Date: October 14, 2024, 2024
To: Lely Civic Association Board of Directors
From: John Clifford, Treasurer
Re: October 2024 Treasurer's Report

This is the October 2024 Treasurer's report, reflecting our status as of the end of September 2024. Like last month's financials, these are provisional/draft financials, and the balance sheet is out of balance by $4,848.37. I have reached out to Anchor to have them 'balance the books' (make the correct General Journal entries) and will revise this report as necessary when I receive the final version of the month's financials. Nevertheless, the bank account balances are correct and are the major barometer of the HOA's financial condition

Current Balances and Monthly Changes

Month	Checking	Savings	Total	$ Change	$ Change2	$ Cumulative Change	% Cumulative Change
Feb-24	$ 64,703.22	$ 10,695.66	$ 75,398.88	--	--	--	--
Mar-24	$ 69,151.01	$ 10,700.19	$ 79,851.20	$ 4,452.32	5.6%	$ 4,452.32	5.9%
Apr-24	$ 68,571.82	$ 10,704.57	$ 79,276.39	$ (574.81)	-0.7%	$ 3,877.51	5.1%
May-24	$ 69,834.58	$ 10,709.10	$ 80,543.68	$ 1,267.29	1.6%	$ 5,144.80	6.8%
Jun-24	$ 68,505.37	$ 10,713.48	$ 79,218.85	$ (1,324.83)	-1.7%	$ 3,819.97	5.1%
Jul-24	$ 67,599.08	$ 10,718.01	$ 78,317.09	$ (901.76)	-1.2%	$ 2,918.21	3.9%
Aug-24	$ 50,054.75	$ 10,722.54	$ 60,777.29	$ (17,539.80)	-28.9%	$ (14,621.59)	-19.4%
Sep-24	$ 48,137.67	$ 10,726.61	$ 58,864.28	$ (1,913.01)	-3.2%	$ (16,534.60)	-21.9%

The LCA remains financially sound, with dues trickling in ($1,200 in the month of September). We spent an extra $1,200 with Anchor in September; $1,000 of this was generically described as 'Office Expense' and attributed to August and I am trying to get the details. While our overspend for our corporate filing fee ($361.25), insurance ($2,600!), and office expenses ($2,600!) are higher than budget by a total of $3685, our other spending excepting the flood pump maintenance is lower than budget, and we are tracking with $200 of our budget at this time. Some good news: we have a commitment to get 50% of our spend on the pump repairs reimbursed by the Lely Country Club POA in the very near future. We continue to generate a very small amount of interest income from our savings.

Dues and Fines

We still have outstanding dues/assessments totaling $5,495 from 42 homeowners, and outstanding fees totaling $2,100 from one homeowner (a decrease from 55 members and $6,695 in delinquent dues, and $2,200 from two homeowners in delinquent fines from last month), or around 9% of our members, with 6 members remaining in arrears for 2 or more years (no decrease from last month) and thus 36 members (just over 7%) who are delinquent for 2024 dues only. As mentioned last month, we have stopped sending out delinquent notices, as this costs the HOA close to $2 per notice and we believe everyone who is delinquent knows they're delinquent <u>or</u> cannot effectively be reached by mail so there's no use in wasting money. I have an email in with Anchor to get the status of any accounts that have been sent to collections and will update the Board when I receive this information.

I'll repeat my call for assistance from the rest of the Board to remind people of their HOA dues obligations. There's a section in the financials, which I've attached to this email, that lists all delinquent accounts: Board members, please make the effort work among unit representatives to contact the people in your unit and see if they're aware they are delinquent. Once again, for HOA members, if you are not sure if you are current on your dues feel free to reach out to me, your unit representatives, or Anchor Associates. I will be glad to let you know your status. I'm sure most of the delinquent homeowners likely aren't aware of being overdue. Please, if you aren't sure if you paid your dues this year, check to make sure you aren't delinquent!

To summarize this section, we are a small HOA with very low annual dues, and thus do not run a significant surplus. Thus, it is very important that our members pay their dues on time.

Potential Areas for Concern

Despite the good news that Lely Country Club's POA has agreed to reimburse us for half of the flood pump infrastructure repairs we paid for in August, the flood control pump is still an area of concern. The pump was last replaced in 2004; it is 20 years old and nearing the end of its service life (the last pump failed after 19 years). Replacing this pump cost over $7,000 in 2004 and will likely cost us over $10,000 for the pump alone (not counting any related infrastructure or labor, which was 50% of the total in the August 2024 bill). We will almost certainly face this expense within the next five years, yet our reserves are just below $11,000 and are not growing at a rate that meets inflation. Such an expense would wipe out our bank accounts.

During the process of getting the Lely Country Club POA to acknowledge their financial responsibilities, I've read through the initial 1985 agreement between the LCC development company and the County, and the 2004 agreement between the County and LCA/LCC HOAs. In that original 1985 agreement the Developer bound the Lely Country Club POA to have sole financial responsibility, and this is even referenced in their bylaws. The 2004 agreement where the then-board of Lely Civic Association HOA unfortunately agreed to assume financial responsibility for this pump when none of the infrastructure is on LCA HOA properties was an expensive decision that has cost us around $40,000 over the past two decades, with projected costs running at least $2,000 per year, on average, for infinity. Based on history, we can expect to face a $10K bill every several years. Why on Earth we unnecessarily obligated ourselves is a mystery. The responsibility for pump operation and maintenance properly belonged to Hibiscus Golf Course, Royal Palm Golf Course, or the Lely Country Club POA, and not us. Let's hope we can learn from this unfortunate and expensive decision.

Conclusion

I believe the Lely Civic Association HOA needs to strongly consider our financial viability for future. We've seen the impact of 20% inflation since 2021 on operating costs such as insurance and maintenance, and another 15% or higher inflation can be expected by 2030 (in accordance with Fed projections). That's just six years out.

There are two choices: find a way to cut unnecessary expenses, or find a way to increase revenues. Regarding expenses, there really isn't much we can cut. We don't have significant discretionary expenses in the budget, and now you know why I emphasize frugality on things like office expenses and legal fees. Our dues are set at the highest level possible under our current bylaws. I don't believe we can get consensus for changing the bylaws across all of the units to raise the dues; this was tried and rejected a couple of years ago. We are not in a financial crisis, but we are one major expense away from it. We need to take action to start building a reserve that can carry us through any series of crises that can reasonably be foreseen, and our current $11K of reserves isn't sufficient.

I have already directed Anchor Associates to find us a new interest-bearing savings account with a market-competitive rate of return. We have been making 0.5% on our reserve account money when we should have been getting over 4%; that would amount to a $350 difference per year. It's not a lot but it's risk-free so we need to do it. I <u>will</u> make this happen by the end of the month!

We need to look at other HOAs in the area to see how they are able to raise more money to cover expenses without unnecessarily assessing members. I've found some good ideas, things we could do that would significantly increase revenues without increasing costs for HOA members, and will discuss them at the October board meeting for us to consider.

Respectfully submitted,

John Clifford
LCA HOA Treasurer