

Sea Coast Gardens 2 Owners

Treasurer's Update and Financial Information

All,

This letter is to share with owners our current financial status, a brief history of some of the key impacts of the last few years and what we can expect in the near-term. Much of this information was shared in recent board meetings but as we all know, not everyone can attend.

As an organization, we have a lot going on financially as well as a number of new owners that might not be aware of some of the most recent history that everyone should be aware of.

The topics covered are as follows:

- Current Financial Status
- Reserves (History, Current and Future Outlook) and Reserve Study
- 2025 Budgeting & Beyond

Current Financial Status

We are for the first time in many years are operating under budget through May. This is due changes made last year to eliminate costs and by significant efforts by our management team to keep costs down.

We are having issues with the accounting firm we engaged with at the beginning of the year as we are not being provided the financial statements that we feel we should have. At our May 29th Board meeting, we voted to find another firm that could better meet our needs. This process is taking place now. If you would like to see what has been provided, these files are available.

Current Bank Balances and Loan Balance (as of 7/9):

- Operating: \$172,348.95*
- Laundry: \$ 11,211.79
- Special Assessment: \$610,654.46
- Reserves: \$109,405.31
- Certificate of Deposit: \$600,000.00 (Interest Rate 4.46%; Matures 12/15/2024; Comprised of \$312,116.65 Reserves and \$287,883.35 Special Assessment funds)
- Seawall Loan Balance: (\$510,932.24*)

*Includes \$150,000.00 uncleared Loan Paydown

Accounts Receivable (Monthly Dues and Monthly Special Assessment Payments):

Prepaid: (\$16,682.68)

Past Due: \$44,267.10 (Includes July 2024)

Net AR: \$27,584.42

Accounts Payable:

\$4,592.84

Reserves

Reserves are kept on hand to pay for large facilities projects like roof replacement, elevators, and the seawall. Our Reserves schedule includes almost every item you can find on property. There was recent legislation related to reserve funding that came about due to the tragedy in Miami that is now changing the way that condo associations are required to fund and maintain their reserve accounts. The date that this newly required funding must be in place is January 2026. To learn more: <https://kbrlegal.com/condominium-legislative-spotlight-house-bill-1021/>

As far as SCG2's reserves go, there is history associated with major facilities projects that have occurred over the last 7 years that have impacted our reserves significantly.

- There was an assessment for the roof replacement, but the project went over budget ~\$150,000 which depleted the reserves by the amount of the overage.
- The Concrete Restoration and Painting project, also an assessed project, went over budget by more than \$600,000. The overage was taken from our reserves.
- At the start of 2023, we had enough reserves to cover the outstanding concrete restoration invoices. We essentially started 2023 with nothing.
- As part of the 2023 annual budget, \$150,000 was deposited to reserves. Our 2024 budget includes \$105,000 going to reserves. The amount going to reserves this year was decreased to offset the nearly 100% increase in our insurance.
- The current assessment includes funding for the seawall and facility repairs as well as \$350,000 for reserves. Owners were given the option to pay the full amount in advance and were provided a discount if they did. This enabled us to hold-off taking funding from our loan to pay for repairs (saving interest) as well as get an immediate influx of cash for our reserves account. Additionally, a portion of each month's

special assessment payments are deposited to reserves. This has resulted in us being able to spend some funds for items such as the new trash chutes and build our balance up to the current \$412k.

Anticipated deposits to reserves through the end of this year are:

- Monthly HOA Payments: \$52,500
- Special Assessment: \$33,191

In conjunction with the new legislation and the Reserve study, completed last November, will require us to have \$892k in our reserves account by the end of 2025. **We will fall short of this amount.** The amount required to be in reserves is specific to the SIRS items detailed in the legislation. With all the seawall work, new decking, and other items that are being addressed currently, we will be able to have a downward adjustment made to the reserve study’s required balances, but all owners should be planning for an increase in their monthly HOA payments in 2025 to accommodate the annual contribution to reserves going up to \$200k (an average increase of \$1117/unit for Reserves only). Only through careful planning and conservative spending will we be able to avoid an assessment in the near term. We will have to balance an assessment versus monthly HOA increases and their impacts on owners as well as the value of our properties.

Below is from the reserve study that details the expected contributions and balances over the next several years.

	FY	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning of Year Reserves		\$68,732	\$198,055	\$514,363	\$892,537	\$1,167,449	\$1,613,309	\$1,594,228	\$2,079,004	\$2,600,194	\$3,162,086	\$3,626,677	\$402,404
Recommended Reserve Contributions		137,500	365,000	378,500	392,500	407,000	422,100	437,700	453,900	470,700	488,100	506,200	524,900
Anticipated Interest Earned	3.7%	2,543	7,328	19,031	33,024	43,196	59,692	58,986	76,923	96,207	116,997	134,187	14,889
Projected Expenditures		(10,720)	(56,020)	(19,357)	(150,612)	(4,337)	(500,872)	(11,910)	(9,633)	(5,015)	(140,505)	(3,864,660)	(12,676)
Projected Year End Reserves		198,055	514,363	892,537	1,167,449	1,613,309	1,594,228	2,079,004	2,600,194	3,162,086	3,626,677	402,404	929,517

Threshold/
Risk Year

2025 Budgeting & Beyond

As owners, we should anticipate a significant budget increase in 2025 with monthly HOA dues to coincide. Items contributing to the projected increase are:

- We anticipate an increase in our Property Insurance of approximately \$50k. Part of this is so that we can reduce the windstorm deductible which is currently increasing our own liability as well as prohibiting standard financing for potential new owners.
- We should plan for at least a general 5% increase to accommodate standard year-over-year price increases.
- The aforementioned increase in contributions to reserves from \$105,000 to \$200,000.

These alone would take us to an increase of 25%. We will do our best to keep any increases to as small as possible, but everyone should be anticipating a minimum of a 15% increase for 2025.

The greatest changes to our budgets going forward for 2026 and beyond will be related to the increases in the reserve contributions required to conform to the legislation. We will see the last payments of the current assessment made in January of 2026 but based upon the current reserve study, legislation and projected contributions, we should plan on another 15% increase in our monthly HOA assessments in 2026. After 2026, increases should level out.

In conclusion, every dollar from our reserves spending will have a future impact, whether that is to our monthly HOA assessments or a potential future special assessment. We don't have the option to not fund and our options in how we fund are very limited. As much as we all want an amazing property, we need to be careful how and what we spend our funds on. Even the smallest cost savings for some of these smaller items will have a significant impact in the future.

If you have any questions regarding topics not addressed, please contact me and I will provide a follow-up communication for all owners.

Thank you,

Carol Luce

SCGII Treasurer