

Audubon Trace Condominium Association
FY 2026-2027 ATCA Reserve Study

The approved 2026-2027 budget maintains current monthly dues while redirecting a modest reduction in operating expenses to increased reserve contributions. Reserve funding increases from \$350,000 to \$400,000. The budget also supports several major projects over the next four years while maintaining the long-term health of Audubon Trace property and finances.

Projects in the Next Four Years:

- Replacement of building breaker boxes, pool decking, and surveillance cameras, and the installation of the brick back fence are scheduled for FY 2026-2027.
- Site beautification, street upgrades, and mailbox replacement continue at the same pace as in FY 2025-2026.
- Staff transition expenses begin in FY 2027-2028.
- Step replacement is planned for FY 2029-2030, along with supporting engineering evaluations.

Additionally, this plan responsibly supports projects beyond FY 2029-2030, including roof replacement; completion of street upgrades, mailbox replacement, and staff transition; and regular replacement of the work vehicle, pool furniture, pool surface, pool decking, and surveillance cameras.

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 property and finances, despite cost volatility in recent years.

The Budget Committee recommends a reserve allocation of \$400,000 for FY 2026-2027, a \$50,000 increase from FY 2025-2026 and a \$100,000 total increase over the prior several years. This funding level is based on the costs and timelines reflected in this plan and is intended to support project execution while minimizing the risk of special assessments.

The costs and timelines in this reserve budget were discussed by the Budget Committee and the Property Manager during FY 2024-2025 as part of an extensive in-house reserve study and were further refined in FY 2025-2026. The projects were identified through prior Board discussions and decisions, consultation with the Property Manager, and Budget Committee review. The selected projects are intended to reduce maintenance costs, address aging elements of the property, and maintain or enhance the value of Audubon Trace. Estimates and priorities should be reviewed annually.

Details and the basis for the recommendation follow.

Costs

- **Total 20-Year Project Cost: \$5,895,000**
 - **First 4-Year Project Cost: \$2,573,000**
 - **Last 16-Year Project Cost: \$3,322,000**

Funding

- **On July 1, 2026**
 - **2026-2027 Reserve Allocation: \$400,000**
 - **Approximate Available Funds: \$1,200,000**
- **2026-2027 Projected Reserve Expenses: \$1,076,000**
- **On June 30, 2027**
 - **Projected Remaining Reserve Funds: \$524,000**

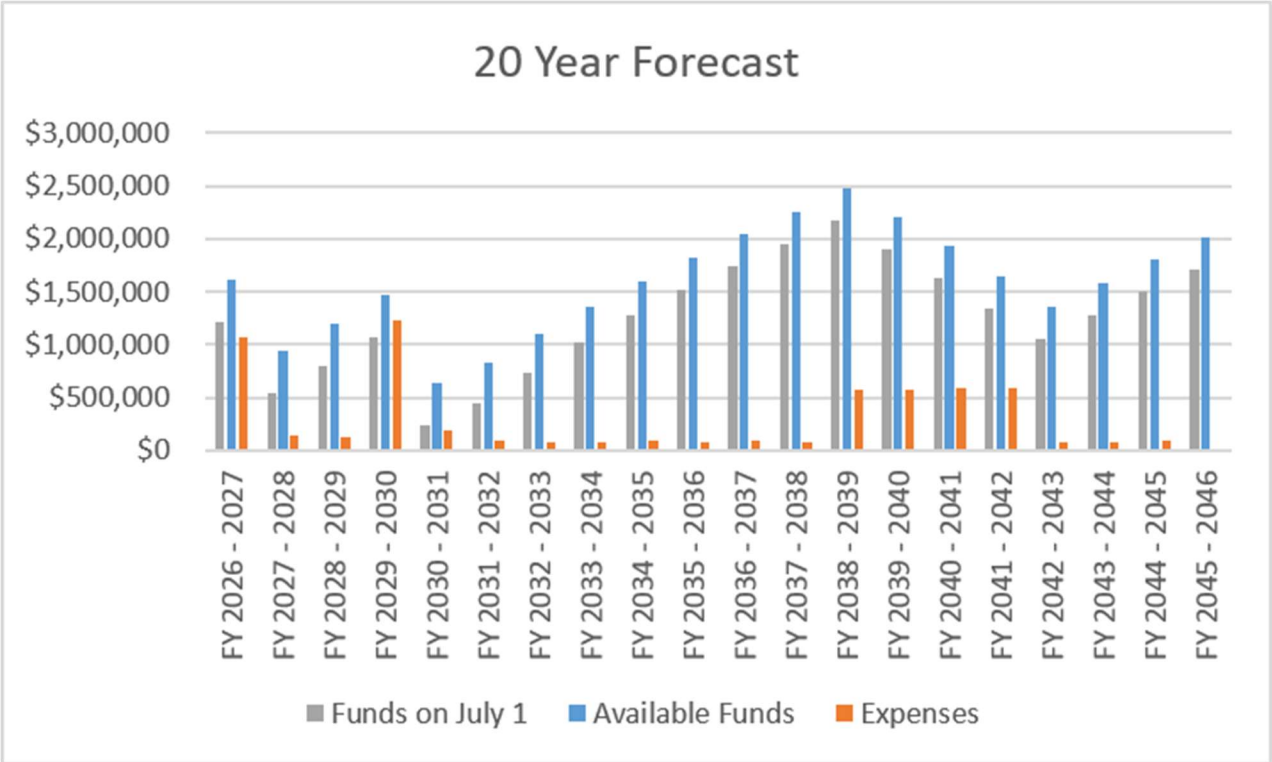
Reserve Project Details

The Budget Committee recommends funding reserves to address the following 14 projects. The recommended funding level is based on this project list and its associated timeline. Changes to the project list, cost estimates, or timing may affect the recommended funding level.

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

The proposed projects and timeline are summarized here, with details following. Projects recently completed, added, or updated are noted.

Item	Cost	First FY	Spending Duration	Recurring	20-Year Total
Beautification	\$80,000	26-27	4 Years	No	\$80,000
Brick Back Fence	\$150,000	26-27	1 Year	No	\$150,000
Building Breaker Boxes	\$750,000	26-27	1 Year	No	\$750,000
Mailboxes	\$36,000	26-27	6 Years	No	\$36,000
Pool Decking	\$60,000	26-27	1 Year	20 Years	\$60,000
Street Upgrades	\$1,425,000	26-27	19 Years	No	\$1,425,000
Surveillance Cameras	\$15,000	26-27	1 Year	5 Years	\$60,000
Staff Transition	\$120,000	27-28	4 Years	No	\$120,000
Step Evaluation	\$2,000	27-28	1 Year	2 Years	\$4,000
Step Replacement	\$1,100,000	29-30	1 Year	No	\$1,100,000
Pool Refurbishment	\$60,000	30-31	1 Year	20 Years	\$60,000
Vehicle	\$15,000	30-31	1 Year	10 Years	\$30,000
Pool Furniture	\$10,000	34-35	1 Year	10 Years	\$20,000
Roof Replacement	\$2,000,000	39-40	4 Years	20 Years	\$2,000,000
20-Year Total Cost					\$5,895,000
20-Year Average Annual Cost					\$294,750



- **Beautification – \$80,000 (2026-2030, \$20,000 completed in 2025-2026)**
 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 other projects, as necessary, such as removing trees or regrading areas.
- **Brick Back Fence – \$150,000 (2026-2027)**
 Replacement of the back fence with something more cost-effective was approved by a prior Board. A brick back fence would reduce long-term maintenance and replacement costs, especially after storms. It would be more durable, more aesthetically pleasing, and require less frequent upkeep than the current wooden lattice fencing. The price estimate has been updated.
- **Building Breaker Boxes – \$750,000 (2026-2027)**
 These are the main breaker boxes for each building, not the individual breaker panels inside the units. They are aging and failing more frequently, and replacement parts are increasingly scarce. While the individual breakers that serve each unit are owner expenses, the breaker boxes themselves must be replaced to address obsolescence. The project includes the initial breakers for each unit and will not require changes inside the units. Installation is expected to take one workday per building. Both the price estimate and planned date have been updated to reflect obsolescence concerns following a recent increase in necessary maintenance.
- **Mailboxes – \$36,000 (2026-2032, \$6,000 completed in 2025-2026)**
 Many of the mailboxes were over 40 years old in 2025 and deteriorating. This project funds replacement by 2032. Of the 24 mailboxes, 3 had been replaced recently enough not to be considered for additional replacement.
- **Pool Decking – \$60,000 (2026-2027)**
 The hard decking surrounding each pool needs to be replaced. This work can be completed during the cooler months of this fiscal year. This is planned every 20 years. This is the first replacement.
- **Street Upgrades – \$1,425,000 (2026-2045, \$75,000 completed in 2025-2026)**
 The original Association streets weren't constructed with steel reinforcement and have not held up well 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. Regular progress should be made, and this project should not extend past FY 2044-2045. Acceleration should be considered once the step replacement has been completed.

- **Surveillance Cameras – \$15,000 (2026-2027, recurring in 2031-2032, 2036-2037, 2041-2042)**

ATCA cameras are no longer supported. Planning replacement of the system will help the Association stay ahead of obsolescence. An adequate system is necessary to support property-damage investigations and to provide law enforcement with clear video rather than images too grainy to support justified legal action. A 5-year replacement plan should balance these needs.

- **Staff Transition – \$120,000 (2027-2031)**

In the next few years, ATCA is expected to transition from the current staffing model to either a property management company or a different internal management and staffing structure. This will help address temporary or transitional employees, potential part-time employment, severance, and the various demands of a modern office.

- **Step Evaluation – \$2,000 (2027-2028, recurring in 2029-2030)**

The steps should be evaluated every two years and again immediately before replacement. This will help determine whether an assessment will be necessary at that time or whether a timeline adjustment is fiscally justified.

- **Step Replacement – \$1,100,000 (2029-2030)**

The exterior steps serving the “Big 10” buildings will need to be replaced. An engineering evaluation performed in Spring 2021 estimated that each set of steps had up to five or more years of remaining life, but the 2020-2021 Board neither replaced the steps nor planned the project. Subsequent engineering evaluations suggest that maintenance has extended their life, and additional evaluations are planned before the project proceeds to help balance the need against other projects and fiscal responsibility. The budgeted amount includes estimated hotel costs for residents who may be unable to access their units during a portion of the work. The current timeline is consistent with the 2026 evaluation and remains unchanged from prior planning. The engineering evaluations completed in Spring 2021, Spring 2024, and Spring 2026 indicate that maintenance has extended the useful life of the steps, resulting in a fairly consistent average remaining life over the past five years. Regardless, the steps should continue to be evaluated regularly until they are replaced with a metal structure, as proposed. If future evaluations support continued use of the wooden steps beyond FY 2029-2030, the project should not be delayed past FY 2031-2032, since the funding is expected to be in place.

- **Pool Refurbishment – \$60,000 (2030-2031)**

The pools will require resurfacing over time, ideally scheduled during colder months to minimize disruption. This is planned every 20 years.

- **Vehicle – \$15,000 (2030-2031, recurring in 2040-2041)**
This covers periodic replacement of the staff maintenance vehicle, based on historical needs and usage patterns. This is planned every 10 years.
- **Pool Furniture – \$10,000 (2034-2035, recurring in 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 was included in FY 2024-2025.
- **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 from 2019 through 2022. Cost estimates are based on 2022 pricing, adjusted for both estimated price increases and the expectation of more extensive repairs and improvements in future roof work. Improvements may result in lower insurance rates.

Recently Completed Reserve Items

- **Battery Backup Lighting – \$20,000 (Completed 2025-2026)**
This project was first proposed after Hurricane Ida and a subsequent incident. Law enforcement noted that poor lighting was a factor. The battery backup lighting for key locations improves nighttime visibility even when the power is out.
- **Nuisance Tree Removal – \$20,000 (Completed 2025-2026)**
Some trees were removed for safety, infrastructure, or aesthetic reasons. Future tree work will be budgeted through operations or addressed through Beautification.

4-Year Details

The timeline for the project list places about half of the expenses in the next four years. For Mailboxes, Street Upgrades, and Staff Transition, this table shows only the portion of costs scheduled through FY 2029-2030 rather than the full project totals.

Item (Next 4 Fiscal Years)	Cost	First FY	Spending Duration	Recurring	4-Year Total
Beautification	\$80,000	26-27	4 Years	No	\$80,000
Brick Back Fence	\$150,000	26-27	1 Year	No	\$150,000
Building Breaker Boxes	\$750,000	26-27	1 Year	No	\$750,000
Mailboxes	\$36,000	26-27	6 Years	No	\$24,000
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Street Upgrades	\$1,425,000	26-27	19 Years	No	\$300,000
Surveillance Cameras	\$15,000	26-27	1 Year	5 Years	\$15,000
Staff Transition	\$120,000	27-28	4 Years	No	\$90,000
Step Evaluation	\$2,000	27-28	1 Year	2 Years	\$4,000
Step Replacement	\$1,100,000	29-30	1 Year	No	\$1,100,000
4-Year Total Cost					\$2,573,000
4-Year Average Annual Cost					\$643,250

To meet this schedule, a \$400,000 annual reserve allocation is recommended. Over the course of the four years ending FY 2029-2030, a total of \$1,600,000 will be collected, adding to the currently available fund of approximately \$1,200,000 for a total of \$2,800,000.

Although planning cannot eliminate the risk of special assessments, this recommendation is intended to manage that risk responsibly. Owners understood the need for each of the three most recent assessments, one for Ida damage and two for major insurance cost increases. The most common feedback each time was a request to spread payments over time. Modest increases in reserve allocation allow owners to address those costs gradually through dues over several years.

The Association's cash on hand appropriately plays a key role in this recommendation. Audubon Trace was projected to have about \$1,000,000 in cash on July 1, 2025, and \$1,200,000 on July 1, 2026, both of which have been achieved. The accuracy of these projections adds credibility to the effectiveness and management of the plan.

Only a portion of this cash on hand 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, because 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 purpose is around \$200,000.

The Association must also be prepared for two major contingencies.

The first major contingency is a large increase in insurance costs. For example, if the Association budgets 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. Even if there is no increase in insurance premiums, an additional \$200,000 must be available. If premiums increase, that amount must be covered on top of the \$200,000. For example, a \$700,000 insurance bill would require \$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, before 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. It costs around \$250,000 to tarp the property, and starting repairs requires additional funds. Insurance may reimburse some of the money, but it would need to be on hand to start the work in a timely manner.

General financial guidance is to make sure there are three to six months of operating costs in cash. Other reserve-related requirements are outweighed by the considerations above.

All things considered, the Association needs to maintain between \$350,000 and \$750,000 in cash at these key timeframes. A lower amount may be acceptable at other times, such as immediately after paying a large insurance bill or immediately after initiating major repairs. An assessment may be necessary to restore cash levels depending on the financial situation at the time.

The current year's insurance is also a consideration. FHA guidelines have been updated to require that ATCA maintain the property insurance deductible in cash. For FY 2025-2026, ATCA had a 1% deductible, and there is a flat \$50,000 deductible for the coming year. This allows greater access to the Association's own cash for the time being. There is a risk that the deductible will increase to 2% in Spring 2027. That risk can be mitigated by waiting until after the most active portion of hurricane season to start the Building Breaker Boxes replacement. This will give time for the funds to increase before Spring 2028. Deductibles have never been this low, and they may never be again.

This plan has very little room for error. If adopted, it should be reviewed annually and should specifically consider cash levels, treasury yields, and the assumptions underlying this Budget Committee reserve study. Though Audubon Trace has around \$1,200,000 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 begin investing those reserve funds into the property.

The \$1,076,000 in proposed reserve spending for FY 2026-2027 is significant. It continues ongoing projects, addresses needs around the property, and completes two major projects. The Brick Back Fence has been discussed for several years and is planned for FY 2026-2027. The other major item is the replacement of the Building Breaker Boxes. Advancing this project by several years provides an immediate benefit by addressing aging equipment cited on nearly every inspection when units are listed for sale. Moving the project forward should also help control costs, although it increases the risk to maintaining the FY 2029-2030 target for step replacement.

The Association is projected to have sufficient funding for the project, but the FY 2029-2030 Board will need to balance the immediate need to maintain funds against the condition of the steps. Planning a step evaluation in the year the steps are slated for replacement will give that Board the best information for deciding whether to proceed, assess, or defer the project in order to increase cash levels through reserve contributions. Regardless of the funding plan, the risk of a special assessment will be present until the project is completed.

Additionally, the Building Breaker Boxes have their own risk of failure. This risk is difficult to assess and perhaps impossible to manage. Addressing this risk now is prudent given the funds available. Doing so allows the Association to focus on the remaining, more manageable risk.

This plan is unlikely to unfold exactly as written, but any departure from it should result in a revised plan that reflects the facts at the time and continues to address the large and ongoing projects responsibly.

Additional Notes

- This plan should be reviewed and updated annually.
- After completion of the projects in the first four 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 the larger cost estimates scheduled within the next four 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.
- Any remaining funds after projects should be allocated to reserves, emerging projects, or maintenance and other cost-reduction efforts. This would help buffer against cost spikes and ensure adequate cash remains after completion of the step replacement.
- Units delinquent in payment are not a significant driver in this recommendation.
- 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.