

## **Audubon Trace Condominium Association**

### **2025-2026 ATCA Reserve Study**

The 2025-2026 budget reflects a significant reduction in total expenses while increasing monthly dues 8%. Included in this change is a modest increase in Reserve Allocation from \$300k to \$350k. Several major projects are explicitly funded in the next seven years while keeping an eye on the long-term health of Audubon Trace Property and Finances.

Projects in the next 7 years:

- Step Replacement funding will be in place for FY 2029-2030
- Building Breaker Box Replacement funding will be in place for FY 2031-2032
- A Brick Back Fence, Nuisance Tree Removal, and \$100k for Beautification in the next 5 years
- Pool Resurfacing, Vehicle replacement, Mailbox Replacement are funded while increasing funding continuing Street Upgrades
- \$20k in Battery Backup Lighting across this fiscal year and the next

Many of these projects have been discussed over time. A unified plan with funding and a timeline gives Audubon Trace Owners more confidence in the future health of the Audubon Trace Property and Audubon Trace finances despite the cost volatility in recent years.

The Budget Committee recommends a Reserve allocation of \$350,000 for FY 2025-2026. This represents a \$50,000 increase in the annual allocation compared to recent years. This funding level is based on the costs and timelines included in this recommendation in an effort execute projects while minimizing the risk for a Special Assessments for any of these projects.

The costs and timelines in this Reserve Budget were discussed at the Budget Committee with the Property Manager during the 2024-2025 Fiscal Year as part of an extensive in-house reserve study. The projects were identified by reviewing prior Board discussions and decisions, from consultation with the Property Manager, and through discussions among the Budget Committee. Projects considered have the potential to reduce maintenance costs, would address aging elements of the property, or would maintain or add to property values. Estimates and priorities should be reviewed annually.

Details and the basis of the recommendation follow the summary here.

#### **Costs**

- **Total 20-Year Project Cost: \$5,692,000**
  - **First 7-Year Project Cost: \$2,682,000**
  - **Last 13-Year Project Cost: \$3,010,000**
- **Annual Contingency: \$25,000**

#### **Funding**

- **July 1, 2025 Reserve Allocation from Cash-on-Hand: \$300,000**
  - **Approximate Cash-on-Hand: \$1,000,000**
  - **Minimum Operating Cash-on-Hand: \$700,000**
- **Annual Interest Accrued: \$25,000**
- **Annual Reserve Allocation: \$350,000**

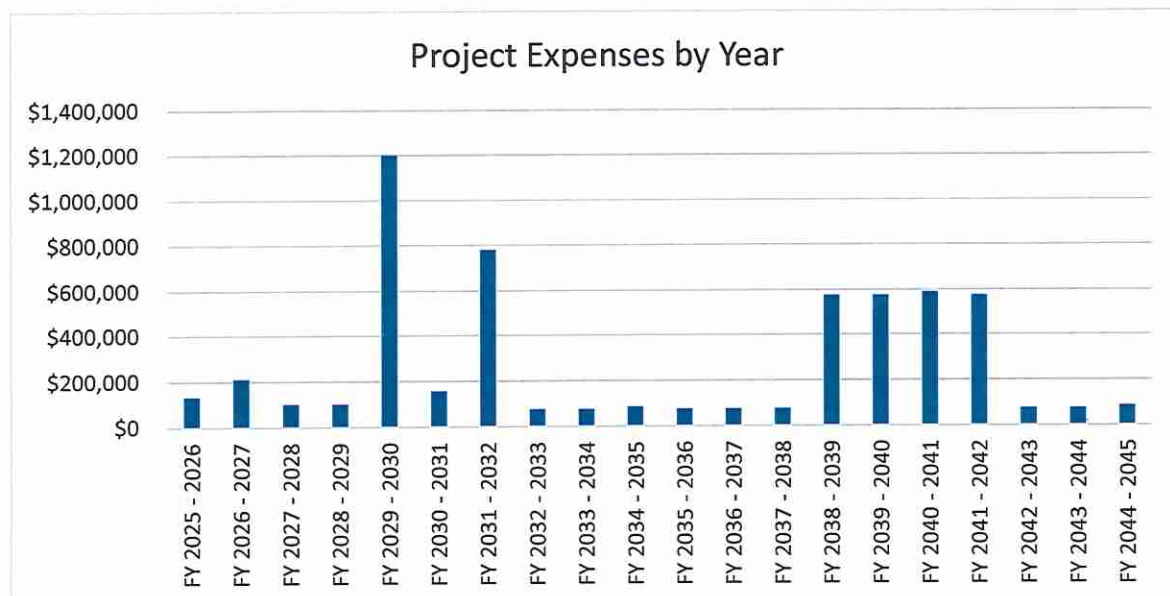
## Reserve Project Details

The Budget Committee recommends funding the Reserves to address the following 12 projects. The funding level is based on this project list and the associated timeline. Changes to the project list, cost estimates, or timeline may affect the recommended funding level.

This reserve study indicates that the recommended funding level will need to be maintained for several years.

The projects are summarized here with details following. This is a Proposal.

Item	Cost	First Year	Duration	Replace	20 Year Total
Battery Backup Lighting	\$20,000	2025	2	No	\$20,000
Beautification	\$100,000	2025	5	No	\$100,000
Brick Back Fence	\$100,000	2026	1	No	\$100,000
Building Breaker Boxes	\$700,000	2031	1	No	\$700,000
Mailboxes	\$42,000	2025	7	No	\$42,000
Nuisance Tree Removal	\$20,000	2025	1	No	\$20,000
Pool Furniture	\$10,000	2034	1	10 Years	\$20,000
Pool Refurbishment	\$60,000	2030	1	20 Years	\$60,000
Roof Replacement	\$2,000,000	2038	4	20 Years	\$2,000,000
Step Replacement	\$1,100,000	2029	1	No	\$1,100,000
Street Upgrades	\$1,500,000	2025	20	No	\$1,500,000
Vehicle	\$15,000	2030	1	10 Years	\$30,000
All Projects					\$5,692,000



- **Annual Contingency – \$25,000/year**

In addition to specific planned projects, Reserves serve to cover unexpected costs, overruns, and small errors in budget estimates. Larger expenses may prompt assessments. This contingency line, just over 1% of the total budget, provides a buffer and flexibility without padding individual line items beyond good-faith estimates.

- **Battery Backup Lighting – \$20,000 (2025-2027)**

This project was first proposed after Hurricane Ida and a subsequent incident. Law enforcement noted that poor lighting was a factor. The plan is to explore battery backup lighting for key locations to improve nighttime visibility even when the power is out.

- **Beautification – \$100,000 (2025-2030)**

Several areas of Audubon Trace lack sufficient landscaping. This project aims to enhance aesthetics, community enjoyment, and property values through planting trees, shrubs, and other greenery. It may also include re-grading areas where necessary.

- **Brick Back Fence – \$100,000 (2026-2027)**

Replacement of the back fence with something more cost-effective was approved by a prior Board. A brick back fence is a way to reduce long-term maintenance and replacement costs, especially after storms. A brick fence will be more durable, will be more aesthetically pleasing, and will require less frequent upkeep than current wooden lattice fencing.

- **Building Breaker Boxes – \$700,000 (2031-2032)**

These are the main breaker boxes for each building, not the ones inside individual Units. They are aging and failing at higher rates in recent years. Replacement parts are increasingly scarce. While the actual breakers that service each are Owner expenses, the breaker boxes must be replaced to remedy the obsolescence issue. The project includes the initial breakers for each unit. This will not require any changes inside any Unit.

- **Mailboxes – \$42,000 (2025-2032)**

Many of the mailboxes are over 40 years old and deteriorating. This project funds replacement by 2032. Of the 24 mailboxes, 3 have been replaced in recent years and are not being considered for replacement.

- Nuisance Tree Removal – \$20,000 (2025-2026)**  
 Some trees must be removed for safety, infrastructure, or aesthetic reasons. Once this group of trees is addressed, future tree work will be budgeted through operations or addressed in the annual contingency.
- Pool Furniture – \$10,000 (2034-2035, 2044-2045)**  
 The pool furniture is a shared amenity and wears out over time. This budget line supports replacement on a 10-year cycle. The most recent replacement was in May 2025, which is included in FY 2024-2025.
- Pool Refurbishment – \$60,000 (2030-2031)**  
 The pools will require resurfacing over time, ideally scheduled during colder months to minimize disruption.
- Roof Replacement – \$2,000,000 (2038-2042)**  
 A phased approach to roof replacement is planned over four years based on the age and life expectancy of existing roofs. Roofs were last replaced 2019 through 2022. Cost estimates are based on 2022 pricing, adjusted for both estimated price increase and the expectation of more extensive repairs and improvements in future roof work. Improvements may result in lower insurance rates.
- Step Replacement – \$1,100,000 (2029-2030)**  
 The exterior steps serving the “Big 10” buildings will need to be replaced. Engineering evaluations suggest maintenance has extended their life, and another evaluation is planned before the project proceeds. The budgeted amount includes hotel costs for residents unable to access their Units during the work. The current date is consistent with the 2024 evaluation for some steps and presumes the 2026 evaluation will give a similar extension of life for the others reflected in the 2024 evaluation. The extension of life is in some cases due to the longest life given to any set of stairs is 5 years. In many cases, a set of stairs with a 5 year life in 2022 had a 5 year life in 2024, representing 2 years of life extension. In some cases, it is due to repairs and maintenance. If the FY 2029-2030 date is not supported by engineering evaluation, an assessment may be necessary. Regardless, the steps should be evaluated regularly until they are suitably replaced with a metal structure, as proposed, but neither planned nor funded, in Spring 2022. If evaluations support continuing to use the wooden steps beyond FY 2029-2030, the project should not be delayed past FY 2031-2032, as the funding will be in place.

- **Street Upgrades – \$1,500,000 (2025-2045)**

The original Association streets weren't constructed with steel reinforcement and haven't withstood wear over time. Gradual upgrades have been underway. Once this set of work is complete, the rate of replacement and repair should decrease. This budget reflects recent costs and includes additional concrete work such as sidewalk ramping. These items have been identified by insurance companies as areas of emphasis. The project can proceed faster if cash-on-hand allows, but regular progress should be made and this project should not extend past FY 2044-2045.

- **Vehicle – \$15,000 (2030-2031,2040-2041)**

This covers periodic replacement of the staff maintenance vehicle, based on historical needs and usage patterns.

### Near Term Details

The timeline for the project list places about one-half of the expenses in the first 7 years, which is about one-third of the timeline. This is a Proposal.

Item	Cost	First Year	Duration	Replace	7 Year Total
Backup Lighting	\$20,000	2025	2	No	\$20,000
Beautification	\$100,000	2025	5	No	\$100,000
Brick Back Fence	\$100,000	2026	1	No	\$100,000
Building Breaker Boxes	\$700,000	2031	1	No	\$700,000
Mailboxes	\$42,000	2025	7	No	\$42,000
Nuisance Tree Removal	\$20,000	2025	1	No	\$20,000
Pool Furniture	\$10,000	2034	1	10 Years	\$0
Pool Refurbishment	\$60,000	2030	1	20 Years	\$60,000
Roof Replacement	\$2,000,000	2038	4	20 Years	\$0
Step Replacement	\$1,100,000	2029	1	No	\$1,100,000
Street Upgrades	\$1,500,000	2025	20	No	\$525,000
Vehicle	\$15,000	2030	1	10 Years	\$15,000
All Projects					\$2,682,000

To meet this schedule, a \$350,000 Annual Reserve Allocation is recommended. Over the course of the 7-years 2025-2032, a total of \$350,000 will be collected, for a total of \$2,450,000. The additional \$232,000 can be taken from cash-on-hand. The Annual Contingency can be funded from yields from Association cash-on-hand.

While the risk of a Special Assessment can never be eliminated through planning, this recommendation is an attempt to minimize the risk. Though Owners were understanding of the need for each of the three most recent assessments, one for Ida damage and two for large insurance cost increases, the most common feedback each time was a request to pay in installments over time. A modest increase to Reserve Allocation gives Owners 7 years to pay in small installments averaging around \$123.06 monthly. The change from \$300,000 to \$350,000 represents an increase of around \$17.58 monthly, or about 3%.

The Association's cash-on-hand appropriately plays a key role in this recommendation. Audubon Trace is projected to have about \$1,000,000 in cash on July 1, 2025. Only a portion of this can be set aside for Projects, however. Enough cash needs to be kept in a spending account to properly operate, as monthly expenses and monthly dues are collected and spent continuously. Additionally, as the operating budget is collected over 12 months but several major expenses occur before the end of the fiscal year, there needs to be cash-on-hand to bridge that time difference. An appropriate amount for this is around \$200,000.

There are also two major contingencies for which the Association must be prepared.

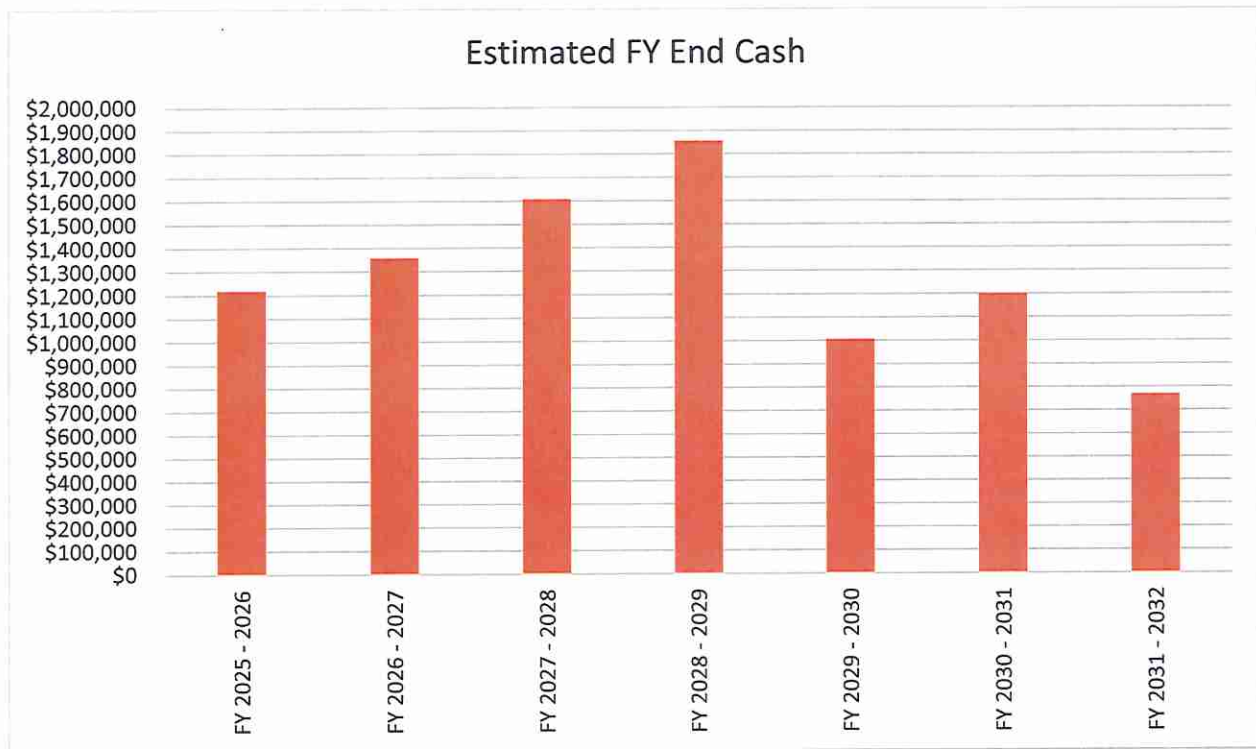
The first major contingency is a large increase in insurance costs. For example, suppose the Association is budgeting around \$600,000 for insurance based on the current year's expenses. The insurance renews mid-March, by which only 8 of 12 monthly payments have been completely processed. The Association must have an additional \$200,000 available even if there is no increase. If there is an increase, then the Association must come up with that amount on top of the \$200,000. For example, a \$700,000 insurance bill would require the Association to come up with \$300,000 more than the portion of dues collected for insurance up to that date.

The other major contingency is the possibility of major storm damage. There are significant costs to remedy the damage that the Association must be prepared to address immediately, prior to any insurance proceeds or any Special Assessment can be collected. It's also possible that there will be a disruption in monthly dues. As an example, after Ida, the association spent about \$900,000 before the Special Assessment was due.

All things considered, the Association needs to maintain at least \$700,000 in case at these key timeframes. A lower amount may be acceptable at other times.

The amount in excess of \$200,000 can be put into secure, short-term investments, such as a Treasury Bill, to generate income. The yield can be conservatively estimated at \$25,000 annually based on current rates and current Association cash on hand.

The estimated cash-on-hand after Project expenses each year over the next 7 fiscal years is summarized in the following chart.



This plan has very little room margin. If adopted, it should be reviewed annually and specifically considered cash levels, treasury yields, and the assumptions underlying this Budget Committee reserve study. Though Audubon Trace has around \$1,000,000 in cash, that money and the money being collected for the next several years is effectively already spent. Unexpected costs or additional projects will likely result in assessments or dues increases for this reason. Such an assessment may not be covered by Owners' loss assessment provisions in their HO-6 policies.

An important consideration in this recommendation is executing projects and putting value into the property rather than money into the bank while it is possible to do so. In recent years, Owners paid larger amounts mostly for increased insurance premiums. In FY 2023-2024, Reserve Allocation increased in anticipation of various projects. As a result, Audubon Trace now has sufficient cash to start putting that Reserve Allocation into the property.

If adopted, this plan will not become a reality exactly as it is written, but the expectation should be that a departure from this plan will result in a new plan suited for the facts of the day.



## Additional Notes

- This plan should be thoroughly reviewed and updated annually.
- While this Reserve Budget should be reviewed annually, after completion of the projects of the first 7 years, the funding level should be revisited based on remaining projects, costs, and timelines.
- Changes in timing of projects may or may not result in assessments or dues increases.
- The recommended funding level is based on current estimates. Particular attention should be paid to those cost estimates that are larger and are in the next 7 years.
- It is presumed that the Operating Budget is accurate and there are no systematic over-collections or under-collections.
- Other projects will arise over time. They could change priorities and costs.
- Significant changes to estimates or unexpected costs may prompt a Special Assessment to meet the need at the time.
- Changes in interest rates need to be considered annually when reviewing funding levels, as this recommendation presumes a certain contribution from treasury yields.
- It is recommended that larger-than-expected yields be allocated to Reserves as a buffer against lower future yields and to insure adequate cash at the end of the 7 years of Projects.
- Units delinquent in payment are not a significant driver in this recommendation. There is only one Unit significantly behind at the moment. The amount is around \$40,000. There is a lien on the unoccupied Unit. The Unit is on the market. The Association will collect the amount owed at the sale, updated as fees accrue. There are only 3 other Units who owe over \$1,000. None of those 3 owe over \$4,000.
- New FHA guidelines require Associations to have their wind deductible in cash. This was not possible in recent years. Future FHA approval may require our minimum cash requirement to be closer to \$900,000 if we end up with a 2% deductible. This may affect the timing of projects or drive an assessment at some point.