

L'AMBIANCE 2011 BUDGET

EXPLANATION OF MAJOR IMPACTS

INTRODUCTION—PLEASE READ VERY CAREFULLY. A number of significant issues impacting this budget are addressed below.

PELICAN BAY FOUNDATION FEES—As explained in the 2010 budget, L'Ambiance took advantage of the change to quarterly billings by the Foundation. As a result the 2010 budget reflected a **one time only refund of the previously collected annual assessments** by reducing the quarterly L'Ambiance budgeted fees by \$274. Therefore, the 2011 quarterly budgeted fees reflect the elimination of this \$274 reduction. The Foundation assessment being collected in the 2011 budget amounts to \$1,490 annually or \$372.50 per quarter. These assessments are remitted to the Foundation quarterly.

HAZARD AND WIND INSURANCE—Our primary insurance carrier has declined to cover L'Ambiance when our current policy expires later this month (November, 2010). Accordingly, your Board had to select a new carrier from only three who agreed to provide coverage from the expiration date through November, 2011. All of the carriers reflected significant increases in premiums from amounts paid in 2010. The lowest cost rated carrier was selected by your Board. The premiums amount to increases of \$213 to \$305 in the budgeted quarterly fees for 2011. On the favorable side, the deductible for wind damage has been reduced from 10% to 5% under this policy.

FLOOD INSURANCE—Presently all buildings in L'Ambiance are covered by flood insurance. The current FEMA flood maps place buildings 1400 through 2100 in the flood zone and, accordingly, we are required to carry flood insurance on these buildings at a government subsidized premium of approximately \$68 per quarter. These policies will remain in effect until April 2011. In addition the Board elected several years ago to also purchase flood insurance on all buildings that are not in the flood zone at a non-subsidized premium ranging from \$170 to \$187 per quarter. These policies will remain in effect until June 2011.

FEMA is now in the process of updating their flood maps which will most likely become effective next summer. If these proposed maps are finalized, two buildings in Garden II, only two buildings in Coach I and only one building in Coach II will be in the flood zone. Because of the significant cost of insuring the buildings that are not in the flood zone and the changes being made by FEMA in their maps, as well as the significant increases in the 2011 proposed quarterly fees as described above, **your Board has decided not to continue to purchase flood insurance on buildings outside the flood zone.** The flood

insurance reflected in the accompanying budgets is flood insurance only on buildings presently in or expected to be in the flood zone.

RESERVE FUNDING—The Board commissioned a Reserve Study at the end of 2008 which requires a significant increase in annual funding over the prior, 2006 Reserve Study. The primary contributor to the increase is the projected increase in the costs of roof replacements, which the Board does not believe to be justified based on current cost estimates and alternatives other Associations in Pelican Bay have utilized. Accordingly, as was the case in 2010, the 2011 budgets reflect 100% funding of the 2008 Reserve Study adjusted for the estimated costs of roof replacements based on the 2006 Reserve Study.

REFUNDING OF PRIOR YEAR SURPLUSES—The Commons budget reflects the refunding of a portion of the retained surplus from 2009 as reflected in the audited financial statements. This amount of \$75,200 represents a reduction of \$100 per owner, per quarter in the 2011 budgeted fees. Surpluses of the “housing associations” are being retained as working capital.

SUMMARY OF 2011 PROPOSED FEES BY ASSOCIATION

	<u>ANNUAL</u>	<u>QUARTERLY</u>
GARDEN I	\$7,235.12	\$1,808.78
GARDEN II	\$7,485.44	\$1,871.36
COACH I	\$8,603.32	\$2,150.83
COACH II	\$8,477.61	\$2,119.40