

**WATERSIDE III AT BAY BEACH CONDOMINIUM
ASSOCIATION, INC.
MINUTES OF THE BOD MEETING
November 6, 2023 11:00AM**

1. **Call to Order:** The meeting was called to order by Pete Yeatman.
2. **Proof of Notice:** The meeting notification and agenda posted on the lobby bulletin board by Saturday, November 4th.
3. **Establish a Quorum:** Pete Yeatman, Scott Kitkowski, and Bob Carran attended in person, while Jeff Lievense and Donna Kaiser were present on the phone.
4. **Proposed Crisci Finance Committee 2024 Budget:**

Jeff Lievense provided a copy of the proposed budget to the board prior to the meeting. To the board and owners present, he shared his comments highlighting the points about the numbers, including:

 - an anticipated 4% increase in quarterly assessments over 2023;
 - SBA loan repayments to begin in May, 2024; and,
 - after insurance premiums are paid, any residual amount from the special assessment levied last February for insurance needs, will be applied to 2024 insurance premiums.
5. **Budget Approval and mailing to owners**

Pete motioned to approve the budget as presented and to provide it to the building owners, Scott seconded, and the entire board approved the motion.
6. **Comment and discussion by unit owners:**
 - Tina Estep asked the status of the public adjustor. Scott Kitkowski explained the research continues. He cited that while buildings 1 & 3 both had significant damage from hurricane Ian, building 1 received higher insurance reimbursement, in part due to a clause that was present in our policy. Tina asked whether we would consider changing insurance companies. Scott explained, not at this time. It's a good insurance company. We would prefer not to have the clause, and if possible we would try to have it excluded going forward, however we are not clear if that will be possible.
 - Paul Martin asked about impacts in subsequent years - 2025 and forward - on the quarterly assessments. Jeff responded by then, there would be a full year of the increase in insurance premiums, and a full year of SBA repayment, which are not fully realized in the 2024 assessments. This might mean a 50% higher assessment.
7. **Adjournment:**

A motion was made by Bob Carran to adjourn. Scott seconded and the meeting ended.

Treasurer's Comments on the 2024 Budget

The proposed 2024 WS3 budget (attached) shows an increase in owner quarterly assessments of about 4% over the 2023 budget; see the Assessments worksheet for the assessment schedule and the Budget Cover worksheet for comparisons with 2022 and 2023. The 4% increase is much less than I forecasted in February 2023, and it is a result of lower-than-expected insurance costs. Our insurance broker's guidance in February 2023 was to expect a four-fold increase to about \$422,000 per year (mainly due to property insurance). Instead, due in part to the beneficial effect of replacing our roof, our 2024 insurance costs will be about \$236,000, still 2.3 times higher than in 2022. The net result is that the \$400,000 special assessment for insurance paid by the owners in February 2023 is sufficient to pay our insurance costs in 2023 (\$163,290.98) and 2024 (\$235,699.67).

Other changes impacting 2024 owner quarterly assessments are as follows:

- We received \$1,250,000 in SBA disaster loan disbursements during 2023. In 2024 we will begin making loan payments, a total of \$37,200 for 8 months. In 2025, that amount will increase to \$55,800 for 12 months of payments. To be clear, the monthly loan payment is fixed at \$4,650 unless the loan amount is changed (see below). By the way, SBA granted WS3 a 3-month extension of its deadline to disburse additional funds, from November 5, 2023, to February 5, 2024.
- The reserve assessment (see Pooling Flat worksheet, row 43) was increased in 2023 to \$153,000 from \$77,000 in 2022. This was due to higher expected replacement costs for various line items. The most significant of these is the cost of replacing our roof. This was estimated at \$695,000 for the 2023 budget based on information we had at the time and much higher than the previously assumed cost of \$70,000 for re-membraning the roof. We now know the roof replacement cost to be \$403,425 (not including the one-time cost of anchoring the roof-top HVAC units). As a result, we reduced the annual reserve assessment to \$135,000 in 2024.
- The contracted costs of a number of operating expense line items (excluding insurance) is increased in the 2024 budget vs the 2023 budget. The net effect on the 2024 budget is an increase of about \$25,000 over the 2023 budget. The main contributors are: \$6,000 for a Florida mandated Structural Reserve Integrity Study; a \$3,750 increase in window cleaning costs; a \$5,322 increase in TV/Internet costs. Sylvie can answer questions about any individual line item.

Uncertainties that could impact the 2024 financials are as follows:

- Our gross storm repair costs are currently estimated to be \$1,375,576 (about 52/48 operating vs reserve expenses, as shown in the 2022, 2023, and 2024 budget figures in the Budget Cover, cells B102 and G102, and Pooling Flat, cell R45, worksheets). We received a payment of \$231,126 on a flood insurance claim. So our net storm repair cost is about \$1,144,450. If that is the final amount, then we would need to return about \$100,000 to SBA. This would reduce our loan amount and loan payments by 8% over what we have budgeted. On the other hand, replacement of our roof is not complete, and it is possible the final cost could be higher - even significantly so - than the contracted amount.
- We have engaged an insurance adjuster, Altieri Insurance Consultants (used also by WS1 and WS2). Coverage for two big ticket items - repainting the entire exterior of our building and replacing all external glass - and some smaller ones are being addressed by Altieri with our

insurer. At this early stage, the outcome is unknown and the impact on our finances cannot be forecasted. Sylvie, Scott, and I were briefed by Altieri on October 31, and they delivered additional information by email yesterday (not yet reviewed by me).

- There could be above budget maintenance costs due to other storm related damage that has not yet been recognized.

- A lobby renovation project is under development. A current estimate of the cost is \$80,000 including \$20,000 for furnishings and \$60,000 for structural and cosmetic modifications. The former (\$20,000) can be paid with a combination of already disbursed SBA loan funds (\$12,700) and reserve funds (\$7,3000. The latter (\$60,000) would need to be paid through an added owner assessment.

- We will be earning interest on operating and reserve fund balances through WS3 money market accounts at Fidelity that are currently earning about 5%. We have not attempted to budget this revenue given that the invested balance will soon be significantly reduced after paying for the roof project and a full-year of insurance.

Looking ahead to 2025, WS3 will additionally be affected by Florida's 2022 Condo Safety Act. It requires a Structural Integrity Reserve Study (SIRS, included in the 2024) which is designed to ensure that Condo Owners Associations are reserving funds for the long-term maintenance and necessary replacement of critical structural elements in their buildings. According to Kerry, we will be required to maintain two separate reserve accounts, one for structural and the other for pooled items. This may result in an increase in our 2025 reserve assessment.

Lastly, our accounting firm has advised on how to account for SBA loan funds as follows: "We cannot recognize the revenue until owners are billed for the special assessment to cover the SBA loan. Once the owners are billed on 1/1/24 we will recognize all the SBA funds that cover any expense that have occurred prior to 1/1/24. This will wipe out all the deficit in the fund balance. At the end of the year for 2023 I [Kerry] will reclass any reserve deficit to the balance sheet until 1/1/24 when I can recognize the revenue so there is no deficit at year-end." This has no impact on the proposed 2024 budget. Once the dust settles in early 2024, our operating and reserve funds should be in comfortable ranges. Hopefully, I can have a more quantitative view for our Monday meeting.