

**WATERSIDE III AT BAY BEACH CONDOMINIUM
ASSOCIATION, INC.
MINUTES OF THE BOD MEETING SBA LOAN APPROVAL
AND SPECIAL ASSESSMENT
April 25, 2023
Following BOD Special Members Meeting**

1. **Call to Order - Establish a Quorum:** The meeting was called to order by Pete Yeatman. The entire board was present: Pete Yeatman, Scott Kitkowski and Donna Kaiser attended in person while Bob Carran and Jeff Lievens were remote.
2. **Proof of Notice:** The meeting notification and agenda were sent to owners on April 11, 2023 by our CPA firm, Myers, Brettholtz and co. The meeting agenda was posted on the lobby bulletin board on April 20.
3. **Approval of Minutes:** Pete Yeatman asked for a motion to waive reading and to approve the minutes from the BOD and BOD Budget meetings held February 20, 2023. Scott Kitkowski motioned, Jeff Lievens seconded the motion, and it was unanimously approved by the board.
4. **Treasurer's Update:** Jeff Lievens recapped the financial status, insurance, storm damage and cash flow, and comments on a new reserve study.

These questions were raised based on the report:

- Joe Romanelli asked whether Jeff thought the reserve study might result in an added assessment. Jeff explained it could result in increased contributions, but he would not expect them to be significant.
- Considering the extension (to EOM August) provided by our insurance carrier, Janet Markelz asked when we could expect to receive the policy price for the renewal. Jeff said he would not expect new information much before the end of the extension. Sylvie Gauthier clarified repairs on the building need to be complete before companies are willing to provide coverage details.

Treasurer's report is attached below.

5. New Business:

- a. Pete Yeatman read the following:

Vote to approve a special assessment as required by the terms of the SBA loan documents set forth in 5(b) below in order to repay the total principal amount of up to \$1,853,700 plus interest at 1.875% per annum. It is anticipated that the total quarterly payment of up to \$20,685 will be owed on January 1, April 1, July 1 and October 1 of each year commencing with the quarterly payment due January 1, 2024 and ending in thirty (30) years with the quarterly payment due October 1, 2054. This special assessment is being levied to pay back the SBA loan needed to pay for costs incurred due to damage caused by Hurricane Ian,

as well as fund the repair and replacement of the Condominium Property caused by Hurricane Ian. Each owner will be responsible for their share of the special assessment in same percentage as the annual budget.

Pete Yeatman asked for a motion to approve the special assessment. Scott Kitkowski made the motion, Pete Yeatman seconded, and the board unanimously approved.

b. Pete Yeatman read the following:

Vote to approve the following documents regarding the Small Business Administration (SBA) Loan, SBA Resolutions of the Board of Directors, the SBA Loan Authorization and Agreement, SBA Security Agreement, SBA Note, SBA Certification Regarding Lobbying, SBA Agreement of Compliance, SBA Assignment of Insurance Proceeds, SBA Assignment of Special Assessment, SBA Certification of Federal Flood Insurance, SBA EFT Authorization, SBA Loan Application and Certification and such other documents the Board is required to execute to secure, close and obtain disbursement of funds from the SBA loan referenced in 5(a) above.

Pete Yeatman asked for a motion to approve the required documents to secure, close and obtain disbursement of funds. Scott Kitkowski made the motion, Bob Carran seconded, and the entire board approved it.

c. Pete Yeatman read the following:

The Association authorizes our insurance companies to release to SBA all records and information pertaining to losses caused by the hurricane Ian disaster. Further, we agree to assign all proceeds received from all insurance companies that cover damages received from Hurricane Ian as outlined in SBA Loan referenced in 5(a) above.

Pete Yeatman asked for a motion for board approval of the release of records to SBA. Bob Carran made the motion to approve, Scott Kitkowski seconded, and the entire board approved.

6. **Adjournment:** A motion to adjourn the meeting was requested by Pete Yeatman. Bob Carran made the motion and Scott Kitkowski seconded. Adjournment was approved.

Waterside III at Bay Beach Treasurer's Report April 25, 2023

Good morning, everyone. I have several topics under this treasurer's report.

- March financial statement
- Update on insurance options, coverage, and cost
- Update on storm damage costs and how these will be paid
- Cash flow estimate for the next few months - Investing Waterside III funds
- New reserve study

Before I launch into the list, I would like to remind owners that copies of the annual budget and monthly financial statements are available upon written request to our Property Manager, Sylvie.

March Financial Statement

I'm grateful to our accounting firm, Myers Brettholtz, for providing a March 2023 draft financial statement ahead of schedule. They were able to do this despite being short-staffed during a busy time (tax season).

- Revenue: through March, we have a large positive variance of \$546,730.27 due to the \$400,000 special assessment in February and a flood insurance claim payment of \$231,125.62, also in February.
- Expenses: through March, expenses exceed budget by \$15,670.53. All expense categories are close to budget except Insurance and Other Expense. Other Expense consists entirely of storm damage expenses. Insurance is under budget by \$77,304.18 because we budgeted for a much higher property insurance rate that doesn't effect until May. Other Expense is over budget by \$109,017.33. This reflects storm damage costs that haven't yet been offset by insurance claim payments and/or SBA loan proceeds.

Update on Insurance Options, Cost, and Coverage

Our insurance policies are due for renewal on May 11. Property insurance is currently 77% of our total insurance costs. We were informed on April 18 by our longtime broker, USI, that our current insurer will extend our property insurance coverage to August 31. This extension is required by Florida law, as our building is still under repair from hurricane damage. USI presented the one and only property insurance option available to us for the extended period. It includes a 15% deductible and a cost of \$43,171 for the 3.5 month period. Our current coverage includes a 5% deductible. The new extension rate is 70% higher than our current rate. USI promised a complete proposal for all policies by the end of April. It remains to be seen what property insurance options we will have and at what cost once our building repairs are complete.

Update on Storm Damage Costs and How These Will Be Paid

At the February 14 board meeting, I shared with you an estimate of \$1.5-2.0 million in storm damage costs and an itemized list. Due to the efforts of Scott and team in reducing the contracted cost for replacing our roof, we may come in closer to \$1.5 million. Sylvie is building an updated spreadsheet to track all storm-related costs in more detail and how the associated invoices have been paid. It is modeled after one that Waterside II uses. Also, for your information, Sylvie codes all invoices for assignment to a cost center. Invoices for storm related repairs are coded for Storm Damage – Wind or Storm Damage – Flood. Lastly, when our SBA loan finally closes, we will be required to submit invoices and contracts to the SBA for each disbursement of funds.

Cash Flow Estimate for the Next Few Months

We have a current cash balance of \$803,218.77, as I said earlier, due to the \$400,000 special assessment and a flood insurance claim. Ordinary expenses – except for insurance and storm damage costs – are about \$30,000 per month. So, we are in good shape cash-wise for the next few months. We will need money from the SBA loan to pay for the roof replacement. And our future cost of insurance, mainly property insurance, is still uncertain.

Investing Waterside III Funds

On March 22, we transferred \$500,000 to a new Fidelity account. It's all invested in an insured money market fund that is currently paying 4.5% interest.

New Reserve Study

Considering the inflationary environment of the past two years, I'm recommending that we complete a new reserve study to make sure that we are contributing enough to fund future major maintenance projects. I don't know that we'll complete this by the end of the year but we should have enough information to make adjustments in the 2024 budget on a contingent basis.