

The dues must be raised for 2023 because of the increases in operating costs. I have prepared this letter to try and explain the increase.

The Association's budget is broken down into 8 broad categories for expenses and a category for income. The projected income for the year must equal the projected expenses. The Association follows zero based budget planning and fills in the expected costs for each category based on expected costs. If a category is eliminated from the budget, that category is not budgeted for the next year. The finance committee requests estimates from the insurance companies on what next years costs will be for the liability insurance, general insurance, umbrella insurance among other smaller policies required to protect the Association and residents from legal actions. For example, in 2021 the projected income was \$567,000 from dues and another \$82,690 in miscellaneous income equaling a total of \$649,690. The income category consists of 20-line items that generate money for the Association like the leasing of the restaurant or the usage fees from the tennis courts and track. These additional income items have saved each homeowner by reducing the monthly dues by \$6 per month per homeowner.

A key factor that needs to be stressed is that the Association starts each year's budget at \$0 and can only pay its obligations as dues are paid by the residents each month. If an Association were to over budget and end up with monies left over at the end of the year, they must reduce the next years dues, or refund that money to the membership as required by State Statute. Only nominal amounts to cover outstanding invoices can be rolled over to the next years budget.

One big item effecting the Association's budget is the November 2020 election when the state residents voted to increase to the minimum wage. The increase to wages results in additional costs to the Association for payroll taxes, Workman's Compensation Insurance and Unemployment Insurance which are calculated based on the hourly wage rates of employees.

Increases from contractors include the waterway management which is expecting a 35% increase in costs based on fuel and new chemical restrictions put in place by the Southwest Florida Water Management District. Chemical regulations have reduced the number of allowed treatments to protect the environment resulting in greater demand and less available supply. There has been an increase in the costs of pool chemicals already and a delivery fee added, and another increase in chemical costs are expected are expected due to supply chain issues. Insurance premiums are all increasing with less companies available because some carriers pulling out of the state and others lost their A+ rating. Most vendors are charging fuel surcharges for delivering their products, and increases in costs for all janitorial, and building supplies

Another important line item for the Association, possibly the most important is the money deposited into the Reserve account. That money is there to cover the expenses of repairing or replacing the infrastructure items like repairs or resurfacing the pool, repaving the parking lot and entrance road, replacing the roof of the clubhouse. These items have in many Associations resulted in Special Assessments being charged to the homeowners in addition to their month dues. Lake Padgett Estates East is 50 years old as of November 2022, and over the years the Board members have taken their fiduciary responsibility seriously, and have only raised the dues, when necessary, while still maintaining the reserves. LPEE hasn't had to file bankruptcy, or charge the homeowners a special assessment, in its 50 years.