



Celebration Residential Owners Association (CROA)

CROA Board and Finance Committee Minutes for the August 24, 2022, Meeting

- I. Verify Meeting Properly Noticed – Meeting was properly noticed
- II. Verify Quorum – Brian Kensil and Jim Hayes of the CROA Board were present. Thus, there was not a quorum as required for the Board to conduct official business. The Finance Committee (the Committee) meeting continued.
- III. The CROA Board and Finance meeting was called to Order by Treasurer Kensil at 6:04 p.m. Committee members present were Matt Luttinger (Chair), Andrew Benenati Jim Hyman, Mike Jackson, Brian Kensil, Richard Larson and John Wiegand. Lauren Gunnyon, Executive Director, attended as the management representative. As this meeting was dedicated to the 2023 CROA and CJC budget review, Brian Kensil ran the meeting.
- IV. Owner Comments – As there were a small number of residents present, Mr. Kensil invited them to raise their questions as we discussed various budget topics.
- V. Adopt Agenda – Andrew Benenati motioned to adopt the agenda. Jim Hyman seconded. Motion carries.
- VI. Ratification of the August 10, 2022 Meeting Minutes – Andrew Benenati motioned to adopt the August 10, 2022 meeting minutes, Jim Hyman seconded. Motion carries.
- VII. As mentioned above, this meeting was dedicated to a conversation regarding the 2023 draft CROA and CJC budget. Following are conversation highlights:
 1. The draft budget has a CROA HOA increase of 16.1% from \$1,067.86 to \$1,240.00 a year. This increase is \$172.14 a year, or \$14.35 a month.
 2. Trash fees are rising by 9.1% a year from \$299.40 to \$326.35 a year. This increase is \$26.95 a year, or \$2.25 a month. Trash fees are a pass through directly to residents,
 3. The total CROA expense increase is \$982K, or 19%
 4. CJC expense reimbursement from CROA has risen from \$1,378,842 a year to \$1,654,132. This is an increase of \$275K or 29% in the CROA budget. The CJC increase is primarily driven by three items.
 - i. Staffing costs are up \$176K or 16%.
 - ii. Management company fees are up \$70K or 20%.
 - iii. Insurance costs are up \$68K or 30%.



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Staffing, management fees and insurance will be further discussed below.

5. The next biggest CROA expense increase is Landscaping at \$226K or 25%. The Landscaping increase reflects several items. We needed to get new landscaping companies to give greater attention to our needs. Materials and such have seen a lot of inflationary increases. We also are striving to do a much better job in maintaining passive parks and such that had gotten in disarray over the last few years.
6. Staffing costs are up \$109K or 16%. This will be discussed more later.
7. Reclaimed water has an increase of \$70K or 38%. This has been driven by higher prices from ECDD plus our need to improve and better water many passive parks that were being inadequately services before.
8. Professional fees were up \$66K or 68%. There is a \$30K increase in engineering costs. We do not have amounts included for a Town Architect or Arborist. Legal fees are now at \$90K as we have witnessed a lot of need for legal support.
9. Security monitoring increased \$51K or 80%. This reflects the addition of CROA security patrols for other locations in Celebration and a move to 7 days a week.
10. Management company fees are up \$44K or 45%. This is discussed more later.
11. Electricity is up \$42K or 25%. This is driven by the repair of lighting in the parks, repair and addition of lighting at the 851 parking lot, repair and full functioning of the lights at the CK8 Baseball Fields, repair and addition of sprinkler timers, and repair of fountains. We are also expecting a rate increase.



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Staffing Salaries & Benefits

The increase in staffing costs is better explained in the following tables. Over the course of 2022, we have witnessed a lot of employee transition. It has been an inflationary environment where it was easy for employees to find new jobs if they desired. Also, salary inflation was occurring so many tested the marketplace. Also, change will occur where employees just do not enjoy the new culture and work environment. So as can be seen below, 22 out of 31 full time employees are new hires. We currently have three open replacement positions.

		CROA	CJC	Total
Full time employees				
CCMC hired	In place	6	3	9
GrandManors hired	In place	7	15	22
	Open replacement	2	1	3
	Proposed new position	2	2	4
Part time employees				
		4	0	4
Total		<u>21</u>	<u>21</u>	<u>42</u>

In the table below, we have compared 2022 budgeted positions that are filled today. We looked at the 2022 budgeted amount comparing to what we have actually had to pay to fill the position. Essentially, our expense is 11% higher than budget due to the inflationary environment and ease in moving jobs for employees.

2022 budgeted for positions	1,505,818
2022 actual for the 2022 budgeted positions	<u>1,673,426</u>
Overage required to fill/retain the 2022 budgeted positions	<u>167,608</u>
Percentage overage fill/retain	<u>11%</u>
Reflects the cost in 2022 to fill open positions and retain existing employees in this inflationary environment	



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Management Fees

Management fees are contractual and were agreed upon in the contract signed in November 2022. CJC employees are people who support both CROA and CNOA activities. CROA employees are people who support only CROA activities. Management personnel are all employees of GrandManors. We reimburse GrandManors for salaries and health benefits. We then pay both a Burden Load and Personnel Load to cover GrandManors expenses in supporting Celebration and other communities. We have a three-year contract. The Burden Loas is fixed at 15.5% for all three years. The Personnel Load grows from 0% to 3% to 5% over the three years.

	2022 Budget			2023 Budget		
	CJC	CROA	Total	CJC	CROA	Total
Trailing Inflation						
Salary	1,005,608	627,576	1,633,184	1,180,485	737,323	1,917,808
Burden load %	15.5%	15.5%		15.5%	15.5%	
Burden load \$	155,869	97,274	253,144	182,975	114,285	297,260
Health insurance	64,800	43,200	108,000	66,330	42,251	108,581
Personnel load %	0%	0%		3.0%	3.0%	
Personnel load \$	-	-	-	42,894	26,816	69,709
Total	<u>1,226,277</u>	<u>768,050</u>	<u>1,994,328</u>	<u>1,472,684</u>	<u>920,675</u>	<u>2,393,359</u>
Overall growth %				20.1%	19.9%	
Salary	1,005,608	627,576		1,180,485	737,323	
Health insurance	64,800	43,200		66,330	42,251	
Salary & benefits	<u>1,070,408</u>	<u>670,776</u>		<u>1,246,815</u>	<u>779,574</u>	
Management fee	108,000	-		108,000	-	
Burden load	155,869	97,274		182,975	114,285	
Personnel load	-	-		42,894	26,816	
Management fees	<u>263,869</u>	<u>97,274</u>		<u>333,869</u>	<u>141,101</u>	



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Insurance Costs

Insurance costs have been skyrocketing over the last few years. We have worked with our Insurance Agent, who specializes in HOA insurance all over Central Florida on rates to expect. Our Agent actually predicts a 45% overall increase. We have budgeted 31% as we find our Agent starts conservative. However, a meaningful Hurricane will push our rates even higher. Our policies renew at December 7th, so we are the very end of hurricane season before we renew.

CJC/CROA Insurance Renewal

	Increase Estimate per Broker Using midpoint of low/high			Actual		
	12/7/2022	High %	Low %	12/7/2021	12/7/2020	12/7/2019
CJC Insurance Costs						
Property	73,508	50%	20%	54,450	45,375	37,968
General Liability	148,304	75%	20%	100,545	75,883	66,841
D&O for CROA	15,489	20%	10%	13,468	12,244	13,924
D&O for CCS	541	20%	10%	471	428	475
Fidelity Bond	7,993	15%	5%	7,267	6,606	6,291
Business Auto	25,418	25%	10%	21,633	19,666	17,156
Workers' Compensation	762	15%	5%	693	630	644
Liquor Legal Liability	1,222	250%	10%	531	483	483
Umbrella	46,897	300%	10%	18,391	16,719	17,522
Boiler & Mach./Equip.	2,938	15%	5%	2,671	2,428	2,404
Environmental Liability	9,935	15%	5%	9,032	8,211	8,027
Total	333,007	45%		229,151	188,673	171,735
				21.5%	9.9%	9.0%

2023 budgeted amount	300,000	31%	\$300,000 represents a 31% increase.
2024 budgeted amount	345,000	15%	Versus Agent estimate of 35%.
2025 budgeted amount	385,000	10%	Versus Agent estimate of 35%.



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Transitory Inflation Adjustment from Capital Funds

Brian Kensil and Lauren Gunnyon made a decision to cap the HOA increase to 16%. This reflects the point that many argue inflation could be transitory. So, the goal was to evaluate slowly over a year or so, fully understanding that the inflation we are experiencing now is real.

Our Capital Improvement Funds are strong at \$2.7 million in July of 2022. We are adding to these funds annually at roughly \$1 million per year before expenditures. Lot D, for example, will be funded from the Capital Funds. Home sales drive amounts in this account along with the Apartment Recreational fees – so there will always be some income stream.

As such, the recommendation is to fund any shortfall from capital funds above the final HOA increase rate the Board chooses. Currently the 16% rate results in Capital Funds needing to contribute \$34K.

Finance Committee Recommendations and Open Action Items

The Finance Committee and members of the public discussed the overall budget at the end of the meeting. Here are recommendations and open items for action my management.

16% Rate Increase – The consensus of the Committee was that the 16% was required. Some wanted a higher rate increase (say up to 20%). Others stated a range of 15 – 17% made sense

Some members of the public thought that selling 16% might be a challenge with other increases happening and possible GrandManors perceptions. Mr. Kensil did note that he thought we were likely 9 months into what he thought was going to realistically be an 18 month transition considering all the hiring challenges and such.

2022 CROA Operating Fund Loss – At July 31, 2022 CROA has an Operating Fund loss of \$260K. Mr. Kensil would not be surprised if we have another \$300K to \$400 K of Operating Fund losses this year. With the inflationary impacts and such, it has been a very difficult year.

Requested Action Items

1. We have a summary level by month income statement through July and it was requested that management prepare a full year 2022 projection.
2. For the Operating Fund losses projected for 2022, does CROA have adequate operating cash, or should some funds be moved over from the Capital Fund? Mr. Kensil and Mrs. Gunnyon will review.



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3. Security monitoring – the APEX contract is costing \$107K a year. Is the public aware of this cost and would it be fully supported. Can the Board please discuss.
4. In the Engineering costs of \$30K, some of this is for Island Village turnover reviews and should be reclassified to the Island Village Service Area financials.
5. We have a request to review the CNOA rental agreement for the 851 Building and assess if the rental fee should be higher than \$25K (which has been held constant for many years). Mrs. Gunnyon will distribute the contract to the Board and the Committee.
6. When an amenity is turned over to CROA (e.g., the CCFC Athletic Fields), should some or more Capital Funds also be allocated to support the new amenity?
7. Management is requested to review the water bill increase for 2023 – is it accurate based on what we know today? Also, are there still ECDD billing issues?

Water bills have increased for a variety of reasons:

- a. Revamping of the parks – requires more water
- b. All the sprinklers at the parks have been repaired and are functioning
- c. Regular pressure washing of the parks and amenities by the maintenance team
 - i. Sidewalks
 - ii. Buildings
 - iii. Pergolas
 - iv. Arbors
 - v. Benches
 - vi. Playground equipment
 - vii. Pool decks
- d. Painting projects
 - i. Must pressure wash prior to all painting projects
- e. Many of the fountains were not functional previously and have been repaired

Questions arise about whether the number will remain higher and how the billing occurs. Management will provide additional information on the billing process and usage expectations for the coming year.

8. Legal fees of \$90K in the 2023 budget were thought to be high. Can we review lawyer utilization? When was the last time we did an RFP for legal firms and our support?
9. Concern was expressed regarding the reduction in Special Events funding. Management will take a second look at this. However, the large July 4th and Founders Day events of the last two years likely account for the decrease. Nothing that the Special Events committee requested was denied.
10. Funds were not allocated for ad-hoc contracting with Architects and Landscape Architects to replace having dedicated professionals for ARC. Management was asked to make recommendations.

Commented [LG1]: Special Events has asked for additional funding that we cut from this budget to get down to 20% and lower

VIII. The next Finance Committee meeting is set for WHEN???



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IX. Motion to adjourn by Andrew Benenati and seconded by Matt Luttinger. Adjournment was at 7:44pm