

**WATERSIDE III AT BAY BEACH CONDOMINIUM
ASSOCIATION, INC.
MINUTES OF THE BOD BUDGET MEETING
February 20, 2023 - FOLLOWING BOARD OF DIRECTORS MEETING**

1. **Call to Order - Establish a Quorum:** The meeting was called to order by Pete Yeatman. Same attendees as the earlier session - a quorum was present.
2. **Proof of Notice:** The meeting notice was posted on the lobby bulletin board.
3. **Approval of Minutes:** The board deferred approval of the minutes from the February 14th BOD Meeting until a later time.

4. **New Business:**

a. **Review and Approval of the 2023 Budget:**

The proposed 2023 budget document was shared with owners as part of an email sent by Myers, Brettholtz on February 6th announcing the February 20th meeting.

Jeff Lievens reviewed the budget impact document provided to owners prior to the meeting. That document is attached.

He went on to explain the quarterly assessments are anticipated to be only slightly higher in 2023, but are expected to double from the 2022-23 amounts in 2024 and carry for the foreseeable future.

He repeated the terms of the pending SBA loan: no payments or interest for 1 year after closing; afterward, monthly payments of principle and interest at the rate of 1.875%. The anticipated loan cost per unit is approximately \$320 per quarter/\$1300 per year - more or less depending on the size of the unit. Until the loan closes, it is not clear how we are able to draw on the loan.

Sue Walker asked whether a list of what the loan can be used for, is available. Response: Not yet.

Jan VanGorder asked: How will owners be made aware of the SBA loan use and status. Response: Myers, Brettholtz maintains an itemized accounting of the loan.

Rainey Kitkowski asked if we were the first building in Waterside to secure a loan. Response: As far as we know.

Pete asked for a motion to approve the 2023 Budget. Scott made a motion to approve the budget, Bob seconded the motion, and the motion and budget were unanimously approved.

5. **Adjournment:** Pete asked for a motion to adjourn the meeting. Jeff made the motion and Scott seconded. Adjournment was approved.

February 19, 2023

TO: Waterside III Owners
FROM: Jeff Lievense, Treasurer
SUBJECT: Financial Information Relating to February 20 WS3 Board Meetings on Amending the Special Assessment and the 2023 Budget

You have already received the following supporting information by email:

- January 12, Financial Information Relating to Consideration of an Owners' Special Assessment
- February 6, 2023, Proposed Operating Budget (included with Notice of February 20 Board Meeting)
- February 14, Treasurer's Report and Ian Recovery – Financial

In early January 2023, it was forecasted that WS3 would run out of cash in February without corrective actions. Storm repair projects were paused to conserve cash. Several sources of additional cash were on the horizon but with uncertain timing.

- bank line of credit, \$300,000 (1 year loan, 7.5% variable interest rate)
- flood insurance claim payment, \$231,125.62
- Small Business Administration (SBA) disaster loan, \$1.85 million (30 years, 1.875% fixed interest rate).

In view of this uncertain situation, the board approved at its January 20 meeting a special assessment of \$400,000 to enable storm repairs to resume while providing sufficient cash to operate through March.

Shortly after the January 20 board meeting, there were two positive developments to benefit our cash position: 1) the bank line of credit closed (January 23), and 2) the flood insurance claim payment was received (February 13).

The bank line of credit was issued with the condition that WS3 adopt a board approved 2023 budget within 30 days (by February 22). The Crisci Finance Committee met several times between January 17 and February 1 to develop and recommend a 2023 budget to the board. Several options were considered. Ultimately, the committee aligned on a 2023 budget that it considers to be most beneficial to the owners. This was confirmed through financial analysis by two committee members (Kaiser and Lievense). The proposed 2023 budget, sent to you on February 6, takes maximum advantage of the SBA loan and its low interest rate. Key elements of the proposed 2023 budget are as follows.

- The \$400,000 special assessment for storm repairs must be rescinded and replaced with a special assessment of equal amount to fund an anticipated large increase in insurance cost. The insurance renewal date is May 11, 2023, with payment in full due on that date. Without this rescind/replace action, another increase in 2023 assessments of equal amount, by special assessment and/or quarterly assessments, would be required.
- The SBA loan was approved on January 6 and is expected to close in a few weeks. The proceeds will be used to the maximum extent to pay for storm repairs. The net amount of the SBA loan is reduced by insurance claim payments and any special assessments for storm repairs. Consequently, if we do not rescind the special assessment for storm repairs, the net SBA loan will be reduced by \$400,000.
- Total 2023 expenses are increased by 67%, mostly due to the expected increase in insurance costs.
- As a result of the special assessment, the 2023 quarterly assessments are increased by 2% compared with the 2022 approved budgeted amounts. The reserve assessment portion is increased by 100% due to large increases in several items, mainly roof replacement.
- The SBA loan includes amounts for landscaping and lobby refurbishment. Once the loan closes, budgets for these can be established.

Main budget uncertainties are: 1) insurance cost; 2) roof replacement cost; 3) conditions of the SBA loan that may constrain how we can apply the funds; 4) currently unknown Hurricane Ian related repair costs; and 5) further adjustments that may be needed in the reserve budget.