

**WATERSIDE III AT BAY BEACH CONDOMINIUM
ASSOCIATION, INC.
MINUTES OF THE BUDGET APPROVAL MEETING OF THE BOARD
November 27, 2024 10:00AM**

1. **Call to Order:** The meeting was called to order by Scott Kitkowski.
2. **Proof of Notice:** The meeting notice with the agenda, was sent out to the building owners on November 12, meeting the 14 day prior notification requirement for this meeting. The notice was also posted on the bulletin board.
3. **Establish a Quorum.** Scott Kitkowski was present in the meeting room while Sue Walker, Jeff Lievens, Joel Wilmoth and Donna Kaiser participated remotely. A quorum was present.

The minutes of the November 6 meeting were completed after notifications for this session were sent to owners and posted on the bulletin board. Those notices contained the agenda for today's meeting.

Scott therefore asked an item be added to the agenda. He requested a motion to waive the reading of the minutes from the 11-6 meeting and approve them. Joel made the motion, Jeff seconded, and the motion passed unanimously.

4. 2025 WS III Budget Review - Jeff Lievens

Jeff first thanked the various people who contributed their efforts to create the budget upon which he based his comments.

He explained the operating budget shows an increase in owner quarterly assessments of about 70% over the 2024 amounts.

The primary contributor to the increase was insurance costs.

Other changes impacting the assessment include:

- a full year of SBA loan repayments;
- the reserve study by Beryl Engineering & Inspection for the Structural Integrity Reserves Study, a new requirement of the State of Florida; and,
- other operating budget items whose costs have increased.

Uncertainties which could affect the 2025 budget include:

- the insurance dispute underway with our property insurance company about damages claimed from hurricane Ian;
- storm related damage not yet recognized; and,
- differences in the actual 2025 insurance costs from those currently budgeted.

Jeff explained they have contracted for an audit of finances for 2025, which is now required by state law every 2 years.

After the budget had been sent, we received notice there will be an impact to our flood insurance cost as Fort Myers Beach lost their 25% credit from the National Flood Insurance Program.

A copy of the entire report is attached.

Questions/comments:

Richard McKissock thanked Jeff and the group for all the work put into the budget.

5. 2025 Budget Approval

Scott asked for a motion to approve the budget, including the recent impact to the flood insurance costs. Joel made the motion for approval, Donna seconded, and the board unanimously approved.

6. Motion to move funds from operating to reserves

Scott explained this motion was no longer required.

7. Comment and discussion by unit owners

Lance Johnson asked when will the HOA assessment increase take place?

Response: Based on today's budget approval, the payment amount will begin for 2025.

Lance asked whether it might make sense to have a meeting to review insurances, including costs, deductibles, etc. Response: Scott explained that Waterside 3 is doing very well controlling costs relative to other similar buildings. Since a meeting is targeted for April to review insurance, interested individuals are welcome to attend. Jeff commented that besides the storms impacts, the value of the building increased by 33% which affected insurance costs.

Rainy Kitkowski asked if we had another catastrophic event next year, could we secure another SBA loan. Jeff will follow-up on this question.

[After the meeting, Jeff contacted SBA and was told the maximum loan amount for all disaster events is \$2 million. It means WS3 could receive no more than \$445,000 in additional loan funds.]

Time and date for next meeting.

Next week, owners should receive mailings for the annual meeting for next year, including the milestone report, board election information as positions are expiring, and a SIRS report we are looking to finalize.

Scott explained he does not anticipate having another meeting between now and yearend, but he will check with other board members if they have any items that would necessitate a meeting.

One caveat Scott explained is the insurance work with Merlin Law is progressing, and if they get to a point where timelines and next steps are clear, and we would need a meeting to review the new information.

8. Adjournment:

A motion was made by Donna Kaiser to adjourn, Jeff Lievens seconded, and the board agreed to end the meeting.

Treasurer's Comments on the Proposed 2025 Operating and Reserve Budgets

Thanks to:

- Sylvie Gauthier, our Property Manager, and Kathy Stefanacci, Myers Brettholtz Accountant, for their efforts in preparing the proposed 2025 operating and reserve budgets;
- Joel Wilmoth, Assistant Treasurer, and his Reserve Study Committee for updating our reserve items as part of our efforts to comply with Florida's new structural reserve requirements;
- The Crisci Finance Committee for reviewing and endorsing the 2025 draft operating and reserve budgets (Charlie Eck, Tom Kaiser, Connie Shepherd, Joel Wilmoth).

The proposed 2025 WS3 operating budget shows an increase in owner quarterly assessments of about 70% over the 2024 amounts; see the Assessment Schedule on page 4 of the budget packet (2025 vs 2024). The 70% increase in 2025 is in line with prior guidance provided to you in the February 14 and November 6, 2023, and October 21, 2024, treasurer's reports. It is the result of a large increase in expected insurance costs in 2025, to \$341,274. This compares with insurance costs in 2022 (\$104,691), 2023 (\$157,089), and 2024 (\$258,426). Due to an owner approved special assessment of \$400,000 in early 2023 to cover increased insurance costs, quarterly assessments increased by just 7% from 2022 to 2024. Now that the special assessment funds are exhausted, the higher insurance costs are fully reflected in the 2025 quarterly assessments. Details on the operating income and expense changes from 2022-25 appear on pages 1-2 of the budget packet: 2022 and 2023 (actual operating income and expense), 2024 (projected income and expense), and 2025 (budgeted income and expense).

Other changes impacting 2025 owner quarterly assessments are as follows:

- We received \$1,250,000 in SBA disaster loan disbursements during 2023. In 2024, we received an additional \$295,000, bringing the total SBA loan to \$1,545,000. We made 8 monthly loan payments in 2024 (beginning in May), and will make 12 monthly loan payments in 2025 onward. This is reflected in the higher SBA Loan Payment Assessment amount in 2025 (\$68,964) compared with 2024 (\$37,200).
- We contracted with Beryl Engineering & Inspection for a Structural Integrity Reserves Study, a new requirement of the State of Florida, and recently received a draft report. The draft has been used to update our reserve items list as shown on page 3 of the packet. The Current Value of all reserve items in 2025 is \$2,505,334, an increase of \$424,117 over the 2024 Current Value. In spite of this, several factors enabled a reduction in the Reserve Assessment in 2025 (\$95,000) compared with 2024 (\$135,000): 1) three reserve item expenses totaling \$598,928 (mainly the roof replacement) were paid in 2024 by SBA loan funds; 2) the method of forecasting future reserve contributions was changed to account for annual inflation by 2% per year (from flat in past budgets); 3) the annual earned interest rate on the reserve fund balance is assumed to be 4% in 2025 and 3% in future years (versus zero in the past). The

assumed rates are consistent with a 2024 forecast by the Congressional Budget Office for 2024-2054.

- Several operating expense line items (excluding insurance) are increased in the 2025 operating budget vs the 2024 budget. The net effect of these items on the 2025 operating budget is an increase of about \$36,000 over the 2024 budget. The main contributors are: federal tax on earned interest (\$7,000), EBIA fees (\$2,088), building repair/maintenance (\$5,000), window cleaning (reduced \$3,000), grounds repairs/maintenance/mulch (\$11,300), trash removal (\$2,904), water/sewer (\$3,200), and property management (\$6,133, one-third of the total shared by WS1,2,3). The 2025 building and grounds maintenance increases include \$11,000 for two flood mitigation projects (\$5,000 for water-proofing the lobby and \$6,000 for raising the outdoor fountain pumps above ground). Regarding storm (Hurricane Ian) expenses, our gross storm repair costs are currently estimated to be \$1,776,000. We paid 1,151,000 with SBA loan funds and \$384,000 with flood insurance claims. This leaves pending identified costs of \$241,000 for replacing the ground level storage doors, replacing the building electrical gear, and re-coating the social terrace deck. We have sufficient remaining SBA funds to pay these.

Uncertainties that could impact the 2025 financials are as follows:

- As you have been previously advised by the Board, we are currently in dispute with our property insurance company regarding further storm related wind damages to our building. This includes stuccoing/repainting the entire exterior of our building, replacing most external glass, and some lesser items. The total estimated damage is \$4,338,274. We have engaged Merlin Law Group, a specialist in this area, to represent us. The timing and outcome could have a material impact on our finances in 2025 and/or beyond, including the possibility of a significant owner special assessment if we do not succeed in recovering the full cost of these damages.
- There could be above budget maintenance costs due to other storm related damage that has not yet been recognized.
- The 2025 budgeted insurance costs are figures provided as guidance from our long-time insurance broker. The actual costs could differ.
- We requested an increase in our SBA loan up to the maximum of \$2,000,000. If granted, this would result in disbursement of an additional \$455,000 and a 29% increase in the monthly SBA loan payment. If the additional SBA funds are not needed, we will return them to SBA.
- We continue to carry a \$300,000 line of credit with American Momentum Bank. This will impact 2025 financials only if - for some reason - we need to draw on this source of short-term funding. We have contracted for an audit of our finances in 2025 which is required every five years.

Respectfully submitted,
Jeff Lievense, Treasurer