

Sunset Harbor Resort Condominium Association, Inc.

Board of Directors Meeting

August 22, 2023

A regular meeting of Sunset Harbor Resort Condominium Association, Inc. Board of Directors was held on August 22, 2023, at Pier House Resort, 1 Duval St., Key West Florida, 33040.

Present from the Board of Directors were George Detsis, President; Marilyn Gordon, Vice President, and Treasurer; Don Heisler, Vice President; Jim Drum, Vice President and Secretary and Rick Lohr, Vice President

Present from HV Global Management Corporation, representing the Management Company, were: Adam Baraniewicz, General Manager; Troy Asche, Vice President, Resort Operations; Rey Martinez, Area General Manager; Fabian Garcia, General Manager; Brandon Weilenmann, Assistant Vice President of Finance; Florence Khoo, Assistance Vice President of Architecture and Construction; Lisa Trosset, Vice President of Asset Management; Brandon Elliott, Associate Director, Association Governance; Ann Denihan, Director of Operations and Lisa Bythwood, Board Relations Specialist, Association Governance

Owners present were evidenced by the sign-in sheet attached to the approved minutes of record.

CALL TO ORDER

George Detsis, President, called the meeting to order at 9:01 a.m., Eastern Time.

ESTABLISHMENT OF QUORUM

Mr. Detsis announced with all Board Members present, quorum was met.

APPOINTMENT OF RECORDING SECRETARY

Mr. Detsis appointed Lisa Bythwood to serve as Recording Secretary.

PROOF OF NOTICE OF BOARD OF DIRECTORS MEETING

Notice of Board of Directors Meeting was provided via email to Board Members on August 18, 2023, and posted on site as required by the Association documents.

APPROVAL OF AGENDA

George Detsis requested that **Parking Fees** be discussed under **New Business** and **Association Owners input** be included after **Resort Operations Update**. A motion was made by George Detsis to approve the agenda as amended. The motion was seconded by Rick Lohr and unanimously carried.

APPROVAL OF PREVIOUS BOARD OF DIRECTORS MEETING MINUTES

After a brief discussion the Board moved forward to approve the minutes of the April 25, 2023, and April 24, 2023, Board of Directors Meeting Minutes.

A motion was made by George Detsis to approve the April 25, 2023, Board of Directors Meeting Minutes as presented. The motion was seconded by Rick Lohr and unanimously carried.

A motion was made by Jim Drum to approve the April 24, 2023, Board of Directors Meeting Minutes as presented. The motion was seconded by Marilyn Gordon and unanimously carried.

RESORT OPERATIONS UPDATE

Mr. Garcia presented an update. Highlights included:

- 2023 Year to date occupancy is 92%
- Staffing update and associate recognition
- Repainting studios underway
- Landscaping update
- Re-purpose pool furniture
- Activities update.

A motion was made by Marilyn Gordon to approve removal of the living room rugs from the villas. The motion was seconded by Don Heisler and unanimously approved.

Association Owners Input

Recent stay experiences were shared with the Board and Management Team

Board of Directors Report

The Board discussed concerns with regards to possible stress fractures to new beams, items not captured by RJH inspection and quality of construction oversight. Ms. Khoo responded that she had requested a written opinion from RJH as well as the vendor.

FINANCIAL UPDATE

Brandon Weilenmann provided a financial update. Highlights included:

2023 Financial Update

- Year to date financials for June and July were emailed to the Board on August 15, 2023
- As of June 30, 2023, the Operating Fund balance had a surplus of \$21,999 for the current year operations bringing the total surplus to \$149,213 as of 08/30/2023.
- Key Operating variances:
 - Garage parking overage (\$17,859)
 - Club rental revenue overage (\$16,700)
 - Miscellaneous revenue (\$9,014)
 - Operating Investment Income (net of tax) increase \$18,267.
 - Housekeeping savings \$23,729

Foreclosure/Delinquency Update

- Currently 1.6% of 2023 maintenance fees remain unpaid compared to 1.1% over last year.
- There were nine foreclosures and deed in lieu completed year to date in 2023.

RESERVE UPDATE

Brandon Weilenmann provided a reserve update and cash flow overview. Highlights included:

Proposed 2024 Reserve Projects

- WiFi equipment partial update
- Area rug replacement
- Sofa replacement
- Bedding update
- Window treatment update
- Carpet replacement
- HVAC update
- IT/Telephone component updates
- Fire alarm modernization
- Interior painting
- Roof design and replacement project
- Pool resurfacing
- Wood deck (deferred maintenance)
- Balcony (deferred maintenance)

Architecture and Construction Projects Update

Ms. Khoo provided the architectural and construction projects updates. Highlights included:

- The column and beam repairs are completed for buildings 1, 2, 4, and 5.
- CPS is repairing the unforeseen deterioration along the side of building 5.
- During a recent walk of the property by RJH and CPS, it was determined that 5 additional beams needed repair. A change order from CPS was sent to the management company for review in the amount of \$26,054.
- CZ Craft is ready to install building 5 railings as soon as building 5 painting is complete.
- CZ Craft has been instructed to proceed with building 1, 2, 3 and 4 with aluminum railings (fabrication is underway)
- SIRS roof summary report was sent to the Board, the next step is for RJH to complete a roof replacement design and specification for bidding.
- RJH's fee proposal for roof design and specification is \$28,900 plus \$5,500 to elevate the bids and answer RFIs during bidding process.
- The elevator contract is with TKE for signature.
- Villa interior design concept – Clear on Black fee proposal for soft and case goods renovation to be reviewed with the Board.
- Pool furniture replacement completed.
- Canvas replacement is scheduled to be installed after hurricane season.
- Fence painting in progress
- Pool lighting is scheduled and waiting for parts.
- Mattress replacement is scheduled for maintenance weeks.

2024 BUDGET

2024 Proposed Budget and Maintenance Fee

Brandon Weilenmann presented the 2024 proposed budget and maintenance fee. Highlights included:

Key Drivers

- Occupancy budgeted flat to forecast.
- Occupancy by year: 2022: 92.5%, 2023 YTD: 94.4%, 2023 Forecast: 95.1%

Inflation

- 4% inflation applied depending on item.
- 2023 expense trend carried into 2024, except for specific items under contractual terms.

Wages/Benefits

- Hourly Wages up average of 6% based on Market pressures.
- Benefit Run Rate budgeted flat to forecast at 38% (excluding contract labor/payroll allowance)
- Housekeeping contract labor rate is budgeted up 4%.

Insurance

- Insurance mainly comprised of Property, General Liability, and D&O
- Net increase to 41.7%
- Increases driven by Insurance market volatility and losses in the marketplace.

Utilities

- Electricity: Average rates up 5% driven by rate
 - Power Cost adjustment dropped from .075 per KWH to .00250
- Water usage down significantly from 2022 Actual due to water leak repair
 - Water usage remains in line with 2021 usage.

Bad Debt Expense

- Removed from budget in 2022.
- Budget assumes Association weeks are sold.

Prior Year Surplus / (Deficit)

- Forecasting an Operating Fund Balance at Year-End 2022 of \$112K

Reserves

- Current Version –Increased 55%
- In order to achieve SB4D Funding, Reserves would need to increase 220% in order to be funded on structural assets.
- A design discussion was held regarding the potential to expand the Design scope based on Board feedback. The Board elected to continue with the original Soft Goods contract, originally approved at \$39,000 plus reimbursable costs (budget of 6K). The Board also asked for a design quote for adding hard wood/laminate floors to the bedrooms instead of carpet.

Property Tax

- Property Tax paid in Arrears (2024 Budget, recognized in 2023)
- Budgeted increase of 5%

The 2024 proposed maintenance fee is \$2,263.16, which is an increase of 17.9% or \$344.07.

A motion was made by Rick Lohr to approve the proposed “Fully Funded Reserves” letter from Sunset Harbor Condominium Association, Inc. Board of Directors, as presented, with a recommendation from the Board to vote “Yes” on the proxy ballot for waiver or reduction of the statutory reserve annual contribution for 2024. The motion was seconded by George Detsis and unanimously carried.

Action Item:

Mr. Martinez to work with Mr. Detsis to draft a message from the Board to be delivered once the 2024 Budget is approved.

Lisa Trosset exited the meeting at 11:56 a.m.

UNFINISHED BUSINESS

Review HVC/Management Company/COA joint proposal

Mr. Asche reviewed the HVC management company, COA joint proposal.

1. Portfolio Point System-Developer Owned or Trust Owned Inventory: HVO is willing to pause the first right of refusal for a finite period. The company has paused the ROFR since July 22, 2022, and would offer to continue the pause until December 31, 2025.
 2. Right of First Refusal (ROFR) Purchase: as stated in #1, the developer is willing to pause the ROFR, with the noted exceptions, until December 31, 2025.
 3. Sale Transfer/Estoppel/Administrative Fee: The Company is willing to offer a \$250.00 transfer fee for all Sunset Harbor COA owned weeks being sold.
 4. Association would fund the Sunset Harbor sign replacement at an amount not to exceed \$4,300.
 5. Management Fee: Subject to the Association’s agreement on the other six items listed above, then the management company is prepared to offer a permanent adjustment to the current management agreement which would cap the management fee at the current 13 percent.
- Call to Action: Management Company recommended the Board’s approval to all items as proposed, ensuring closure on these issues, and securing the benefits provided above.

Action Item

Mr. Asche will update language to simplify \$250 transfer fee and will work on making this fee automatic when processing COA Owned inventory sales.

A motion was made by George Detsis to approve all items as proposed, ensuring closure on these issues and securing the benefits provided above. The motion was seconded by Don Heisler and Rick Lohr abstained. The motion carried (4-0).

Parking Fee

The Board reviewed the parking fees and parking revenue with the management company and decided to increase the parking fees effective September 1, 2023.

A motion was made by George Detsis to increase parking fee for legacy owners to \$35 per week, parking fee for scooters and golf carts to \$30 per day, parking fee for renters to \$35 per day and parking fee for portfolio to \$35 every two days. The motion was seconded by Rick Lohr and unanimously carried.

NEW BUSINESS

Change Order: Beam and Columns

A motion was made by George Detsis to approve an additional \$161,610.88 for change orders 1-5 from the 2023 Reserve Fund for the beam and column project, bringing the total to \$538,790.88. The motion was seconded by Marilyn Gordon and unanimously carried.

A motion was made by Rick Lohr to approve \$26,054 for change order 6 subject to approval by the Board President. The motion was seconded by George Detsis and unanimously carried.

Change Order: Balcony Interior Railing Replacement

A motion was made by George Detsis to approve an additional \$144,256.76 from 2023 Reserve Fund for the balcony railing-interior replacement change order, bringing the project total to \$192,295.76. The motion was seconded by Jim Drum. The motion passed (4-1) with Rick Lohr opposed.

2023 Tax Appeal

A motion was made by Marilyn Gordon to adopt the resolution that Sunset Harbor Condominium Association, Inc. is hereby authorized, empowered and directed to represent all consenting unit owners in the Condominium before the Value Adjustment Board for purposes of challenging the 2023 ad valorem tax assessments rendered against such units and that the Association, as agent for all consenting unit owners, is hereby authorized to file a petition with the Value Adjustment Board covering such units in accordance with F.S. 194.011(3)(e); further, that the Association's Board of Directors hereby adopts and ratifies the August 20, 2020 engagement agreement and authorizes Reinert Vogel Mandler & Rodriguez, P.A. to represent the Association and its unit owners in their appeal of the 2023 ad valorem tax assessments pursuant to all of the same terms contained within the Engagement Agreement. The motion was seconded by Don Heisler and unanimously carried.

Next Board Meeting

October 17, 2023 – Board Meeting

ADJOURNMENT

There being no further business to come before the Board, a motion was made by Don Heisler to adjourn the meeting at 1:16 p.m. The motion was seconded by Marilyn Gordon and unanimously carried.

Submitted by:

 10/11/23

Lisa Bythwood Date
Recording Secretary

Approved by:

 10/17/23

George Detsis Date
President