

Proposed BOD 05.18.21 Meeting Minutes

Called to order at 5:30pm

Present: James (Terry) Hennessey, Marc Goldberg, Anthony Bartholomew, Tim Haas (telephone) , Maureen Dore

Minute Approval:

Motion: Terry- to approve the 04.20.21 BOD meeting minutes. Seconded- Tony, carried.

Financials: April Financials; we are a third through the year, the budget is in pretty good shape. We are about \$2,050.00 overspent YTD.

Insurance: Terry re-capped AM CAP Insurance's recent status changes.

Terry made a couple of points regarding replacement insurance- when you seek replacement coverage mid-term, which we did, the options are limited, and expensive.

When renewal proposals came in for this year, American Capital was about \$30k less than the next submission. At the time American Capital was an A- rated company which is an excellent rating. They then encountered issues, they had too much exposure in Florida, Louisiana and Texas and that concentration of policies, and the claims resulting from storms, in those states caught up with them and forced them out of business.

The premium for that policy was \$116k a year with American Capital.

On April 14th the broker went back to the market place, they sent requests for proposals to 13 companies and 3 came back, 4 declined to quote, 3 had exorbitant premiums, so as a Board we discussed the three best options. Option 1: Lloyds of London, which has been in business for 350 years. The attraction with Lloyds, although they were the highest premium, they matched the 3% deductible for wind storm which is what we currently have.

Option 2: Heritage Insurance is a Florida based company and that raised a red flag on its own because we don't know how much of their exposure is concentrated in the South, but nonetheless, their hurricane deductible was 5% so, if we get hit

with a good size hurricane that is a sizeable difference between 3% & 5%, based on that we eliminated that company.

Option 3: was also Lloyds, they had an option B & C. If a portion of a Bldg. were completely destroyed, how much they would pay to have it rebuilt to current code. They had a maximum of 1 million dollars and the first Lloyds, had a limit of 2.5 million. The Board chose option #1, which the Broker supported.

The premium for option 1 was the highest of the 3, \$195,399. The one we excluded Heritage was \$189,826, and the third which was a hybrid between frontline and Lloyds, there was 2 policies combined, one with wind and one excluding coming in at \$198,800. So, for the sake of the extra \$5k. we decided to go with option1, Lloyds of London.

The premium that paid AM CAP was \$116k, so we are looking at about a \$79k increase. The Broker confirmed this is happening in other markets as well. Unfortunately, we are at the mercy of the insurance industry. There was no malfeasance by either the Broker or the Board because we chose what was an A-rated company at the time.

I want to make it a part of the record that a decision has been made and a down payment was paid. The new policy was effective on 5.13.21, one day before the other policy lapsed. There was no lapse in coverage, we are fully covered, albeit at a significant increase.

Financing Options: The Board discussed a number of options, we concluded, after consulting our Broker and the CPA. We narrowed it down to 4 different options for the \$70k deficit for this year.

Options 1: Use reserve funds if the owners would agree to that. That would involve a vote of the owners. \$79k sounds like a lot of money but in the scheme of things it is not enough to conduct an owner vote. Tapping into reserves is simply a means of delaying the inevitable because that reserve money is meant for other uses. Because of the amount and the impact that has on the reserve funds we eliminated that option.

Option 2: Apply for an SBA loan, again the amount is fairly low. Our cash position as of 4.30.21 is about \$190k, so that was another reason we looked at the option we ultimately chose. With the SBA loan, there is a lot of red tape, and there were delays with the processing time.

Option 3: Was a special assessment to the owners, that would have amounted to on an annual basis \$300.00 or \$25.00 a month. Again, because we had the cash and by not levying a special assessment on the owners, we can defer the activity/conversation for about 7 ½ months until we get into 2022. Rather than burden the owners with a special assessment with little notice we proceeded with the next option.

Option 4: A decision was made, supported by our CPA, to take the \$79k from our Operating cash in 2021. At our budget preparation for 2022 will look at both the replenishment of the cash for this year of \$79k and the increase that is going to be necessary to get through 2022. The policy is for one year- it expires on 5.14, 2022, we do not know what the renewal increase will be. When we develop the budget in October, we will have to estimate the renewal premium.

It is safe to say that the \$79k cash that we are going to dip into this year will represent will represent \$18.00 per month per owner in 2022 to replenish, and the actual increase in insurance itself will probably be in the \$20 to \$22 per month range, but again that is only an estimate. We did put a 20% down payment on the new replacement policy in order to keep the monthly payments lower. We will benefit from that in the first 5 1/2 months because the down payment will lower the monthly payments.

Leasing Amendment: You will recall we did an informal survey; we got an overwhelming response to the question of a 36-month prohibition on leasing to deter investors. The numbers were 111 in favor and 8 against.

With that result, we then went back to the attorney and asked her to formalize this and draw up the documents so we can put it out to the owners in a formal vote. One of the comments the attorney came back with was there is case law in Florida that would probably make 3 years unachievable, because case law found that was an unfair burden on investors. She recommended reducing to 24 months. If we had that kind of response from the owners for 36 months, we feel confident that we will get a similar response to 24 months.

The lawyer raised a couple of other options;

2. Place a low percentage cap on overall leasing in the community, 5 or 10%. We did not think that was a good idea.

3. The third option was to place a limit on the number of units any one person may own directly or indirectly

4. Require that units may only be owned by natural persons.

She has drawn up a simplified amendment that is a page and a half and it captures the 3 options excluding #2. We have asked her to draw up the documents for a formal vote with the owners and to determine from the underlying Condominium Documents what the percentage of owners is necessary to approve that. She has been given the go ahead with the formal vote.

Tony: We cashed in the Bank united CD and placed those funds with CenterState Bank. We cashed in a CD of \$67k with CenterState for the Insurance policy down payment and financing. The penalty for closing the CD early was roughly \$200.00.

Tim: Just a brief comment on the Comcast negotiations. We received a proposal from them about 2 months ago. We went back to them and we are waiting for a second proposal. Nothing has been decided. We hope to negotiate a little bit more. We should know at a future meeting.

Landscaping: the work has been completed that we have on the checklist.

Owner Comments:

Owner: asking for a speed bump on Birmingham due to speeding. Even a sign would be an improvement.

Terry: we will send an email to the Birmingham owners regarding the speeding. We are going to try the lower cost route of a sign initially. The speed bumps are extremely expensive.

Owner: asking about a rebate from the insurance company. Is there any more information on that? **Terry;** we met with the Broker, if there will be a refund from AmCap, we will receive that after the financing company is made whole. We financed the whole premium; we were paying the finance company every month.

Those payments stopped so the finance company is entitled to whatever refund so they can offset the amount they paid AM CAP. There will be a small reconciliation because we had 4 policies, that was only 1 of the policies. Once they do the reconciliation with all 4 there may be a couple of thousand dollars available.

Owner: Is there any change in the coverage with the new policy? Terry; no, for all intent and purpose, the coverage is identical.

Owner: I noticed something going on with the front gate. Terry; we had an issue with a tenant. Somebody vandalized the gate on Saturday. He forced the gate up and it caused a malfunction. We know who it is, and it is on video.

Owner: Next year there could be new players in the game on insurance proposals when it comes up for renewal. Terry; yes, there could be, the process is when it comes up for renewal, the broker puts out in the market.

Next Meeting Date: 07.20.21 11:00am

Adjourned: 6:02pm