

Whitley Bay Reserves Analysis Committee

Annual Report 2023, Recommendations for 2024 Budget

Executive Highlights

- Committee recommends increasing monthly Reserves contributions to \$142.91/unit in 2024, up from \$138.08/unit in 2023 (a 2.4% increase of \$4.83). This increase is required to keep pace with current and forecast inflation rates.
- Funds borrowed from Reserves to pay 2023 insurance premiums were completely repaid by 31 Sept 2023.
- The Committee highly recommends a new “Full Reserves Study” be performed in early 2024, with results available for WB analysis in spring/summer timeframe.

Loan from Reserves, January 2023

An unanticipated building insurance hike in January 2023 prompted the Whitley Bay Board, with owner approval, to borrow \$187,000 from Reserves savings with the promise of repaying that amount by September 2023.

The plan was to replenish Reserves via combination special assessments and monthly fees increase. The fees increase was also designed to cover future insurance costs.

According to the ‘Financial Statements for Period Ending August 2023’ reported by WB’s management company, Clover Key, Inc., \$187,000 was repaid to Reserves on August 31, 2023.

Updated Florida Condo Regulations, WB Impact

Following the [2021 collapse of Surfside Condominium in Miami](#), Florida 2022 Florida Senate Bill SB-4 extensively updated rules related to structural inspections of condominiums over three stories high, and requirements for adequate Reserves funds that may be necessary to correct any problems that might lead to structural failure.

Per [Section 718-111\(13\)](#) of the statute:

Condominium financial reporting rules must include, but not be limited to, standards for presenting a summary of association reserves, including a good faith estimate disclosing the annual amount of reserve funds that would be necessary for the

association to fully fund reserves for each reserve item based on the straight-line accounting method.

Over the past four years this Committee's ongoing analyses have been based on the work performed for Whitley Bay by [Association Reserves Inc.](#) in their "[2019 Full Reserves Study](#)". Past Committee reports (Reserves Analyses) may be found here at the [Whitley Bay documents page](#) under Financials.

The WB Reserves Committee recommends a new 'Full Reserves Study' be conducted by a reputable firm that takes into full consideration these new State requirements.

The firm Association Reserves could be engaged again to provide a new study, with full consideration of these new State requirements.

Committee Analysis

Reserves Transactions in 2022

The team began by reviewing Reserves transactions, income (credits) and expenditures (debits), throughout fiscal year 2022 as shown in monthly Whitley Bay financial reports.

- Reserves transactions in these reports continue to be inconsistently identified. Some are fully-described, while others have no comments or references that would indicate what was spent, who was paid, and when that payment occurred. A good deal of time was spent in followup with Board members and/or Clover Key Management representatives for explanations.
- A simplified table of Reserves income and expenses appears as [Appendix A](#). Two items are significant:
 - July 2022, Otis, Elevator 1 Update: Otis Elevator Company recommended an electronics board update to overcome the fact that the original system is obsolete, and replacement elements are no longer available if the system fails. Otis estimated \$58,760 for the update, and took \$29,380 as a deposit. Otis did perform the work, however since then Otis has not presented a final bill for the balance, \$29,380. Followup with Clover Key indicates they have reached out to Otis several times in 2023 about this and received no response.
 - Sept 2022, ATP, Fire Alarm Control Systems Update: ATP estimated \$32,304.28 for an update of our current Gamewell system. They took \$16,152.14 as a deposit. The required components were on backorder, while ATP held the deposit. In Aug 2023, WB Maintenance followed up with ATP on

order status; the parts had arrived, and ATP was ready to proceed with installation. However, the installation estimate was revised to \$96,000, and because the whole Gamewell system is now considered obsolete, ATP will not provide normal warranties. WB Board is expecting ATP to refund the deposit \$16,152.14. Rather than try to update our old system, beginning in Sept 2023, WB Board sought alternative new systems from other vendors.

Analysis Tool - Rising Cash-Flow Floor

In 2022, the Reserves Committee began applying cash-flow analysis to understanding when there might be cash shortfalls with potential needs for special assessments. This is in addition to the standard measure of reserves stability, [Fully-Funded Balance](#).

Our purpose of using cash-flow analysis is to ensure there is always enough cash in Reserves at the start of each year to pay for major projects and updates occurring within that year. Major projects include repainting the building, modernizing elevators, replacing fire alarm systems, replacing chilled-water and fire sprinkler pumps, and replacing the emergency power generator.

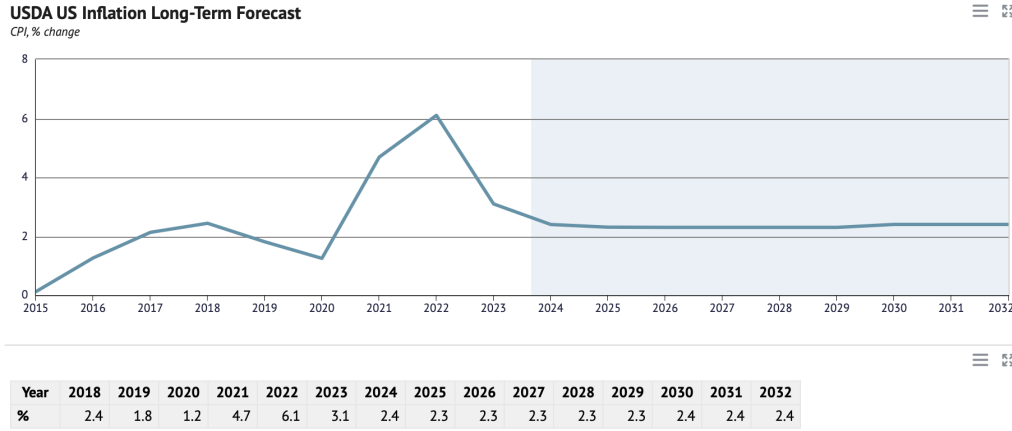
The Reserves Committee initially adopted \$400,000 as a static 'Cash-Flow Floor' (CFF). However with inflation, project costs go up, sometimes dramatically. Therefore, we decided to tie CFF to the long-term inflation rate of 2.4% as determined by US government studies.

Comparing Fully-Funded Balance and Rising Cash-Flow Floor to cash on hand at each year's start identifies risk for special assessment within that year. A 30-year Risk Factor Table is shown in [Appendix B](#).

As shown, risk is being reduced year-by-year considering all known systems and planned projects.

Recommendations

1. Increase Reserves contributions 2.4% per year to keep up with ongoing inflation.



US INFLATION FORECAST/ 2022, 2023 AND LONG TERM TO 2030

Reserves Contributions Overall and Per Unit		
Year	Reserves Annual Contributions	Reserves Contrib. Per Unit /Mo
2020	\$102,456	\$133.41
2021	\$102,456	\$133.41
2022	\$102,456	\$133.41
2023	\$106,042	\$138.08
2024	\$109,753	\$142.91
2025	\$113,595	\$147.91
2026	\$117,571	\$153.09
2027	\$121,686	\$158.44
2028	\$125,945	\$163.99
2029	\$130,353	\$169.73
2030	\$134,915	\$175.67
2031	\$139,637	\$181.82
2032	\$144,524	\$188.18
2033	\$149,583	\$194.77
2034	\$154,818	\$201.59
2035	\$160,237	\$208.64
2036	\$165,845	\$215.94
2037	\$171,650	\$223.50
2038	\$177,657	\$231.32
2039	\$183,875	\$239.42
2040	\$190,311	\$247.80
2041	\$196,972	\$256.47
2042	\$203,866	\$265.45
2043	\$211,001	\$274.74
2044	\$218,386	\$284.36
2045	\$226,030	\$294.31
2046	\$233,941	\$304.61
2047	\$242,129	\$315.27
2048	\$250,603	\$326.31
2049	\$259,374	\$337.73

A 2.4% increase per year is applied to Reserves Contributions beginning year 2023, and continuing through year 2049.

In 2024, the recommended Contribution is \$142.91 / month for each owner's unit, resulting in an overall contribution of \$109,753 by the end of that year.

2. Reserves Budget for 2024

The following systems are scheduled for update in 2024. This means there are funds available to perform these updates.

- The Maintenance department determines if and by whom the updates are performed.
- If there are no impending failures or significant problems with these systems, and the equipment continues to operate efficiently, the work may be delayed into the future.
- If however there is a reported obsolescence or price hike, meaning maintenance parts and services are increasingly difficult to obtain, the update(s) should proceed as planned.

2024 Planned Projects			
Elevator #2 (East) Modernize	\$ (61,600)	\$ 0	
One of various water pumps (Cooling Tower, Domestic Supply), replacement over several years	\$ (8,000)	\$ 0	
Pool Decking Resurfacing	\$ (20,000)	\$ 0	
Pool Furniture Replacement	\$ (6,542)	\$ 0	
Planned Projects Expense Total	\$ (96,142)	\$ 0	Total for planned projects

Thank you for your attention and support.

Respectfully submitted,

The Whitley Bay Reserves Analysis Committee

Members: Jim O'Leary, Dave Bartine, Sue Easterling, Steve Shannon
Board Participant: John Robbins, Whitley Bay Treasurer

Appendix A - Reserves Income & Expenses, 2022-2023 to-date

Reserves Accounting (Simplified)			
	2022 Plan	2022 Actual	Notes
Amount carried fwd into 2022		\$ 393,189	
2022 Reserves Funding		\$ 102,456	Contributions of \$133.41 / month / unit.
2022 Planned Projects			
Elevator 1 (West) Controls Upgrade	\$ (58,760)	\$ (29,380)	<p> Otis quote \$58,760 presented 6/2/22. Downpayment \$29,380 (50%) paid 7/18/22. Work completed September 2022. Final bill has never been presented by Otis; still pending. See 2023. </p>
Fire Alarm System Update	\$ (32,304)	\$ (16,152)	<p> ATP quote \$32,304.28 presented 7/16/22. Downpayment \$16,152.14 (50%) made 9/1/22. Work has been cancelled; need this deposit returned. See 2023. </p>
Spa/Jacuzzi Rehab	\$ (12,650)	\$ (12,650)	Vendor quote presented 6/2/22. Work completed July 2022. Payment \$12,649.70 made 8/31/22.
Planned Projects Expense Totals	\$ (103,714)	\$ (58,182)	Totals for planned projects
2022 Unplanned Projects or Ops Expenses			
Main Water Supply Pump Replacement		\$ (8,448)	Unexpected failure of Main Water Supply Pump. Unknown vendor, JE 2133 12/23/22.
Rec Room A/C Replacement		\$ (34,000)	Redesign/complete replacement of Rec Room A/C system including ducting. Work performed by Tommy Ryder A/C. Payments: \$20,400 down, \$13,600 on completion, total \$34,000.
Palm Tree Replacement along SR520		\$ (2,200)	JE2214 12/31/22 Not described in financial statement; expained by Clover Key. Not a Reserve-type expense.
Unplanned Projects Expenses Total		\$ (44,648)	Total for unplanned projects or ops expenses
Amount expected carry forward from 2022	\$ 391,931	\$ 392,815	

	2023 Plan	2023 Actual (to-date)	Notes
Amount carried fwd into 2023		\$ 392,815	
2023 Reserves Funding	\$ 106,042	\$ 106,042	Contributions of \$138.08 / month / unit.
2023 Planned Projects			
Community Kitchen Update	\$ (6,911)	\$ 3,450	NHance Cabinets paid \$3000 20230730; Blinds of all Kinds paid \$450 20230823
Community Rec Rm Update	\$ (14,000)	\$ 7,121	Wall-to-Wall Painting paid 20230804
Planned Projects Expense Totals	\$ (20,911)	\$ 10,571	Total for planned projects
2023 Unplanned Projects or Ops Expenses			
Elevator 1 (West) Controls Upgrade		\$ (29,380)	Balance due Otis for work completed September 2022.
Fire Alarm System Update		\$ 16,152	Expected return of deposit paid to ATP in Aug 2022 for Gamewell Fire Alarm System Update that will not happen.
Insurance Premium Jan 2023		\$ (187,000)	Amount borrowed from Reserves in Feb 2023 to cover Insurance shortfalls.
Reserves Repayment Sept 2023		\$ 187,000	Amount repaid to Reserves in August 2023 coming from Special Assessments in June & Sept 2023.
Commons Door Replacement		\$ 3,714	Materials & labor, CDA Solutions, April-May 2023
Unplanned Projects Expenses Total		\$ (13,228)	Total for unplanned projects or ops expenses
Amount expected carry fwd from 2023	\$ 477,946	\$ 464,718	

Appendix B: 30-year Risk Factors

Table 5: 30-Year Reserve Plan Summary

36044

Fiscal Year Start: 01/01/20

Interest: 0.00% Inflation: 2.40%

Year	Fully Funded Balance Strength (All values as of Fiscal Year Start Date)				Reserve Balance Strength measured against Cash-Flow Floor (CFF)			Projected Reserve Balance Changes			
Year	Starting Reserve Balance	Fully Funded Balance	FFB Percent Funded	Special Assmt Risk	CFF Rising at 2.4% per year	Start Res Bal Against Rising CFF	Spl Assmt Risk with CFF	Reserves Annual Contributions	Loans or Special Assmts	Interest Income	Reserve Expenses
2020	\$350,732	\$637,068	55.1%	Medium	No CFF estab.	87.7%	Low	\$102,456	\$0	\$0	\$86,950
2021	\$366,238	\$668,122	54.8%	Medium	No CFF estab.	91.6%	Low	\$102,456	\$0	\$0	\$61,200
2022	\$400,689	\$733,356	54.6%	Medium	\$400,000	100.2%	Low	\$102,456	\$0	\$2,049	\$102,830
2023	\$404,413	\$727,732	55.6%	Medium	\$400,000	101.1%	Low	\$106,042	\$0	\$0	\$50,291
2024	\$460,164	\$817,677	56.3%	Medium	\$409,600	112.3%	Low	\$109,753	\$0	\$0	\$96,142
2025	\$473,775	\$874,422	54.2%	Medium	\$419,430	113.0%	Low	\$113,595	\$0	\$0	\$73,592
2026	\$513,778	\$921,257	55.8%	Medium	\$429,497	119.6%	Low	\$117,571	\$0	\$0	\$33,221
2027	\$598,128	\$1,038,192	57.6%	Medium	\$439,805	136.0%	Low	\$121,686	\$0	\$0	\$35,390
2028	\$684,424	\$1,144,977	59.8%	Medium	\$450,360	152.0%	Low	\$125,945	\$0	\$0	\$258,019
2029	\$552,349	\$822,794	67.1%	Medium	\$461,169	119.8%	Low	\$130,353	\$0	\$0	\$209,666
2030	\$473,036	\$784,128	60.3%	Medium	\$472,237	100.2%	Low	\$134,915	\$0	\$0	\$107,064
2031	\$500,887	\$886,764	56.5%	Medium	\$483,570	103.6%	Low	\$139,637	\$0	\$0	\$81,000
2032	\$559,524	\$1,028,900	54.4%	Medium	\$495,176	113.0%	Low	\$144,524	\$0	\$0	\$49,913
2033	\$654,136	\$1,126,237	58.1%	Medium	\$507,060	129.0%	Low	\$149,583	\$0	\$0	\$40,834
2034	\$762,884	\$1,217,788	62.6%	Medium	\$519,230	146.9%	Low	\$154,818	\$0	\$0	\$46,274
2035	\$871,428	\$1,329,396	65.6%	Medium	\$531,691	163.9%	Low	\$160,237	\$0	\$0	\$97,053
2036	\$934,612	\$1,394,799	67.0%	Medium	\$544,452	171.7%	Low	\$165,845	\$0	\$0	\$61,163
2037	\$1,039,295	\$1,511,401	68.8%	Medium	\$557,519	186.4%	Low	\$171,650	\$0	\$0	\$55,373
2038	\$1,155,571	\$1,619,580	71.4%	Low	\$570,899	202.4%	Low	\$177,657	\$0	\$0	\$149,342
2039	\$1,183,886	\$1,631,568	72.6%	Low	\$584,601	202.5%	Low	\$183,875	\$0	\$0	\$40,801
2040	\$1,326,960	\$1,775,048	74.8%	Low	\$598,631	221.7%	Low	\$190,311	\$0	\$0	\$726,323
2041	\$790,948	\$1,264,464	62.6%	Medium	\$612,998	129.0%	Low	\$196,972	\$0	\$0	\$21,721
2042	\$966,199	\$1,425,769	67.8%	Medium	\$627,710	153.9%	Low	\$203,866	\$0	\$0	\$128,481
2043	\$1,041,584	\$1,485,299	70.1%	Low	\$642,775	162.0%	Low	\$211,001	\$0	\$0	\$332,147
2044	\$920,439	\$1,341,470	68.6%	Medium	\$658,202	139.8%	Low	\$218,386	\$0	\$0	\$288,570
2045	\$850,255	\$1,242,667	68.4%	Medium	\$673,999	126.2%	Low	\$226,030	\$0	\$0	\$39,804
2046	\$1,036,481	\$1,400,177	74.0%	Low	\$690,175	150.2%	Low	\$233,941	\$0	\$0	\$68,549
2047	\$1,201,872	\$1,536,075	78.2%	Low	\$706,739	170.1%	Low	\$242,129	\$0	\$0	\$18,971
2048	\$1,425,030	\$1,730,142	82.4%	Low	\$723,701	196.9%	Low	\$250,603	\$0	\$0	\$114,909
2049	\$1,560,724	\$1,834,865	85.1%	Low	\$741,069	210.6%	Low	\$259,374	\$0	\$0	\$0

Weak Range: 0% to 30.0% **High**
Fair Range: 30.1% to 70.0% **Medium**
Strong Range: 70.1% to 130.0% **Low**
Named Surplus: Low