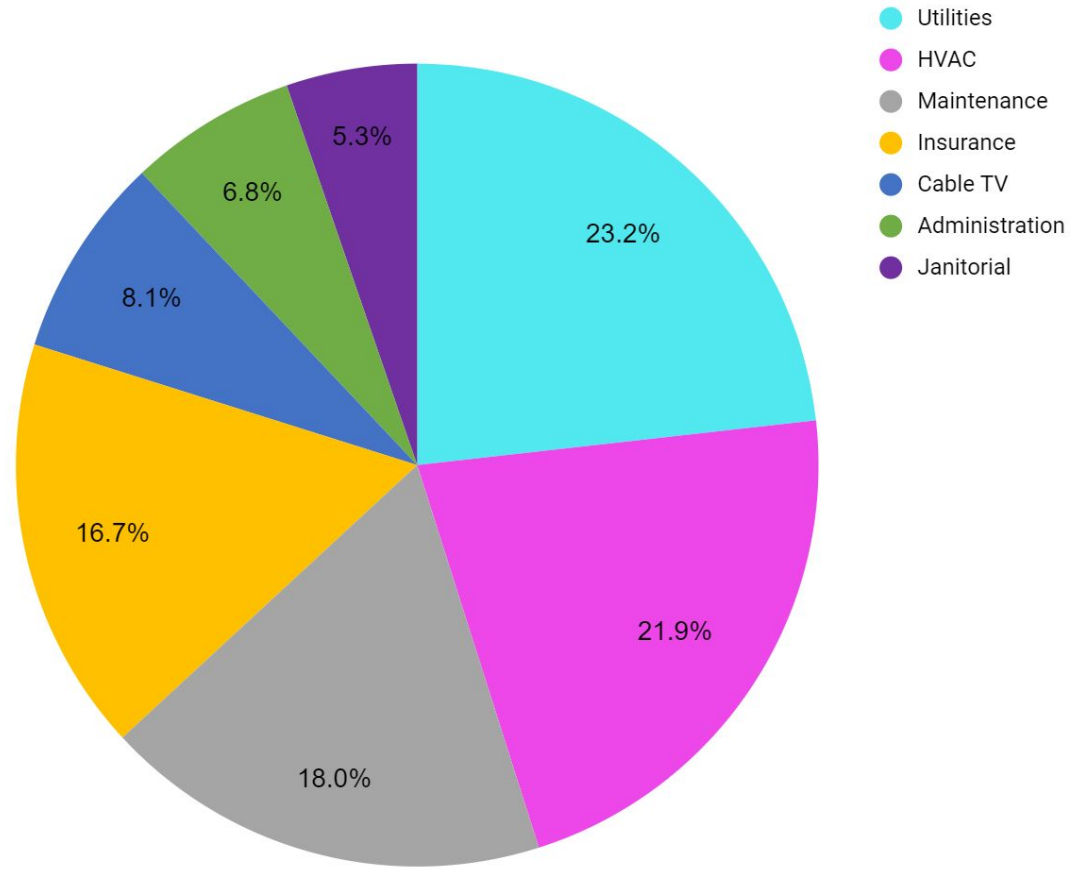


# Budget 2024

Lanai Condominium Association  
(11.05.2023 version)

# Lanai Expense Allocation 2023 through August

Lanai Expenditure as Portion of Actual  
2023 Operating Expenses (YTD)



# Previous Results

	<b>Operating 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</b>	\$653,976	+\$28,246 (5%)	\$244,619.02
<b>2023 YTD</b>	\$656,699	+ \$97,786 (17.5%)	\$75,384.26

# Reserves

	Balance
<b>2019</b>	\$32,361
<b>2020</b>	\$88,893
<b>2021</b>	\$210,732
<b>2022</b>	\$286,154
<b>2023 YTD</b>	\$477,194

# 2022 Reserve Study Analysis

- Study evaluated when various items should be upgraded or replaced –
  - Recommended over \$600,000 of items to be replaced immediately
- Reserves should have been \$1,423,207 at 2022 year-end
- Reserves strength is only 32% with a medium-high risk of special assessments
- We must be aggressive in building the Reserves.

# 2022 Reserve Study Recommendations

- Collect \$175,718 in Reserves in 2024 with 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)
- Projects would put us at the low risk of special assessments by 2039

# 2024 Budget Process

- Goals:
  - \$0 net operating budget – Actual expenses have been over budget the last 4 years (2019-2022). On track to be over budget again in 2023.
  - HOA dues should cover the costs of the building – This strategy aims to avoid unexpected special assessments that disrupt owner lives.
  - Proactively reinvest in our lovely (but aging) building – Continue to build Reserves to move away from reactively addressing problems in the long term. Play offense not defense.
- Inputs:
  - Past operating expenditures and projected cost increases – Should provide guidance on operating budget

# 2024 Budget Factors: OPERATING

- 2023 expenses are projected to be 17% over budget
- 2023 HVAC maintenance expenses are more than double the 2022 expenses. At a minimum, we need to increase the HVAC 2024 budget to cover actual expenses.
  - 2022 actual of \$40,413 versus 2023 projected of \$104,390
- Insurance broker has indicated to expect up to an 18% increase (which is standard across the industry right now)
- Utilities have gone up across the board - \$10,000 over budget as of end of September



# 2024 Budget Factors: RESERVES

- Follow study guidance of a minimal 3% increase to \$175,718 in 2024
- Board strongly believes we need to increase Reserves due to current and projected spending of around \$405,000 through end of 2025, including –
  - \$100,000 - 12th floor roof (work began 10/30/23)
  - \$85,000 - garage structural repairs (needs to be done in 2024)
  - \$110,000 - waterproof evaluation and work (2024 or 2025)
  - \$110,000 - estimated other, smaller items in 2024 & 2025
- If Reserve intake does not increase above the minimal \$175,718, Reserves will be at a net negative at the end of 2025
- **THEREFORE** – To hopefully be at a net positive in Reserves at end of 2025
  - Board favors an additional 4.5% increase to base dues above Draft presented in September. This would be an additional \$32,000/year.

# 2024 Proposed Operating Budget Comparison

	2024 Budget	2023 Projected	2022 Actual	2021 Actual
<b>Maintenance</b>				
HVAC	\$72,500	\$117,102	\$42,588	\$34,435
Maintenance	\$158,600	\$206,459	\$238,914	\$157,644
<b>Total Maintenance</b>	<b>\$231,100</b>	<b>\$323,561</b>	<b>\$281,502</b>	<b>\$192,079</b>
<b>Utilities</b>	<b>\$195,500</b>	<b>\$189,861</b>	<b>\$163,864</b>	<b>\$135,527</b>
<b>Insurance</b>	<b>\$131,000</b>	<b>\$110,925</b>	<b>\$88,023</b>	<b>\$84,929</b>
<b>Administration (management, financial, accounting, website, office phone, legal)</b>	<b>\$58,800</b>	<b>\$52,075</b>	<b>\$86,383</b>	<b>\$60,980</b>
<b>Janitorial</b>	<b>\$39,150</b>	<b>\$35,501</b>	<b>\$34,204</b>	<b>\$32,022</b>
<b>Total Expenses</b>	<b>\$655,550</b>	<b>\$711,923</b>	<b>\$653,976</b>	<b>\$505,537</b>

# Recommended 2024 Plan

- 15.47% overall HOA dues increase

	\$655,550 Operating Budget	
+	\$208,100 Reserves	
	<hr/>	.
	\$863,650 Total Budget	
-	\$32,200 of stable Non-Assessment Income	
	<hr/>	
	\$831,450 Total 2024 Assessments	

# 2024 HOA Monthly

<b>Now</b>	<b>Next Year</b>
\$765.68	\$883.31
\$522.87	\$603.54
\$508.78	\$587.31
\$455.26	\$525.64