Isn't Approved

- **Reserves continue to be underfunded**
- **More costly each year to make up shortfalls**
- **Reduction in maintenance budget**
- **Proposed landscape improvements reduced**
- **Safety Patrols significantly reduced**
- **Limited social or welcome events**
- **Increased chances for Special Assessments**
- **Potential decline in resident property values**
- **Potential disclosure requirement to new buyers**

Amendment to Declaration

- **Board approval required**
- **Board of Directors recommends Member Approval of a Declaration Amendment to cap quarterly assessments at \$400/quarter in 2021 and allow future annual increases of not more than 5% from the previous year's approved budget without approval by a vote of the Members**
- **Amending the Declaration requires 2/3 approval of Member property owners (400 X 2/3 = 267)**
- **Member approval changes the cap until the Declaration is amended again in the future**

If Declaration Amendment Isn't Approved

- **Every year the assessment fees revert back to the current \$350/quarter cap established in 2013**
- **Any budget recommending an increase in quarterly assessments will require a majority vote of the Members (400 X 50% +1 = 201)**
- **Members can approve the Recommended Budget without amending the declaration at this time, but the amendment would need to be approved before the next budget cycle to avoid the extensive budget effort and additional Member votes every year**

Planned Community Outreach

- **Budget summary distributed to Members with Annual Meeting/Election package**
- **Reserve Study posted in the financial section of Association's website at CypressCreekPOA.ORG**
- **This budget presentation posted on Association's website**
- **Series of Q&A "Driveway" Meetings on both east and west sides of neighborhood starting in January 2021**
- **Direct Q&A by email to Secretary@CypressCreekPOA.ORG or by telephone to Mikel Kline at 913-620-4898**



Questions?

MOTION to approve the CCPOA 2021 Austerity Budget with no increase in quarterly assessments as presented to the Board of Directors at its November 2020 Board Meeting.

MOTION to approve the 2021 Recommended Budget with an increase in quarterly assessments from \$350 to \$400 per quarter to be effective the quarter immediately after approval by the Association Members as presented to the Board and to recommend Member approval of the 2021 Recommended Budget to the Association's Members.

MOTION to approve an amendment to the Declarations of the Association to increase the maximum quarterly assessment to the Members, with the final amending language substantially in the form to cap quarterly assessments at \$400/quarter in 2021, and allow an annual increase of not more than 5% from the previous year's approved budget, without approval by a vote of the Members consistent with the Association's bylaws and to recommend approval of the amendment to the Association's Members.