

PRESIDENT'S REPORT:

It is Election Day as I write this October Newsletter. I am late in getting this out due to my not being well for the past week. Now that I am feeling better, we can bring you up to date on what is going on at GHCA.

At the top of the list is the change in our Board members. The election results were announced at the Annual Meeting on October 22nd. The three new members are Spencer Joyner, Curt Strom and Bob Porreca. We had our organizational meeting last week and elected officers as follows:

President – Mike Clarke
Vice President – David Phillips
Treasurer – Curt Strom
Secretary – Bob Porreca

We also discussed committee assignments and specifically kept the same members of the Litigation Committee (Clarke, Caso, Andrus & Hall).

I would like to give a tremendous thank you to the outgoing members of our Board – Roger Andrus, Lance Hall and Chris Flynn. Roger and Lance have been GHCA Board members since the transition in 2020 and were instrumental on the transition team. Chris stepped up last year to complete Jeff Caso's term and handle the Treasurer's duties.

Also at the Annual Meeting, the Budget for 2025 was presented. This Budget was prepared and adopted by the previous Board members at a short meeting before the Annual Meeting. I know that there have been a lot of questions regarding the 12.3% increase in the 2025 assessment rate. I made a presentation at the Annual Meeting to explain the reasoning for this significant increase. The presentation is posted on our website along with the Budget detail. We are also sending a memo and the presentation to all HOA Presidents in Grand Harbor and Oak Harbor to help provide clarification. There are also more details below in the Treasurer's Report.

A R CHOICE MANAGEMENT REPORT

Reclaimed Water Pond Bulkhead: The contractor has successfully poured the remaining deadmen and approximately 500 feet of top cap. The forms have been stripped and they have begun the tedious process of forming the remaining 280+ feet of top cap. Fill dirt is still being delivered for final grading once the wall is complete.

Pond and Estuary Committee: Restoration work on Pond 17 and 18, on each side of River 2, has been delayed due to a change order GHCA requested of the contractor, and due to high water levels from excessive rainfall. We requested a change order on our demonstration Pond (18) because we were not recovering sufficient water volume capacity using only the geotubes around the pond. Additional dredged material will be placed behind the geotubes already in place on the eastern shore in the next few weeks. Completion of work on these ponds is scheduled for December.

GHCA is exploring the possibility of obtaining funding through a low-interest loan from the Florida Department of Environmental Protection (FDEP). In order to qualify for the loan, GHCA needs to have Indian River County apply for the loan on our behalf. We are having discussions with the county staff to determine if we can work together to proceed with the application. While there are financial benefits to the loan, GHCA loses flexibility managing pond restoration work and control of potential disruption to our community.

Other Infrastructure:

Guardrails: The material for the section of the guardrail to be replaced between the two bridges has arrived. That project will begin shortly.

Main Fountain: Some of you may have noticed a slightly different spray pattern with the fountain. This is because we have removed many of the spray nozzles as they were broken, clogged and partially blocked with a calcium buildup. We will be looking at cleaning, repairing and or replacing these nozzles depending on availability.

SECURITY COMMITTEE REPORT:

The intercoms at the kiosk scanners at each gate are not currently working. We are working with contractors to determine the cause and get them repaired. Residents should warn their guests that if they encounter issues at the remote gates, that they cannot use the intercom for assistance.

TREASURER'S REPORT:

Before reporting on the financial report, I discovered an error in the monthly reports that are published on our website. When the 2024 budget was prepared, there was a separate account set up for our software license fees for our security gate entry. In the reports, the actual spending has been included in the Security Gate Expenses. However, the \$22,500 that was budgeted for these fees was not included in the monthly budget in the report all year. I have corrected this for the September report and will update the posted financial report. The comments that follow are based on the corrected budget comparison.

September revenues were on plan for the month and were \$25K better than budget for the year to date. The main reason is the higher-than-budgeted income from bar code sticker sales.

On the operating side, expenses for the month were better than budget. Management expense was favorable by \$4K due to lower legal expense than planned. Security was \$22K unfavorable primarily as a result of timing of invoices from our security contractor. St Moritz bills us for 2 weeks at a time and this month we had 3 billings. Landscape maintenance was \$17K favorable particularly in Tree & Plant Pruning/Replacement. Repairs and Maintenance was also \$12K favorable as there was no spending on storm cleanup or against the contingency that is budgeted.

For the year to date, total operating expenses are \$111K favorable to the budget. Most of this is the unspent contingency and storm damage that was budgeted. (There will be storm damage expense in October!) Management is favorable by \$25K, primarily less spending on non-litigation related legal cost. This is partially offset by a \$14K unfavorable variance in security expenses.

Regarding the projects, particularly in the Deferred Maintenance Fund, the delays in spending have resulted in significant variances compared to the budget, but primarily because of timing. Through September, we have spent \$665K on the Reclaim Pond Retention Wall where the budget was based on it being finished. Similarly, the spending on the Stormwater Pond Remediation is also below budget due to the timing. The \$27K for the Irrigation Pump is the completion of a project that was budgeted last year. The Security System Upgrades were in the 2024 budget, but the project was virtually all completed late last year.

The 2025 budget that was presented at the Annual Meeting was prepared based on our actual results through August 2024 with some updates reflecting contract increases and some specific spending increases. Our management contract will increase by 1.5%. Insurance is estimated to be

8-10% higher. Security is slightly higher with a small manpower increase and some repairs to the guardhouse at Oak Harbor. Landscape Management includes an additional \$50K for plantings along the Indian River Blvd boundary. Our cable/internet contract includes a maximum 4% increase in the rate. In total, the increase operating expense is \$165K compared to the 2024 budget, which is a 4% increase. The assessment for operations is 3% higher than this year because the 2025 budget reflects higher bar code sales and working capital contributions for completed homes.

The Replacement Fund is our statutory reserve fund for our roads. This must be fully funded each year. The estimated required funding for 2025 is \$51,233. Due to the work that was done earlier this year, we have not budgeted any spending in 2025. The cash in this Fund is invested in CDs. The budget is based on earning 3.5% interest in 2025 compared to 4.5% earned this year. The result is that the net assessment required is \$3,625 (11%) higher than the 2024 budget.

The main reason for the large increase in the 2025 budgeted assessment is the increase in the amount for the Deferred Maintenance Fund. This is a discretionary fund that is used for the capital and deferred maintenance special projects that we have. These are items that are not part of routine maintenance and operations. This is also where we account for the loans that we have had to use to fund the rebuilding of the bridge and reclaim pond walls. Rather than a large special assessment, these projects were funded by relatively long term (15 year) bank loans to spread out the impact on assessments. At turnover, we had these expensive projects to repair immediately and almost no financial reserves to pay for them.

The \$1.1M assessment for this fund in 2025 is for the following items. \$650K is allocated for pond restoration in 2025. We are looking into the availability of long-term (20 year), low-cost (1-2%) state loans for the balance of the pond restoration project. The earliest that we could participate in this program would be 2026. The 2025 assessment also covers \$151K in interest and \$109K in principal repayments of the bank loans that we have. Finally, the remaining \$190K is to increase the "reserve" we have in this fund for all the other common assets (guardrails, guardhouse roofs, sidewalks, etc.) that may need major maintenance or replacement in the near future.

The total assessment at almost \$300 per unit per month is a significant increase since turnover, without question. After a little trolling on the internet, this appears to be about the average HOA fee for common properties like ours. Every gated community is different, and it is very difficult to determine a proper benchmark. We are trying to keep our assessments as fair and affordable as possible while making sure that we continue to maintain the unique quality of the Grand Harbor and Oak Harbor community that we live in.

FINAL NOTE:

As I mentioned above, I apologize for this newsletter coming out so late. Not only was I not feeling well, I also had another milestone in my personal life. My 48-year-old daughter delivered an Election Day granddaughter. This is her first child and our 8th grandchild – when now have an even bench of 4 boys and 4 girls. Baby and mom are doing well and after some short visits, we will be headed back to the warmer weather in Florida.

The first regular meeting of our new Board will be on Tuesday, November 26th at 3PM. The agenda and meeting notice will be forthcoming soon. We are working on getting our new members up the learning curve as quickly as possible.

Mike Clarke
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