

PLEASE VOTE “YES” FOR THE POOLED METHOD OF ACCOUNTING. This will enable us to use the total \$ in the Reserves account for any asset that breaks, rather than having separate accounts for various groups of assets. **This will help avoid one-time assessments if something big breaks and there is no \$ in that particular account.**

Major Financial events in 2019:

- 1- The 2 wells in the Geothermal heater at the pool failed in June. This required drilling 2 new wells using a more expensive process (a real drill) than the original sand infusion wells (where you pound a pipe into the ground until it reaches water.) This cost \$7850 to drill the wells, \$1903 to hook them up to the geothermal heater, and \$4349 to repair the landscape after the well drilling (\$1824 sod, \$1900 grading and prep, \$625 repair irrigation).
- 2- This was a total of \$9753 borrowed from reserves and \$4349 expensed using money originally budgeted for tree trimming/tree replacement which was deferred to 2020.
- 3- The pond bank between 831 and 833 started falling into the water in July because of all the summer rains. This cost \$5459 to repair using Eco Filter Tubes and was borrowed from reserves.
- 4- The total borrowed from reserves is \$15,212 to be paid back by a dues increase for 2020 and 2021 of \$26.40/qtr. (\$15212/2years/72units/4 qtrs).
- 5- Phase 1 of 3 phases was completed on the driplines project. When this is completed in first quarter 2021, then the buildings can be repainted. Until then the rust staining is too much of a problem.
- 6- We bought the rest of the new furniture for the pool in December, to be delivered in January. This was \$5621. We are budgeting for no more pool furniture for 8 years.
- 7- The pumps failed in both irrigation wells in October costing \$5900 to replace and we had \$5000 reserved. (The price went up.)
- 8- We finished the year with net income of \$2643 and reserves balance of \$36,578 on assets of \$105,000.
- 9- Total capital expenses for 2019 were \$26,531, reserves additions were \$10,253, and the Board voted to move \$35,000 from op expense (cash) to reserves (savings) in May 2019 to shore up reserves (and the cash balance was running \$100K+)

Financial Plans for 2020

1-Major budget categories are:

50.55% Insurance

28.84% Grounds

12.23% Pool

8.38% Admin

100% Total (\$238,299)

2-Dues went from \$725/quarter to \$820/quarter for 2020 (and 2021) so that we repay the geothermal well drilling expenses and pond bank erosion projects (\$15,212) back into Reserves by December 2021 and for the other reasons discussed below.

3-We are also budgeting a 15% increase (\$10,000) in insurance for 2020, vs 8.1% increase we had in 2019. This is due to anticipated increases in casualty insurance rates, especially reinsurance, not only for recent hurricanes (FL Panhandle) but wildfires in California, tornadoes and flooding in the Midwest, and similar acts of nature that all compete in the reinsurance market.

4-Why can't we self finance our insurance premium using reserves like some Associations do?

Because our Reserves are \$36,000 on an asset base of \$105,000 and our insurance premium is over \$107,000 so the math will NEVER work. Consequently we finance thru Premium Assignment Corp which requires \$18,333 down and 10 payments of \$9242/month which includes a 6% annual interest rate to borrow \$107,000.

5-Why don't we look for another insurance agency to lower our insurance cost?

Because Brown & Brown, our current agency, sends our request for quote *to every carrier in Florida that writes condo insurance and has the financial ability to pay our claims (as rated by Demotech, AMBest, or a review of their financial statements)*. This is done 120 days prior to the renewal date (June 18) and the carriers start releasing their quotes about 30 days prior to our renewal date. The 39 page Insurance Summary the Board receives (about June 7), shows the carriers' responses. For 2019 we received responses from 23 carriers.

There is no reason to change agencies as Brown & Brown is already including all FL carriers in their Request For Quotes. *Given the size of Brown & Brown, they can hands down negotiate the most competitive/comprehensive program available for our association. In the 9 years we've been with Brown & Brown, they've saved us \$47,645 by identifying lower cost carriers as market conditions changed.*

Brown & Brown is the largest insurer of condo properties in the state of Florida and the nation's 4th largest insurance broker. The Sarasota office handles over \$50,000,000 in annual premiums and represents over 5,000 clients with a 95% retention rate. Our agent has a staff of 40 people supporting him. Before this, we were with Moody Agency from 2003-2011. In 2011 Brown & Brown gave us a quote that showed we could *save \$23,000* with a comparable carrier so we switched to Brown & Brown since they were doing a better job of finding lower rates in the market.

We have 6 policies that cover Property, General Liability, Directors & Officers, Crime, Workmen's Comp (just in case) and Umbrella. The Association does not carry Flood Insurance but each owner can get a Preferred Flood policy if they so choose. Because we are a *condo* association, the Association is required to carry insurance on the buildings (up to and including the drywall). Owners need to carry H06 policies to cover build out from the drywall in, that makes a room a kitchen, bathroom, living room etc (sinks, toilets, showers, cabinets, flooring, wall covering, appliances, lighting) and upgrades to the original construction,(e.g. PGT hurricane windows/doors.)

6-We are budgeting \$6400 for the 2nd of 3 phases of the dripline project in 2020. This is a prerequisite to painting the buildings in 2021-2022 (painting to be done by owners finding their own painter.)

7-We are budgeting a \$3500 increase in legal due to anticipated wrangling over pond maintenance between us, the Country Club, and Sarasota County due to low water/weeds in the pond area behind 801-811.

8-Total dues increase of \$95 is attributed to the following increases: \$21.25 reserves (primarily due to the well drilling/pond bank), \$34.72 insurance, \$12.15 legal, \$12.84 misc 8 accounts, \$15.95 decrease in carryforward.

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Director, Finance & Insurance

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