



BOARD MEMORANDUM

DATE: October 7, 2022

TO: Board of Directors
Long Beach Bridgeport Homeowners Association

FROM: Mike Smith, Chief Financial Officer
Optimum Professional Property Management, Inc.

SUBJECT: Financial Status

In connection with Long Beach Bridgeport's upcoming construction project, we completed a review of the association's financial position. The following represents our findings and recommendations.

Operating

The Operating Fund has a balance of \$24,306 and a liquid equity balance of \$18,595 as of the August 2022 financial statement. This balance is below the minimum amount we recommend for an association of your size. For Long Beach Bridgeport, we recommend the association's liquid equity to be \$33,000 to \$66,000, which is equivalent to two to three months of assessments. The current equity amount leaves the association in a tighter operating position with less flexibility for unforeseen expenditures that could occur during any given fiscal year. The association has incurred a small loss after the first eight months of the 2022 fiscal year, amounting to (\$1,215.00). However, the association's current liquid equity position was the result of the 2021 gain, which does not seem to be occurring again.

Reserves

Based on the latest Reserve Analysis Report completed for the 2023 fiscal year, the association is poorly funded. The Reserve Fund's ideal balance is \$2,782,399, while the association is projected to have \$949,588 as of this same date. This leaves the association at approximately 34% of the ideal balance and a low percent funded. While the Reserve Analysis Report includes some funds for the construction project, the association's low funding level is significantly impacted by the cost of this project. Included below is the Theoretical 30 Year Projection of the association's reserve fund based on increased contributions annually. The association's current funding plan, even with annual increases, does not support a positive ending balance as a result of the construction project. Based on the graph below, significant increases to the monthly reserve contribution are required to increase the health of the association's reserve fund.

Theoretical 30 Year Funding Plans

Long Beach Bridgeport

Above 70% = Well Funded (Low Risk of Special Assessment) Between 30% and 70% = Fairly Funded Below 30% = Poorly Funded (Higher Risk of Special Assessment)

Before Tax Interest Rate	1.5%
Annual Inflation Rate	3.0%
Annual Funding Increase	3.0%

Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			5% Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2022	\$ -	\$ 2,782,399	\$ 122,400	\$ 949,588	34%	\$ -	\$ 949,588	34%	\$ -	\$ 949,588	34%
2023	\$ 1,258,466	\$ 1,691,800	\$ 122,400	\$ (172,234)	-10%	\$ 522,000	\$ 227,366	13%	\$ 492,000	\$ 197,366	12%
2024	\$ 659,331	\$ 1,222,057	\$ 126,072	\$ (705,493)	-58%	\$ 537,660	\$ 109,106	9%	\$ 506,760	\$ 47,756	4%
2025	\$ 20,751	\$ 1,434,622	\$ 129,854	\$ (596,390)	-42%	\$ 553,790	\$ 643,781	45%	\$ 521,963	\$ 549,684	38%
2026	\$ 787,510	\$ 830,265	\$ 133,750	\$ (1,250,150)	-151%	\$ 570,403	\$ 436,331	53%	\$ 537,622	\$ 308,040	37%
2027	\$ 54,091	\$ 1,007,099	\$ 137,762	\$ (1,166,479)	-116%	\$ 587,516	\$ 976,300	97%	\$ 553,750	\$ 812,320	81%
2028	\$ 259,805	\$ 973,071	\$ 141,895	\$ (1,284,389)	-132%	\$ 605,141	\$ 1,336,281	137%	\$ 570,363	\$ 1,135,063	117%
2029	\$ 122,926	\$ 1,092,559	\$ 146,152	\$ (1,261,163)	-115%	\$ 223,240	\$ 1,456,639	133%	\$ 223,240	\$ 1,252,403	115%
2030	\$ 110,415	\$ 1,235,859	\$ 150,537	\$ (1,221,042)	-99%	\$ 229,937	\$ 1,598,011	129%	\$ 229,937	\$ 1,390,711	113%
2031	\$ 35,010	\$ 1,471,906	\$ 155,053	\$ (1,101,000)	-75%	\$ 236,836	\$ 1,823,806	124%	\$ 236,836	\$ 1,613,397	110%
2032	\$ 19,700	\$ 1,738,699	\$ 159,704	\$ (960,995)	-55%	\$ 243,941	\$ 2,075,404	119%	\$ 243,941	\$ 1,861,839	107%
2033	\$ 267,930	\$ 1,752,352	\$ 164,495	\$ (1,064,430)	-61%	\$ 251,259	\$ 2,089,864	119%	\$ 251,259	\$ 1,873,095	107%
2034	\$ 196,395	\$ 1,851,318	\$ 169,430	\$ (1,091,395)	-59%	\$ 258,797	\$ 2,183,614	118%	\$ 258,797	\$ 1,963,593	106%
2035	\$ 41,872	\$ 2,128,134	\$ 174,513	\$ (958,753)	-45%	\$ 266,561	\$ 2,441,057	115%	\$ 266,561	\$ 2,217,736	104%
2036	\$ 47,621	\$ 2,415,033	\$ 179,749	\$ (826,626)	-34%	\$ 274,557	\$ 2,704,609	112%	\$ 274,557	\$ 2,477,938	103%
2037	\$ 24,292	\$ 2,744,006	\$ 185,141	\$ (665,777)	-24%	\$ 282,794	\$ 3,003,680	109%	\$ 282,794	\$ 2,773,609	101%
2038	\$ 430,464	\$ 2,652,057	\$ 190,695	\$ (905,546)	-34%	\$ 291,278	\$ 2,909,549	110%	\$ 291,278	\$ 2,676,027	101%
2039	\$ 327,386	\$ 2,677,568	\$ 196,416	\$ (1,036,516)	-39%	\$ 300,016	\$ 2,925,822	109%	\$ 300,016	\$ 2,688,798	100%
2040	\$ -	\$ 3,066,912	\$ 202,309	\$ (834,207)	-27%	\$ 309,017	\$ 3,278,727	107%	\$ 309,017	\$ 3,038,147	99%
2041	\$ 189,112	\$ 3,272,681	\$ 208,378	\$ (814,942)	-25%	\$ 318,287	\$ 3,457,082	106%	\$ 318,287	\$ 3,212,894	98%
2042	\$ 33,760	\$ 3,662,186	\$ 214,629	\$ (634,072)	-17%	\$ 327,836	\$ 3,803,015	104%	\$ 327,836	\$ 3,555,163	97%
2043	\$ 562,538	\$ 3,501,338	\$ 221,068	\$ (975,542)	-28%	\$ 337,671	\$ 3,635,193	104%	\$ 337,671	\$ 3,383,624	97%
2044	\$ 522,545	\$ 3,389,047	\$ 227,700	\$ (1,270,386)	-37%	\$ 347,801	\$ 3,514,977	104%	\$ 347,801	\$ 3,259,635	96%
2045	\$ 166,414	\$ 3,668,978	\$ 234,531	\$ (1,202,269)	-33%	\$ 358,235	\$ 3,759,524	102%	\$ 358,235	\$ 3,500,351	95%
2046	\$ 1,235,564	\$ 2,811,767	\$ 241,567	\$ (2,196,266)	-78%	\$ 368,982	\$ 2,949,335	105%	\$ 368,982	\$ 2,686,274	96%
2047	\$ 40,800	\$ 3,232,046	\$ 248,814	\$ (1,988,252)	-62%	\$ 380,052	\$ 3,332,826	103%	\$ 380,052	\$ 3,065,820	95%
2048	\$ 518,478	\$ 3,159,727	\$ 256,278	\$ (2,250,451)	-71%	\$ 391,453	\$ 3,255,794	103%	\$ 391,453	\$ 2,984,783	94%
2049	\$ 461,845	\$ 3,158,231	\$ 263,967	\$ (2,448,329)	-78%	\$ 403,197	\$ 3,245,983	103%	\$ 403,197	\$ 2,970,906	94%
2050	\$ 150,156	\$ 3,505,877	\$ 271,886	\$ (2,326,599)	-66%	\$ 415,293	\$ 3,559,810	102%	\$ 415,293	\$ 3,280,607	94%
2051	\$ 202,755	\$ 3,819,525	\$ 280,042	\$ (2,249,312)	-59%	\$ 427,751	\$ 3,838,203	100%	\$ 427,751	\$ 3,554,812	93%
2052	\$ 11,524	\$ 4,362,232	\$ 288,444	\$ (1,972,392)	-45%	\$ 440,584	\$ 4,324,837	99%	\$ 440,584	\$ 4,037,195	93%

Loan and Special Assessment

Based on the findings included above, our recommendation is for the association to consider a loan, special assessment, or both to fund the construction project. As the construction project has an estimated cost of approximately \$2.8 million, Long Beach Bridgeport's financial condition will be significantly impacted without alternative funding options based on the association's current financial position and reserve funding plan.

While bank loans and increased reserve funding will impact the association's assessment level, a special assessment may also be needed to secure additional funding and improve the overall financial condition of the association. We are happy to continue working with the Board of Directors on funding options for a loan, a sustainable assessment level, and a special assessment as needed.