

BOTANICA Q1 2024 REVIEW & Q2 GOALS

March 28, 2024

A review of our Q1 2024 performance and Q2 goals . . .



Q1 2024 Goals Review

By Matt Bramson, Key Colony IV President

Overview

At the start of this year we conducted what we believe was our association's first ever annual kickoff with goals for the year as well as the first quarter. The kickoff was a big success and I sent all the owners the materials that were created and presented detailing annual and quarterly goals for each department. In particular it was gratifying to see the leaders of each department step up to a goal-oriented approach.

Q1 2024 ends this week so as an association we are meeting again to revisit our 2024 goals, assess our performance against the Q1 goals, and set goals for Q2. The Q2 2024 Kickoff will be held on Tuesday morning, April 2nd. As Q1 2024 was our association's first ever attempt to set and achieve goals, perfection is not expected. Our objective is steady progress and, as I like to say, an effort to try to always make new mistakes.

2024 Kickoff

The current Board of Directors of Key Colony IV and our Manager share a passion for and a commitment to improving the lifestyle and value of our property. Accomplishing this requires implementing numerous best practices which, while commonplace in most organizations, have not been in place at Botanica for many years - and perhaps far longer. These practices include but are not limited to . . .

- Assuring that every employee of Botanica has clarity, in writing, as to the requirements of their role in our organization and the associated responsibilities.
- Establishing and enforcing processes, measurables, and goals for each department and within each department.
- Utilizing tools like work orders to track personnel utilization, supply inventories, and other costs.
- Implementing daily, weekly, monthly, quarterly, and annual checklists for departments to assure that maintenance and other regular responsibilities are consistently undertaken as necessary.
- Tracking departmental and individual performance in order to provide coaching and recognition.
- Linking bonuses, raises, and other incentives directly and objectively to individual and team performance.

To initiate these and other best practices in 2024 we have a "2024 Kickoff" today. All of our employees will attend a two-hour morning session. At this session each part of our organization, beginning with our Board of Directors represented by the President, will introduce their . . .

- **Team** (Who are the members of our department?)
- **2024 Priorities** (What are the top 3-5 things our department MUST accomplish in 2024?)
- **Q1 2024 Goals** (What are the 3-5 things we MUST accomplish in the next 90 days to be on-track to achieve your 2024 priorities?)
- **Q1 2024 Measurables** (What will we measure to assure that we are on-track?)
- **Q1 2024 Challenges** (What are the things that could jeopardize our priorities and how can these be overcome?)
- **Q & A** (What comments or questions do others in the organization have about our priorities, goals, measurables, and challenges?)

Following a brief presentation of the items above from our President from the perspective of the Board of Directors and, by extension, all the owners, each of our departments will make a similar, brief presentation to our entire staff.

- **Administration** -- represented by our Manager
- **Maintenance** -- represented by our Maintenance Supervisor
- **Security** -- represented by our Security Supervisor
- **Janitorial** -- represented by our Manager on behalf of the vendor
- **Landscaping** -- represented by our Manager on behalf of the vendor

By the time the 2024 Kickoff meeting is completed, every member of our staff, for perhaps the first time ever, will have clarity on the priorities of our entire Association, including those of every department including theirs, as well as the specific goals, measurables, and challenges throughout our organization. This will be unfamiliar to many on our staff and the first quarter or two is expected to be a learning experience. The department leaders will meet briefly with the Manager weekly to assure their quarterly goals and yearly priorities remain on-track.

Extensive research, including the longstanding Gallup Q12 survey, has shown that employees with a clear understanding of expectations, defined goals, regular feedback, and support in other ways are more productive, engaged, and satisfied. One major goal of our efforts in 2024 is to assure that Botanica fosters a workplace culture that allows us to retain and attract qualified employees.

By the end of 2024 we're confident that our organization will be stronger and more effective than ever before. If this is accomplished, it will mark 2024 as a highly impactful year for our Association.

2024 Priorities (Board of Directors)

The Board of Directors determined, through an inclusive and cooperative process, what the priorities should be for our Association for the next year. This process included an open, noticed meeting in August 2023 and owners that attended were able to participate. The heart of the process consisted of lists of priorities submitted by Board Members plus the Manager followed by the ranking of those priorities by everyone. The result of all this was the master list shown below (listed in order of average prioritization).

KC4 Priorities 2023-2024										
Potential Priority	Priorities			Prioritization Votes						
	Category	Nominator	Notes	Matt	Juan	David	Maria	Joerg	Gio	Average Priority
Financials	Budget	David	Updated reserve, better interest rate on our reserves	4	3	4	3	6	1	3.5
Insurance/Roof Situation	Budget	Matt	Make and execute a plan to try to avoid future insurance increases	1	4	2	15	2	2	4.3
Upcoming Reserves projects	Maintenance/Aesthetics	David	Repaint the building (2024), Waterproof the planters on the garage level (2025-2027), New roof (as Matt mentioned - scheduled 2030 but TBD), Security System (mentioned by Matt, scheduled for 2026), Fernery and Bromelia fountains (2023), Fire alarm systems (2029), Generator fuel tank (2027), Garage painting (2027), Pool diamond bright (2023)	3	6	1	8	7	4	4.8
Rule Enforcement/Appeals Committee	Rules	Matt	We need 3+ volunteers and a plan/structure	14	2	6	2	1	7	5.3
Increased/Improved Owner/Resident Communications	Administration	Juan	More and better ways to keep owners informed	6	1	7	1	14	3	5.3
Reserves Projects from previous years	Maintenance/Aesthetics	David	Hallway lights, bollard lights	2	5	3	11	8	5	5.7
Landscaping Upgrades	Maintenance/Aesthetics	David	Renovating the Phoenix Courtyard landscaping and irrigation, - After that to renovate the planters inside the building	9	7	9	5	13	6	8.2
Upgraded Cameras in Garage and Hallways	Security	Matt	Replace broken cameras, upgrade some existing cameras, add cameras in hallways and other common areas	5	12	8	6	10	9	8.3
Long-Term Plan for Our Pool	Amenities	Matt	Investigate options to upgrade our pool	11	9	11	9	5	10	9.2
Short-Term Rental Enforcement	Rules	Matt	Goal is to enforce our rules against short-term rentals	10	8	14	10	4	14	10.0
Revamped Receiving Office	Maintenance/Aesthetics	Matt	Refurbish the room and make it more suitable for its purpose	8	11	13	4	11	13	10.0
Other minor upgrades	Maintenance/Aesthetics	David	Pool grills, Club Room revamp	7	15	5	12	15	8	10.3
Long-Term Plan for Our Gym	Amenities	Matt	Investigate options to upgrade our gym	12	13	12	7	9	11	10.7
Additional Electric Vehicle Charging, Solar	Amenities	Matt	Investigate options to accommodate many more EVs, perhaps including rooftop solar	13	10	15	14	3	12	11.2
Usage of the Room Above Receiving	Amenities	Matt	Investigate options to utilize the space above the receiving office	15	14	10	13	12	15	13.2

As you can see, the list includes a mixture of “must-do” priorities like optimizing our finances to longer-term “nice-to-have” enhancements like a bigger, better gym. Some items, if we decide to pursue them, will eventually require a vote of support from the entire ownership. For the 2024 Kickoff, we will focus on a subset of these priorities:

- 1. Complete 2024 Reserve Projects**
 - Especially roof, paint, and planters
- 2. Improve Rule Enforcement**
 - Especially rules that protect from injuries and damage
- 3. Increase Owner Communication**
- 4. Upgrade Landscaping**
- 5. Replace Camera System**

Following the 2024 Kickoff, the priorities of each department in our Association will be shared with the entire ownership.

Q1 2024 Goals (Board of Directors)

The Q1 2024 goals of the Board of Directors are . . .

1. Assure that the repairs to the pool remain on-track and garage cleaning/painting is initiated
2. Assess condition of all major 2024 Reserve items -- determine which must be completed in 2024 and obtain 3 quotes for each
3. Select camera system vendor and begin installation

4. Assess landscaping condition (grounds and all planters) and get multiple quotes to improve/maintain everything (including irrigation)
5. Fully rollout ONR including new KC4 website

Following the 2024 Kickoff, the Q1 2024 goals of each department in our Association will be shared with the entire ownership.

Q1 2024 Measurables (Board of Directors)

- Pool repair project milestones met 100%
- 2024 Reserve items assessed by 3/1/2024 and quotes received by 4/1/2024
- Camera system vendor selected by 2/15/2024
- Landscaping assessed by 2/15/2024
- ONR KC4 website launched by 3/1/2024

Following the 2024 Kickoff, the Q1 2024 measurables of each department in our Association will be shared with the entire ownership.

Q1 2024 Challenges (Board of Directors)

- Ongoing projects demand time and energy
 - Pool project completion
 - Garage cleaning/painting
- Camera decision is complicated and expensive
- Vendors can be slow to respond and to complete projects, especially any projects involving engineers and/or multiple vendors
- Smaller issues can distract team's focus

Following the 2024 Kickoff, the Q1 2024 challenges of each department in our Association will be shared with the entire ownership.



Financial Overview & Benchmarks

By David McDanal, Key Colony IV Treasurer

Financial Overview

Operating: The primary driver in the increase of our operating budget is the insurance expense, especially addressing storm damage liability. This is a statewide issue which has been extensively covered in the news. All buildings near the ocean are facing increased costs and difficulty getting insured as many companies are leaving the market. We are looking for a solution to lower our insurance costs which renew in June. Our 2024 budget includes a projected 30% premium increase in June. Per our insurance agent, once the pool is finished we should be able to complete our 40-year certification which potentially could lower our premiums. The market is constantly changing, with providers entering and exiting, so we will have a clearer picture on the renewal cost in a few months.

Reserves: In the last year a licensed specialist completed a full, on-site Reserve Study to ensure that we are accumulating sufficient funds to cover the cost to maintain our building's structure and major components. Reserves were the largest contributor in our 2024 budget to increased monthly fees outside of insurance costs. The primary reasons for the increase in Reserves is the inflating cost of construction along with having to replace our roof sooner than expected. There has been a trend in condo insurance underwriting that roofs need to be replaced sooner than previously projected. Moving forward we have budgeted to update our

Reserve Study yearly to keep the costs updated. The costs in the Reserve Study are estimates and could change once we receive repair and replacement bids. A Reserve Study is a budgeting tool and not a perfect projection of building component lifespan and costs. At the end of the year we had close to \$3.2 million in reserves. We increased the amount of interest on our reserves by moving to a new bank that pays 4.25% on them while maintaining full FDIC coverage. This is projected to generate nearly \$140,000 in additional Reserve income annually, depending on the ongoing balance.

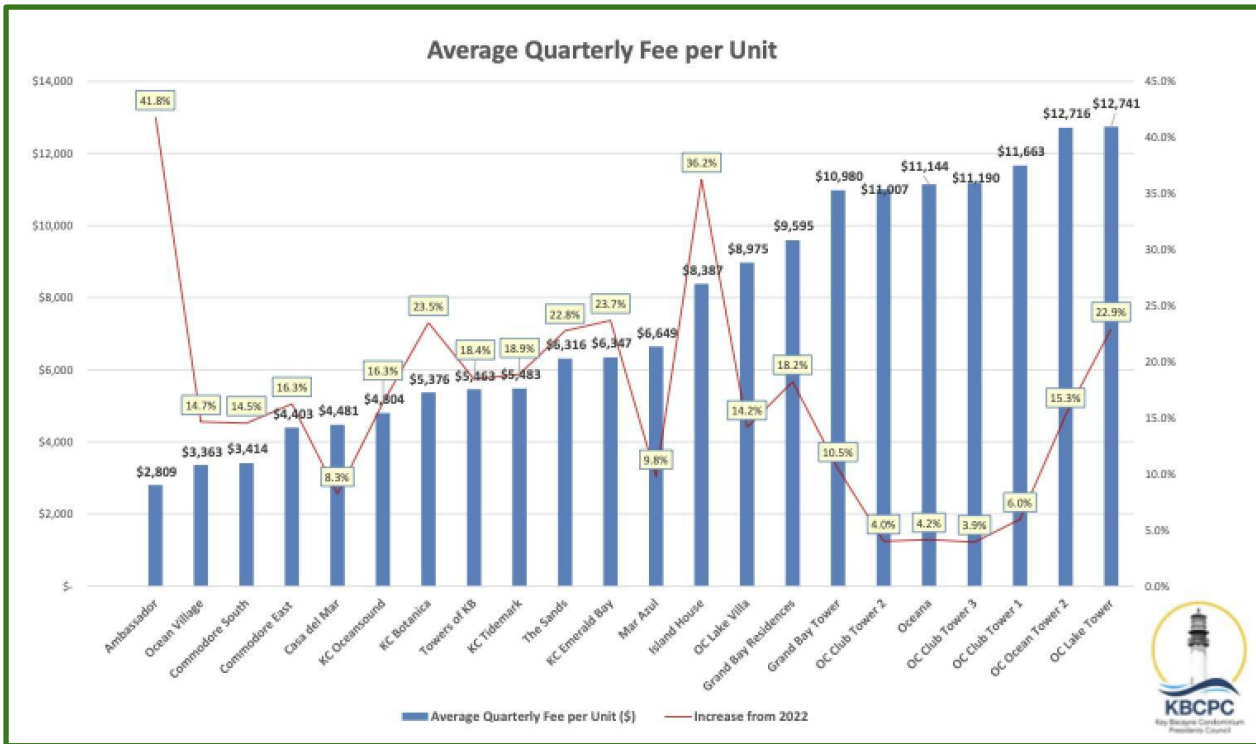
Association Benchmarks

In November of 2023 the Key Biscayne Condo President's Council (KBCPC) conducted the research and analysis to author a Key Biscayne Condominium Budget Benchmarking Project that compares virtually all of the large oceanfront condos on Key Biscayne, including Botanica, with respect to several key financial metrics. The following charts and graphs are from that report.

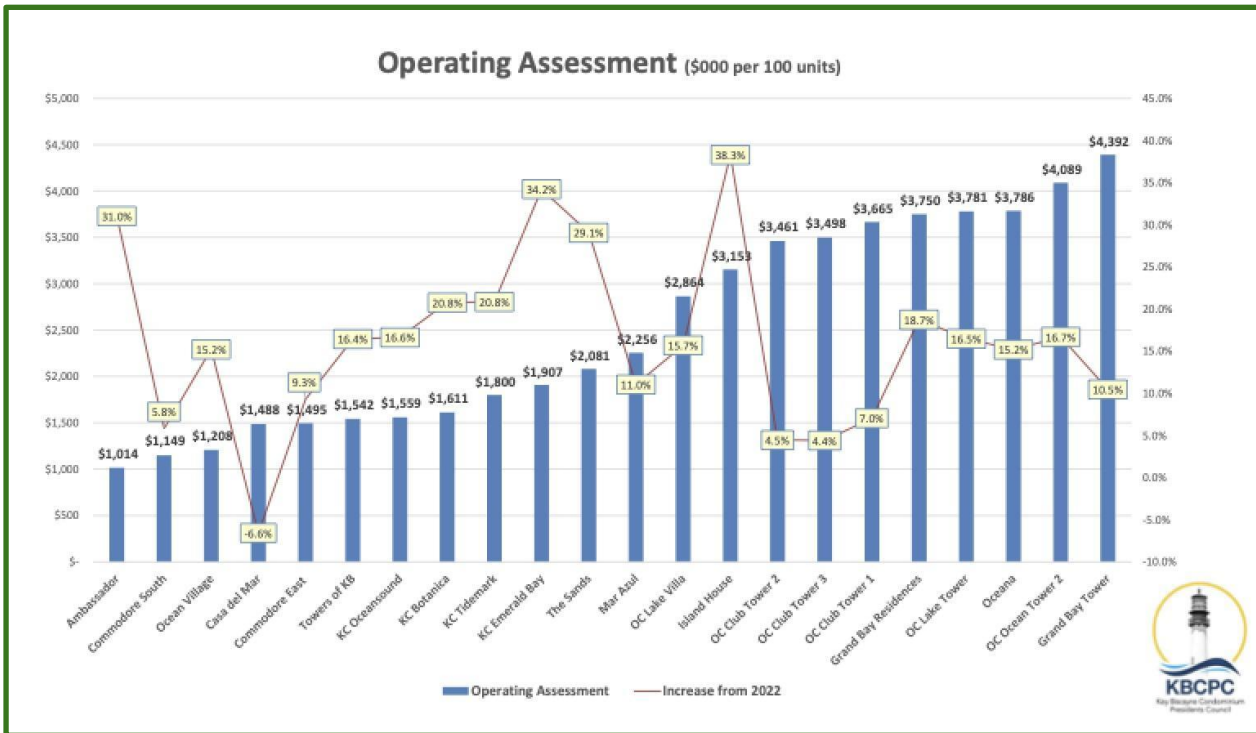
The data can be reviewed in detail below but an apt summary is that "KC Botanica" is below average, and generally in the bottom third, compared to other similar properties with respect to average fees per unit, operating assessment per unit, reserve assessment per unit, employee costs, and insurance costs.

This report provides a very valuable perspective because, for us as owners, it conveys that amongst the options to live in a condo on Key Biscayne, our Botanica is one of the best from a financial view. Plus it means that anyone wishing to purchase a condo unit on Key Biscayne should understand Botanica to be a comparatively good value. That should help assure the continued marketability of our units for sale and the profitability of the option to rent our units.

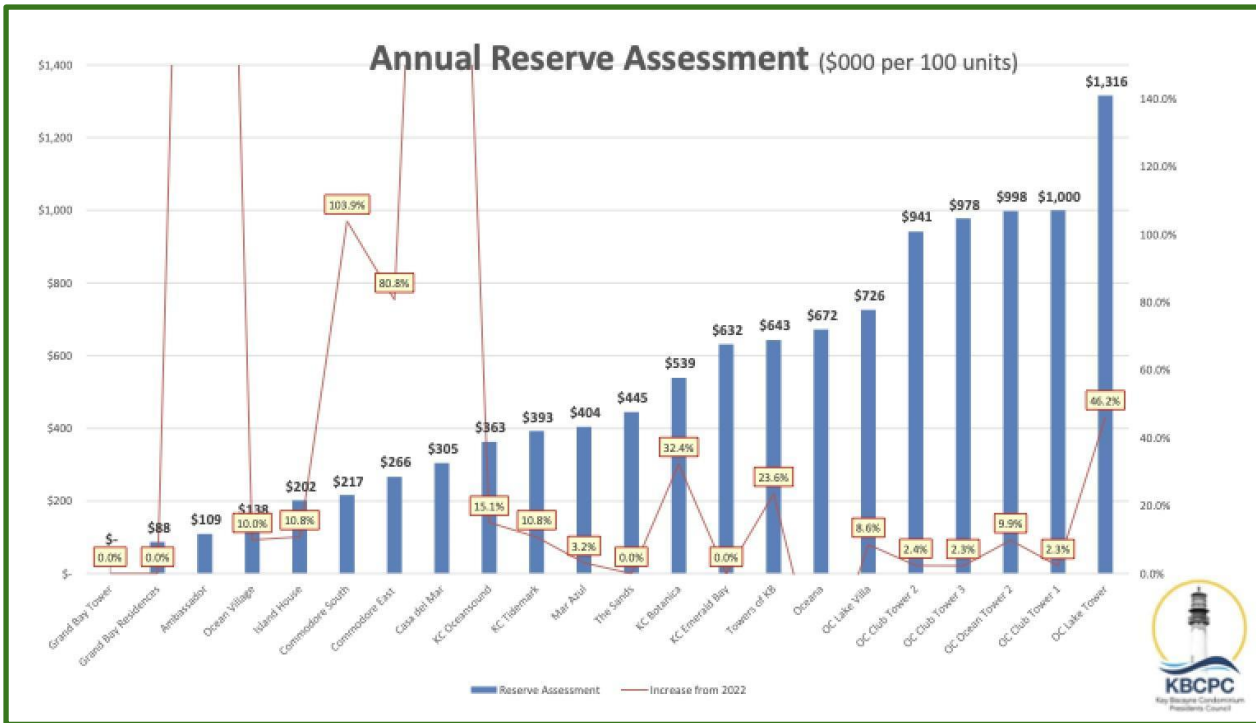
What the report also implies is that if Botanica can execute on the priorities and goals put forward earlier in this Review, while maintaining comparatively low costs, the potential exists to significantly bolster the value of our ownership units, not to mention enhance our quality of life as residents. This is precisely the overarching goal of the Board of Directors for 2024. This benchmark report indicates that, financially-speaking, we are on-track. Our hope is that the KBCPC will produce this report annually to provide a consistent performance yardstick for our Association.



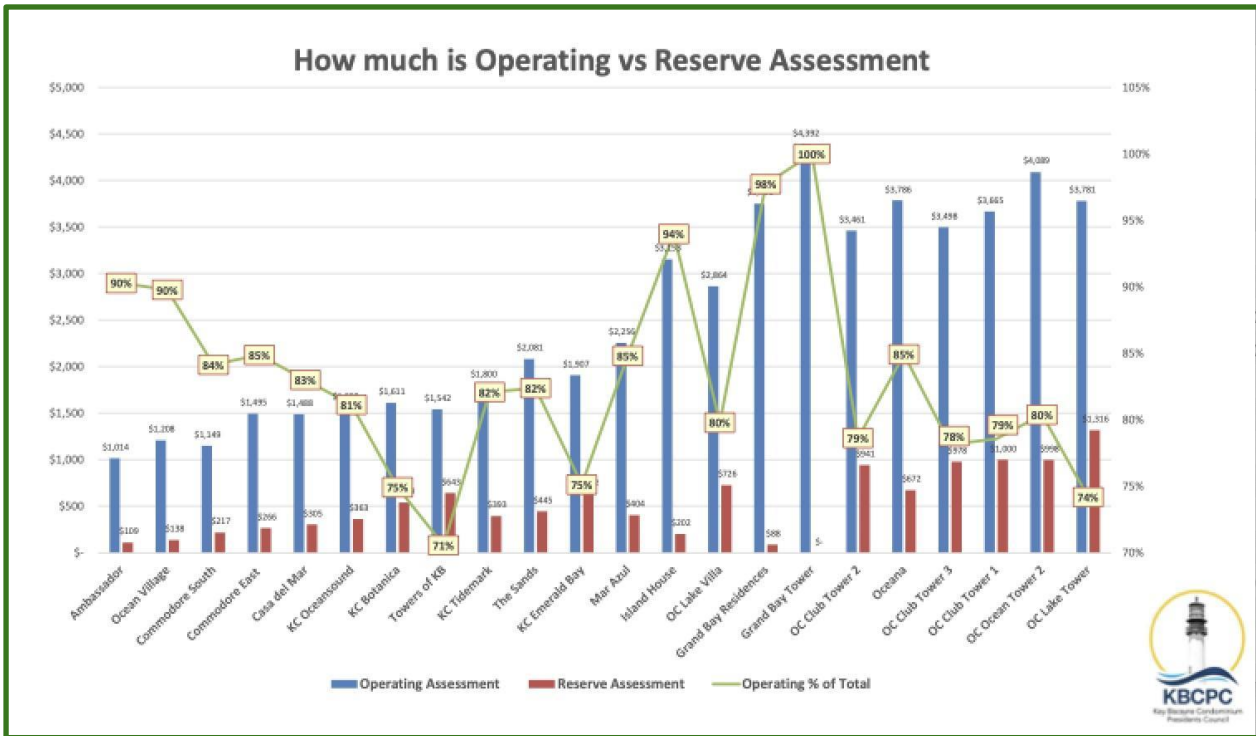
KC Botanica is 7 of 22 (bottom third) with respect to Average Quarterly Fee Per Unit.



KC Botanica is 8 of 22 (nearly bottom third) with respect to Operating Assessment..

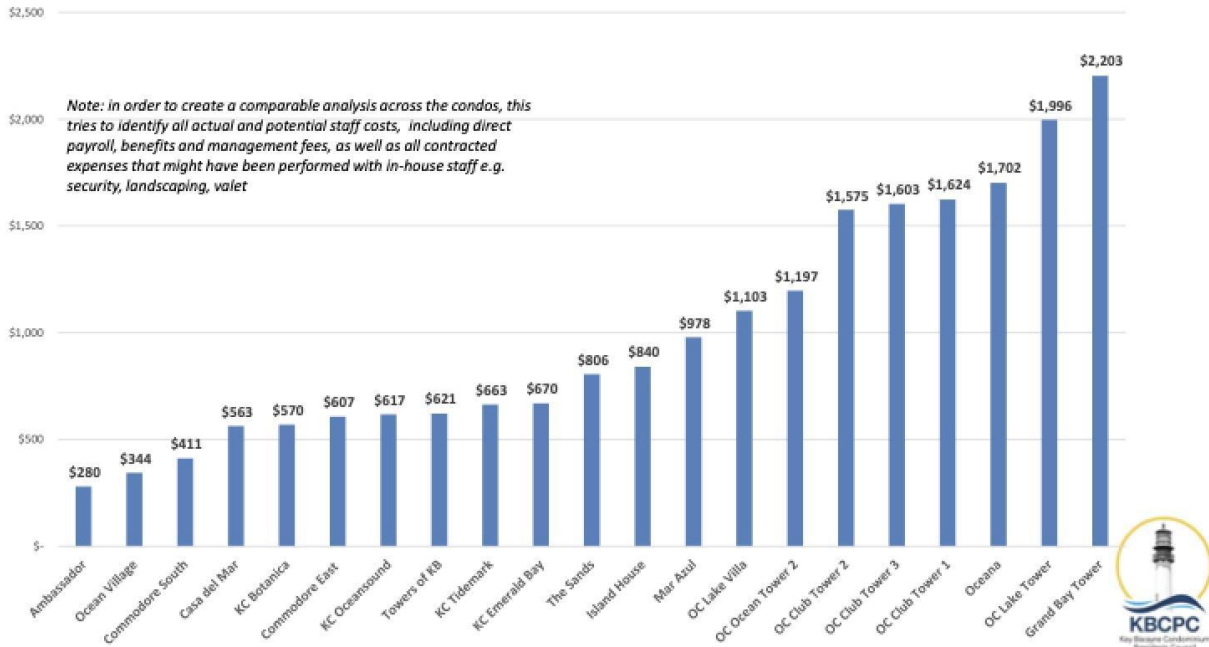


KC Botanica is 13 of 22 with respect to Annual Reserve Assessment.



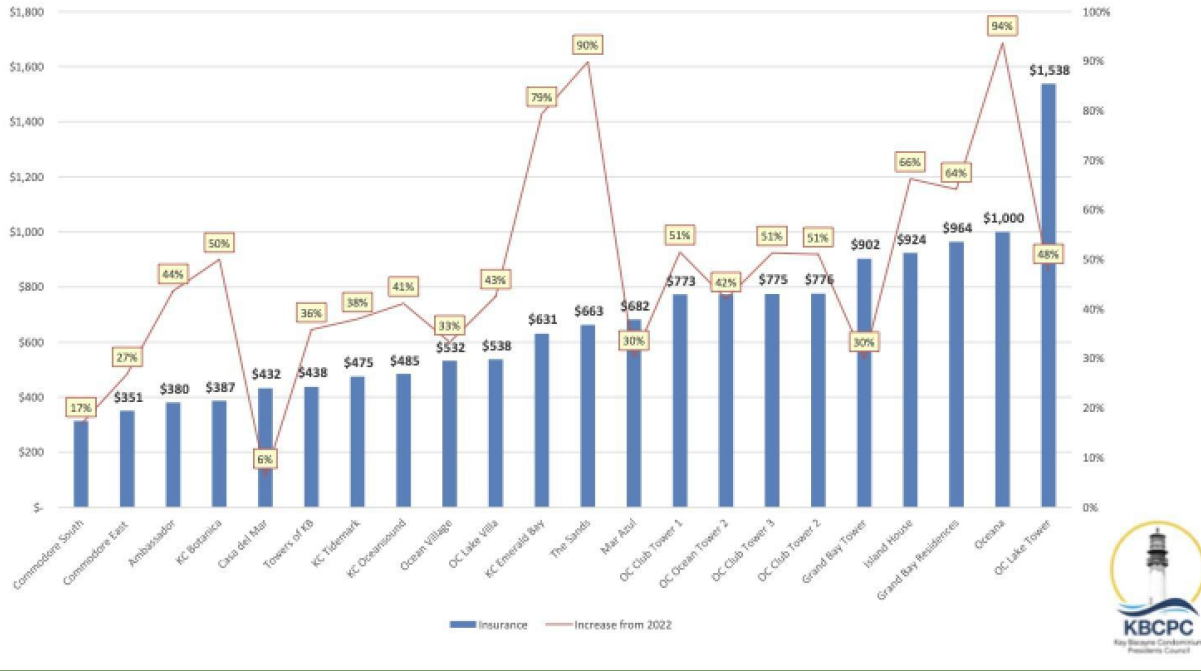
KC Botanica compares favorably (ranked 7 of 22) on Operating vs Reserve Assessment.

Employee Costs (\$000 per 100 units)



KC Botanica is 5 of 22 (bottom quartile) with respect to Employee Costs.

Budgeted Insurance Expense (\$000 per 100 units)



KC Botanica is 5 of 22 (bottom quartile) with respect to Insurance Expense.

Here are some details on the methodology used by the Key Biscayne Condo Presidents Council in preparing their Key Biscayne Condominium Budget Benchmarking Project:

- *Miami-Dade County's new Ordinance for Registration of Community Associations (passed in March 2022 and effective Feb 2023) requires condominium associations, cooperative associations, and homeowners' associations (HOAs) to register yearly with the county's Consumer Protection Division and provide data, including budgets, to be publicly available in the County's website.*
- *The following Budget Benchmarking was created from that data. Note this analysis compares 2023 Annual Budgets, not actual expenses.*
- *Virtually all of the large "oceanfront" condos (or at least some of their associations), focusing on KB condos with >90 units per association, are included in this analysis.*
- *As some buildings have a common HOA, the proportionate share of the HOA was allocated to each building on a pro rata basis by number of units in order to calculate a "fully burdened" condominium.*
- *In order to more realistically compare the various buildings, the information was "normalized" as if each building had 100 units. All numbers are \$000 per year unless labeled otherwise.*
- *At this stage, only the major revenue and expense line items were examined for comparative purposes, as well as some 2022 vs 2023 increases*
 - *Employee costs includes all costs that could reasonably be performed by in-house staff, e.g. valet, landscaping*



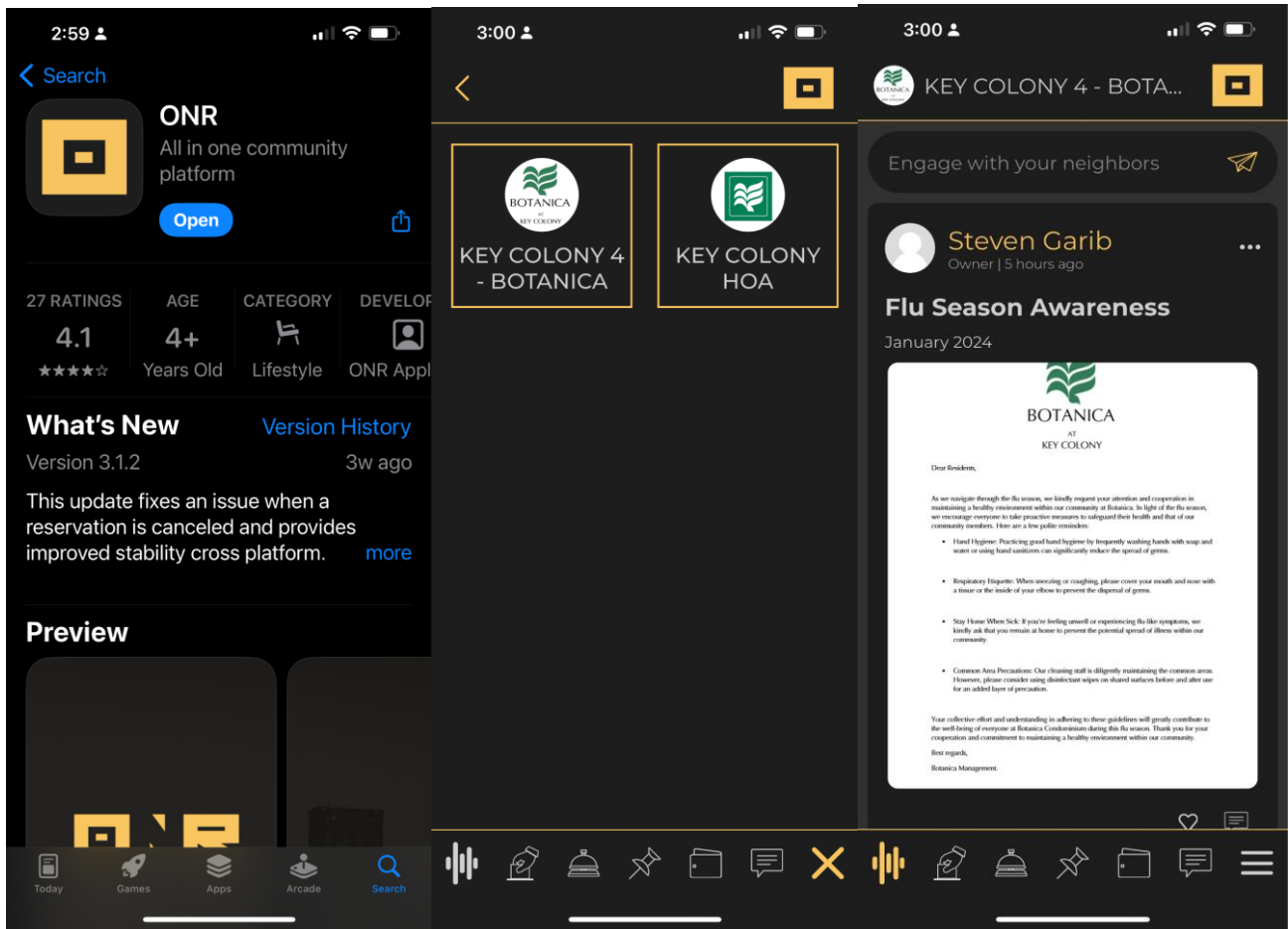
Closing Thoughts & ONR

This annual review was produced by the volunteer members of the Board of Directors. Over the past year we have done our best to make decisions and implement changes that improve the value and quality of life of our property. We all care deeply about our investment as owners and our lifestyle as residents.

Owners that want to get involved with Board decisions and suggest changes for our Association have many avenues by which to do so. The two that are most recommended are to attend our posted meetings, ideally in-person although Zoom is an option, and/or reach out directly to Board Members for a conversation. Our Board meetings typically feature packed agendas and are primarily the opportunity for the Board to make decisions via public votes. Meetings are not the ideal forum for back and forth conversations with multiple unit owners on a range of topics. Generally, the best approach for that type of interchange is one-on-one. I know I speak for the entire Board of Directors when I say that we welcome phone calls, emails, invitations to have coffee, and the like. Conversations with Board Members can be arranged directly or through the office.

In addition to the options to attend meetings and engage with individual Board Members, every owner has the right to review Association records including budgets, financial reports, bank records, contracts, meeting minutes, and other such documents in the office upon request. Our Manager has also implemented a weekly report which is both emailed out to every registered owner and posted on ONR so that it can reach owners as well as residents that are renting units. As we continue to rollout the ONR communication platform, access to Association information and updates will continuously improve. Installing the ONR app and registering as an owner and/or resident assures receipt of all Association communications as well as access to online voting and other information and services.

The ONR app can be found in the Apple App Store or in Google Play. The screenshots below are from an iPhone. The first image is the screen to download the app from the App Store (search for “ONR”). The second is what the initial screen will look like after a Botanica owner or resident is set up in ONR with both the HOA and Botanica Associations (if you need help with this, contact the office for your credentials and other assistance). The third image is what the main screen within the Botanica section of the app looks like with the notifications feed. There are also menu buttons to access voting (during scheduled elections), service requests, community calendar and chat. The ONR app can even be set up to alert users, via email and/or text, whenever new information is posted. For owners and residents that desire more information and communication from our Association, ONR is the answer and it is available now and has been in active use for several months already.



If you've gotten this far, thanks for being an engaged owner. We appreciate you.

Sincerely,

Key Colony IV Board of Directors