

# Harbor Bay Community Development District Reserve Fund Discussion

## Overview of Financial Trends and Key Issues

### 1. Reserve Fund Balance Changes (2019-2022):

- Under previous pseudo accountant supervisor, the ending fund balance (cash and receivables) decreased by \$860,000 for FY 2019 and FY 2020.
- Without that fake accountant, the ending fund balance increased by approximately \$600,000 in FY 2021 and FY 2022.

### 2. 2019 Financial Performance:

- The overall net loss in 2019 was approximately \$827,000, with a decrease in the reserve fund by \$19,762.
- Despite this net loss, assessments for 2020 were lowered by 10%-11%, resulting in a reduction of \$150-\$537 per household. The overall budget was decreased by \$1,219,652, because there was a spend down of the reserve fund to hide expense.

### 3. Reserve and Operating Fund (2018/2019):

- FY 2018/2019 ended with \$894,094 in the reserve and \$1,336,490 in the operating fund.
- Excess from the operating fund (\$1,559,285) was used as a carry forward to artificially lower assessments by 10%-11%.

### 4. Reserve Fund Balance:

- **2019** ending reserve fund balance was \$894,094
- FY 2024 reserve fund balance is \$2,543,993.

### 5. Reserve Fund Contributions:

- Full contributions to the reserve fund, including interest from Seawall bonds, have been made since 2020, adding an additional \$255,000 this fiscal year on top of the full recommended contribution.

**6. Comparison of Expenses (2019 vs. 2024):**

- **2019** expenses were \$4,352,370
- 2024 expenses are projected to be \$4,339,083, lower than 2019 by \$13,287. Every year since 2019 has been lower than that years O&M because of this masking of expensed and carry forward.
- **The use of carry forward funds led residents to believe expenses had "never been this high." Four years later we have recovered from this and have a solid financial footing with stable funds and expense.**

**7. Developer Contributions were previously permitted a discount costing the district:**

- Developers were allowed to pay directly for their assessment fees, avoiding a 6% collection cost from the county, until this practice ended in 2023.
- “Off roll” entries in the budget indicate direct developer payments.

**8. Assessment for Field Costs:**

- Developers were not assessed for field costs, leaving residents to cover these expenses. Developers only paid for administrative assessments and street lighting, as seen in the revenue section of the budget- now corrected

**9. Seawall Bonds and Interest Contributions:**

- In 2023, the Board reviewed the Master Supplemental Trust Indenture for the Seawall bonds, allowing interest earned in the Revenue Account to be used for any lawful purpose.
- Approximately \$167,000 in interest was contributed to the Reserve Fund, and \$88,000 in interest from the operating account was also added.

**10. Landscaping Budget and Oversight Issues:**

- The 2019 landscaping budget was \$620,173, including \$37,245 annually for Seacrest maintenance, which the CDD does not own or have a maintenance agreement for.
- There was a failure to collect \$16,615.24 from Park Square for irrigation costs due to unauthorized utility account switches in 2019.

#### **11. Landscaping Costs Post-2020:**

- 2020 landscaping costs increased to \$666,175 after the dismissal of Kim.
- The FY 2025 budget includes Kim's full return to Mirabay and remediation work for all PS turnover parcels at no cost to the District. His contract four years later is \$772,000 a total of only 15% increase four years later.

#### **12. Landscape Repairs and Operating Surplus:**

- Since 2023, approximately \$771,886 has been spent on landscape repairs due to vendor changes and damages.
- The current operating fund surplus is +\$157,000, and the reserve fund surplus is +\$659,000.

#### **13. Bond Amortization Schedule (FY 2022):**

- The Board adopted a revised amortization schedule for the Series 2019 Bonds, planning a \$110,000 principal payment from excess construction funds, triggering a reserve fund credit of approximately \$6,000.
- The recalculated amortization schedule reduced the per-unit debt assessment for homeowners, effective for collection this month.
- We pay approximately \$2.6 million annually in debt service to these bonds which are separately assessed as mandated by the bond holder.