

**OCEAN EAST RESORT CLUB  
BUDGET OVERVIEW AND  
EXPLANATION OF THE PROPOSED  
2008 BUDGET LINE ITEMS**

**BUDGET OVERVIEW**

The proposed 2008 Budget provides for normal annual increases in employee salaries, employee benefits and other operating expense classifications offset by reductions in insurance premiums, utility costs and reserve funding. The net effect is a balanced budget with a modest reduction in overall expense levels and no increase in maintenance fees for 2008.

**OWNERS SUPPORT**

There is no increase in maintenance fees for 2008 under the proposed budget. Therefore the maintenance fees would remain:

Studio/Efficiencies	\$294.00
One Bedroom Deluxe	\$375.00
Two Bedroom Units	\$428.00

**RENTAL INCOME**

Represents income received from the unit owners Rental Pool, the Barnacles Restaurant Lease Agreement and the Beach Bucket Bar & Grill Lease Agreement. The 2008 Budget has been decreased to reflect actual revenues in 2007.

**OTHER INCOME**

Includes fees received from the on site Real Estate Broker for sales office space and administrative support services, profit from the resale of foreclosed unit weeks, interest on operating funds and late fees. The 2008 Budget decrease reflects a decrease in resale revenues experienced in 2007.

**EMPLOYEE SALARIES**

Includes wages for 65 employees (25 full-time and 40 part-time) in all departments (i.e. Resort Management, Business Office, Front Desk, Maintenance, Recreation, Housekeeping and Security). The budget provides for cost of living increases of 3-4% for our employees in 2008.

**OTHER EMPLOYEE COSTS**

Includes all Payroll Taxes (Social Security and Unemployment Insurance) as well as employee Medical and Dental Insurance and 401k Plan matching contributions. The primary reason for the increase in other employee costs is the addition of group Life and Disability coverage to our employee benefit package.

**UTILITIES**

The Utilities Budget includes the cost of electric, water, sewer, refuse removal, gas, telephone and cable TV service. The general reduction in energy prices combined with ongoing efforts to conserve energy have allowed a modest decrease in the Utility Budget for the first time in many years.

## MAINTENANCE

This represents all maintenance costs (except employee salaries) for the condominium units, common grounds, pool and Barnacles building. This includes equipment maintenance contracts, window cleaning, air conditioning, plumbing, electrical repairs, equipment repairs and supplies. Maintenance supplies include light bulbs, paint, batteries, tape, filters and repair parts for light fixtures, garbage disposals, dishwashers, telephones, refrigerators, faucets etc.

## HOUSEKEEPING

Includes the purchase of replacement linens, bath towels, beach towels and unit inventory of paper products and small appliances. It also includes cleaning supplies and laundry supplies for the annual "spring cleaning" in Maintenance Weeks, the weekly cleaning of all condominium units and common areas, and the washing and drying of all linen and towels. Housekeeping supplies include facial tissue, toilet paper, paper towels, hand soap, laundry soap, cleaners, trash bags etc.

## RECREATION

The Recreation Budget includes recreation supplies, equipment and prizes for programs run by our staff as well as outside entertainment such as bands, disc jockey, etc.

## INSURANCE

Our insurance program includes a Package Policy providing property and general liability coverage, Flood Insurance and Windstorm Coverage. Our Umbrella Policy provides liability coverage over and above the Package Policy. The Association also carries Workers Compensation, Employers Liability, Employee Fidelity and Directors and Officers Insurance. The significant decrease in the 2008 Insurance budget can be attributed to two primary factors. First, the Association requested a Wind Mitigation Inspection and applied for Wind Mitigation Credits which resulted in approximately, \$9,000 in premium discounts. Second, our efforts to reduce workers compensation claims have lead to an improved experience rating and lower workers compensation premiums.

## LEGAL & ACCOUNTING

Includes the annual audit required by the State of Florida, tax return preparation and the retainer agreement with our general counsel. Negotiations have resulted in these services being provided at about the same cost as last year.

## MEMBERS AND DIRECTORS MEETINGS

This represents out of pocket expenses for Directors to attend Board and Committee Meetings (i.e. lunches, mileage reimbursements and room rental) as well as the annual meeting costs.

## OFFICE SUPPLIES & POSTAGE

Includes newsletter printing and mailings, business licenses and permits, association letterhead, envelopes, envo-grams, computer supplies, copy paper and so forth. Also included is postage for assessment billings, collection notices and other correspondence. The budget has been increased to reflect higher postage rates and the increased cost of office supplies.

#### **OFFICE EQUIPMENT & SUPPORT**

Includes office equipment leases, maintenance contracts, computer programming assistance, charge card processing fees, payroll processing fees, income taxes, help wanted ads and employee awards programs. The budget increase reflects an increase in credit card processing fees and income taxes paid on our investment income.

#### **MANAGEMENT FEES**

Ontario Management Corp., our Management Company, whose President is a Licensed Community Association Manager and a Certified Public Accountant is responsible for the supervision of resort operations, financial records, budget and financial planning, marketing and unit resales, maintenance fee billing, collection and paralegal services. There has not been an increase in the management fee since 2002.

#### **FLORIDA CONDOMINIUM FEES**

Represents two dollars per unit week (\$2.00 X 5,814), as assessed by the State of Florida on all Timeshare Condominiums.

#### **RESERVES**

The primary purpose of the Reserve Fund is to maintain our property and by doing so maintain our vacation experience. The Reserve Fund provides for everything from the roof to the parking lot including all furnishings and equipment. Better than expected investment earning and the strong condition of the reserve fund have allowed us to decrease reserve funding in the 2008 budget. Please see "The Reserve Analysis" provided in the newsletter and the Five-Year Reserve Plan for additional information.

#### **DEFICIT REDUCTION**

We are pleased to report the operating fund deficit is expected to be eliminated in 2007. Accordingly there is no need to fund this budget item in 2008.