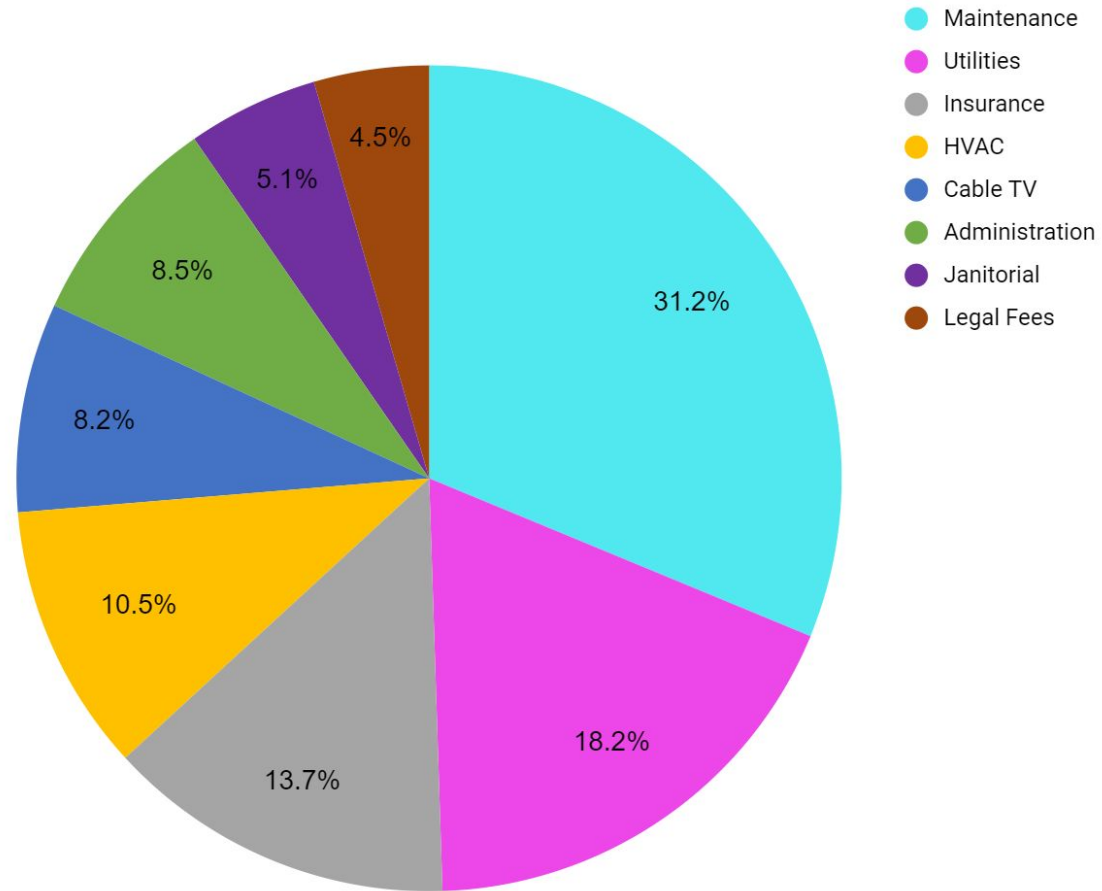


# Budget 2023

Lanai Condominium Association  
(9.13.2022 version)

# Lanai Expense Allocation 2021 through July

Lanai Expenditure as Portion of Actual  
2021 Operating Expenses (through July)



# Previous Results

	<b>Expenses (not sp. assessment)</b>	<b>Budget Variance</b>	<b>Op. Cash on Hand</b>
<b>2020</b>	\$567,077	+\$57,632 (11%)	\$92,257.43
<b>2021</b>	\$610,963	+\$86,014 (27%)	\$34,449.72
<b>2022 Thru July</b>	\$384,331	+\$58,814 (18%)	\$256,095.83*

\* NOTE: Board intends to move at least \$200,000 of non-standard income from operating to reserves by end of 2022

# Reserves

	Balance
<b>2019</b>	\$32,361
<b>2020</b>	\$88,893
<b>2021</b>	\$210,732
<b>2022 Thru July.</b>	\$286,154
<b>Projected 2022 year-end</b>	\$539,951*
* Includes non-standard income of \$200,000 board intends to transfer to reserves by end of 2022	

# 2022 Reserve Study Analysis

- Reserve strength is only 37.9% with a medium-high risk of special assessments
- Reserve should be \$1,423,207 at 2022 year-end (v. projected \$540,000)
- Evaluates when various items should be upgraded or replaced – which includes over \$600,000 of items they recommend replacing now

# 2022 Reserve Study Recommendations

- Put \$170,600 in reserves in 2023 and an additional 3% each year thereafter to keep course with average cost increases
- On average, reinvest \$125,000 each year from reserves into needed upgrades, prioritizing based on their estimate of needed upgrades –
  - Assumes paying for non-operating improvements from reserves collected
    - Includes anything from small improvements (new furniture, lights, fitness equipment) to large improvements (remodeling rooms, replacing HVAC components and elevator)
  - Therefore, not budgeting for any reserve improvements through the operating budget as have done in the past
- Project would put us at the low risk of special assessments by 2039

# 2023 Budget Process

- Goals:
  - \$0 net operating budget – have been over budget the last 4 years and will be over again this year
  - HOA dues should cover the costs of the building – To avoid unexpected special assessments that disrupt owner lives
  - Proactively reinvest in our lovely (but aging) building – Continue to move away from reactively addressing problems as they arise
- Inputs:
  - Past expenditures and projected cost increases – Should be guiding
  - Associa's experience – Has prepared draft budget with recommendations based on experience of similar buildings and costs
  - Community – For common area reinvestment, want to hear priorities (for example, items outdoor or in Ohana Room, library, & lobby)

# 2023 Draft Budget Notes

- Overall : Recommend following 2022 reserve study, both collection and payment of non-operating improvements instead from reserves
- Everything is costing more –
  - Consumer Price Index (CPI) since August 2021 increased 8.5% (<https://www.bls.gov/cpi/latest-numbers.htm>)
  - Producer Price Index (PPI) increased 9.8% since July 2021 (<https://www.bls.gov/ppi/>), 10.9% indexed on construction materials
  - Projected 14% over budgeted 2022 expenses (but does include some upgrades would have been from reserves under new process)
  - Associa draft budget recommended 12% increase to assessments to break even on operating and follow reserve study guidance



# 2022 Proposed Operating Budget Comparison

	2023 BUDGET	2022 Projected	2021 Actual
<b>Maintenance</b>			
HVAC	\$27,000	\$50,000	\$34,435
Maintenance	\$161,200	\$200,147	\$157,644
<b>Total Maintenance</b>	<b>\$188,200</b>	<b>\$250,147</b>	<b>\$192,079</b>
<b>Utilities</b>	<b>\$179,000</b>	<b>\$176,141</b>	<b>\$135,527</b>
<b>Insurance</b>	<b>\$103,000</b>	<b>\$86,000</b>	<b>\$84,929</b>
<b>Administration (management, financial, accounting, website)</b>	<b>\$51,750</b>	<b>\$55,677</b>	<b>\$50,075</b>
<b>Legal Fees</b>	<b>\$14,000</b>	<b>\$29,709</b>	<b>\$10,905</b>
<b>Janitorial</b>	<b>\$42,000</b>	<b>\$37,752</b>	<b>\$32,022</b>
<b>Total Expenses</b>	<b>\$577,950</b>	<b>\$635,426</b>	<b>\$505,537</b>

# 2023 Variances from 2022 Projected

- HVAC/Maintenance –
  - Only budgeting operating expenses now, so excludes any upgrades in 2022 that would have been out of reserves budget (e.g. replacing A/C compressor, replacing doors, replacing security cameras)
  - Needed 2023 replacement of A/C portion of system will be paid out of reserves instead
- Insurance – Based on our insurance broker's estimated 20% increase
- Legal – Should be much less because no nonstandard, non-operational legal expenses projected for 2023
- Janitorial – Includes separate carpet cleaning, which was not done previously, and supplies, which were not being tracked properly in 2022

# Recommended Plan

- Overall:
  - 9.62% overall HOA dues increase
    - A little more than 8.5% CPI inflation rate, but less than the 9.8% PPI
    - \$720,050 assessments in 2023 include the \$577,950 operating budget + \$170,600 reserves (less \$28,500 of stable non-assessment income)
- Reserves spending: Avoiding a special assessment to replace A/C system due to increased reserves (Yay!) –
  - Primary upcoming upgrade – A/C portion of the HVAC system will be replaced in 2023 or 2024 – current bid \$400,000 (will be getting others for comparison)
  - Other reserve spending items – Recommended recoating of roof every two years (which would be up in 2023); furniture upgrades recommended by reserve study (managed by Social Spaces group – if you'd like more input into that, join them!)

# Estimated 2023 HOA Monthly

<b>Now</b>	<b>Next Year (approx.)</b>
\$697.84	\$765.68
\$477.37	\$522.87
\$464.58	\$508.78
\$415.99	\$455.26