

Sunset Harbor Resort Condominium Association, Inc.

Board of Directors Meeting

August 20, 2024

A regular meeting of Sunset Harbor Resort Condominium Association, Inc. Board of Directors was held on August 20, 2024 via Microsoft Teams hosted at Hyatt Vacation Club at Windward Pointe, Second Floor Lobby, 3675 South Roosevelt Blvd., 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 Management Company were: Fabian Garcia, General Manager; Bill Whelihan, Vice President, Resort Operations; Rey Martinez, Area General Manager; Adam Baraniewicz, General Manager, Windward Pointe Condominium Association, Inc.; Brandon Weilenmann, Assistant Vice President; Finance; Holly Snyder, Regional Director, Finance; Florence Khoo, Assistance Vice President; Architecture & Construction; Joe Gamb, Associate Director, Architecture & Construction; Jonathan Doepke, Director of Corporate Operations; Zafera Aaron, Manager, Association Management and Colleen Keane, Board Relations Specialist, Association Management

Guest present was: Craig Hunter, Wells Fargo

Owner present was: Steve Gordon

CALL TO ORDER

George Detsis, President, called the meeting to order at 10:03 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 Colleen Keane 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 November 30, 2023 and posted on site as required by the Association documents.

Notice was provided in the Lobby and included in the welcoming package to all owners checking in.

APPROVAL OF AGENDA

Rick Lohr requested that the Board have the option go into Executive Session. George Detsis agreed if necessary, but noted it may be time permitting. The Board also discussed going into Executive Session offline if necessary.

A motion was made by George Detsis to approve the agenda as presented. The motion was seconded by Don Heisler and unanimously carried.

APPROVAL OF PREVIOUS BOARD OF DIRECTORS MEETING MINUTES

A motion was made by George Detsis to approve the April 09, 2024 Board of Directors Meeting Minutes as presented. The motion was seconded by Marilyn Gordon and unanimously carried.

RESORT OPERATIONS UPDATE

Fabian Garcia presented the resort operations update. Highlights included:

- Photos of the new wash station by the grill and room key drop were shared
- Comment card box was discussed with Mr. Garcia sharing that he has not received any cards into the box
- Marilyn Gordon suggested moving the box to a more visible location to the owners and guests

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- Possibility of placing comment cards in each room was discussed, test case to be given out at Check-in.
- Online surveys were discussed and it was noted that more people complete those
- Ms. Gordon shared she has not received an online survey before
- Jonathan Doepke and Bill Whelihan took the Action Item of looking into the survey and how it is filtered for guests
- Don Heisler shared an update relative to the Owner Website and shared that it would be a good idea for each board member to contribute something to the site for owners to read and review, also went over YTD foreclosed sales from the Board.
- 2024 year to date occupancy is 95.3%
- Forecasted 2024 occupancy is 95.75%
- Overall guest satisfaction year to date is 76.2%
- Condition of furnishings and décor year to date is 56%
- Problems experienced year to date is 27.3%

Holly Snyder joined the meeting at 10:15 a.m.

FINANCIAL UPDATE

Holly Snyder provided a financial update. Highlights included:

2024 Financial Update

- As of June 30, 2024 the Operating Fund balance had a surplus of \$132,246
- Key Operating variances:
 - Housekeeping \$98,181 savings driven by in house vs contract labor & timing of ordering supplies. Rey Martinez further explained that the savings will likely be reduced in housekeeping as the property fills its inventory on guest supplies, and conducts needed deep cleans.
 - Repair and Maintenance \$21,323 driven by timing of elevator inspection, timing of landscaping, Avendra rebate credit, and water treatment savings mitigating overages in benefits
 - Administrative and General \$13,155 – the Board noted they would like a breakdown of each of the subcategories that make up these variances in the next 3 to 4 weeks as driven by wages/benefits for the 2025 budget.
 - Operating Investment Interest (Revenue) (\$11,659)
 - Credit Card Expense (17,581) driven by timing of lockbox credit card fee invoices

The Board noted they would like to be notified of all expenses over \$1,000 that are not part of normal monthly expenses.

Accounts Receivable

- Currently 1.88% of 2024 maintenance fees remain unpaid compared to 1.83% over last year
- A total of 11 Foreclosures and Deed in Lieu's were completed in 2023
- Year to date 2024 there have been 12 Deed in Lieu's completed

Ms. Gordon shared she would like to see a timelier foreclosure process & requested current foreclosures which have reached the proper filing time for final foreclosure be acted upon Q1 2025. There are a minimum 24 units in question.

Mr. Heisler stated a notice would go to owners with the list of units for sale

RESERVE UPDATE

Mr. Garcia provided a reserve update. Highlights included:

2024 Reserve Projects – Status Updates

- Rooms Design Refurbishment – Complete, advancing project with procurement
- Resurface Pool & Spa – scheduled during Maintenance week
- MSS Fee Proposal on Design for Fire – MSS onsite August 19 – August 22
- MSS Fee Alarm/Emergency Communication Responder per Code Requirements – MSS onsite August 19 – August 22
- Elevator Modernization – In Progress/Forecast Completion: September 30

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- Canvas Upholstery – Target Date: September 15, contract is executed
- ULC Lock Upgrade – Complete
- Sound System Wiring/2 Electrical Junction boxes – Complete
- Wi-Fi Upgrade – Target Date: September 15, all equipment is on route to the site, upon arrival the install will be scheduled

A motion was made by George Detsis to approve Canvas Upholstery in the amount of \$16,202 from 2024 Reserves. The motion was seconded by Don Heisler and unanimously carried.

A motion was made by George Detsis to approve the ULC Lock Upgrade in the amount of \$23,327 from 2024 Reserves. The motion was seconded by Marilyn Gordon and unanimously carried.

Craig Hunter joined the meeting at 11:23 a.m.

Mr. Detsis noted that an annual investment briefing is required per Management Contract.

Investment Portfolio Wells Fargo Review

Craig Hunter provided an Investment Portfolio overview. Highlights included:

- Portfolio is consistent with previous discussions
- Rates are expected to come down, however rates are anticipated to be in the high fours for the next few months
- Currently there is \$3.6 million in portfolio reserves
- Mr. Hunter and Ms. Gordon will continue to work together on the portfolio

Craig Hunter exited the meeting at 11:36 a.m.

2025 BUDGET

2025 Proposed Budget and Maintenance Fee

Brandon Weilenmann presented the 2025 proposed budget and maintenance fee with general assumptions.

Highlights included:

- Discussion was held on footnote additions and modification that accompany the budget

Key Drivers

- Occupancy budgeted flat to forecast
- Occupancy by year: 2023 Actuals: 92.4%, 2024 YTD: 95.4%, 2024 Forecast: 94.6%

Inflation

- 3% inflation applied depending on line item
- 2024 expense trend carried into 2025, except for specific items under contractual terms

Wages/Benefits

- Merit: 3.5% increase for hourly and salaried positions
- Mr. Detsis inquired as to the basis for the 3.5% increase, the Management Company shared that this is a national average, not a Key West average
- Benefit Run Rate budgeted up to 1.9% to 2024 budget at 41.7% (excluding contract labor)
- Housekeeping contract labor rate is budgeted flat to 2024 budget

Insurance

- Insurance mainly comprised of Property, General Liability, and D&O
- Total decrease of 4.1%

Utilities

- Electricity: up 4.1% to 2024 budget driven by summer month usage
 - Water: up 9.3% to 2024 budget driven rate and usage
 - Water cost per gallon trending up – 8.3% increase to 2023 average

- Water usage trending up – 16.3% increase to 2023 average

Bad Debt Expense

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

Prior Year Surplus / (Deficit)

- Forecasting an Operating Fund Balance at Year-End 2024 of \$35,763

Reserves

- Current Version – Maintenance Fee of \$158.88 per unit week, up 25% from 2024

Property Tax

- Property Tax paid in Arrears (2025 Budget, recognized in 2024)
- Budgeted increase of 23.9%

2025 Reserve Fund Projects

- SIRS impact was discussed
- 2026 SIRS impact to Sunset Harbor is \$357,448
- Existing fund balances and savings from the 2024 and 2025 budgets will be used to offset the 2026 impact of SIRS
- The Board reviewed and discussed the 2025 Fully Funded Reserve Letter
- If the Association approves the waiver of the full funding of the Association reserves, the 2025 Reserve Assessment will be \$794.42/unit week. If the Association does not approve the waiver of the full funding of the Association reserves, the 2025 Reserve Assessment will be \$1,557.89/unit week.

A motion was made by George Detsis to approve the proposed fully funded reserve letter from the Sunset Harbor Resort Condominium Association, Inc., as presented, with the recommendation from the Board to vote yes on the proxy ballot for waiver or reduction of statutory reserve contribution for 2025. The motion was seconded by Rick Lohr and unanimously carried.

A motion was made by Marilyn Gordon to approve the mailing of the 2025 proposed budget for Sunset Harbor Resort Condominium Association, Inc., as presented. George Detsis, Rick Lohr, Jim Drum and Marylin Gordon voted in favor of the motion. Don Heisler was absent for the vote. The motion was seconded by Jim Drum and unanimously carried.

Lowering Credit Card Expense

- The Board discussed the ever-increasing credit card expenses and surcharges
- Bill Whelihan committed that they are not done with the credit card expense conversation
- Mr. Whelihan noted he may not have an update by the October meeting and gave a timeframe on next April

Roof Replacement

- The Board discussed a repair of the roof versus a full roof replacement
- When discussing a repair, it was noted that a structural engineer would not sign off on just a repair of the roof
- Mr. Martinez and Mr. Whelihan reminded the Board that with a repair, problems could arise with what is under the roof
- It was also noted that there could be wind lift which would allow water to enter
- Florence Khoo shared that material rates are locked in until August 31, 2024

A motion was made by George Detsis to approve replacement of the roof contingent upon HARC approval. George Detsis, Jim Drum and Marilyn Gordon voted in favor of the motion. Rick Lohr and Don Heisler voted against the motion. The motion was seconded by Rick Lohr and carried with the majority voting in favor of the motion.

A motion was made by George Detsis to grant permission for an agent of the Management Company to approve from Reserves, an amount not to exceed \$2,008,166, on behalf of the Association for the replacement of the Sunset Harbor roof replacement. George Detsis, Jim Drum and Marilyn Gordon voted in favor of the motion. Rick Lohr and Don Heisler voted against the motion. The motion was seconded by Marilyn Gordon and carried with the majority voting in favor of the motion.

Model Room Refurbishment

Florence Khoo presented an update on Villa Refurbishment. Highlights included:

- The Board discussed a slimmed down scope to include area rugs, coffee tables, sofa bed & accent pillows, living room lounge chairs, living room drapes & sheers, bedroom drapes & sheers and bed skirts
- The Board stated they would like to add changing of the flooring to this scope as well as selected carpet on the stairwells
- Currently there is no line-by-line budget
- Architecture & Construction to provide pricing to the Board in the October meeting

Jim Drum exited the meeting at 1:30 p.m.

A motion was made by Marilyn Gordon to obtain a revised scope of work to include bedroom flooring and selected carpet on the stairwells to ensure the RFP process can move forward. The motion was seconded by Don Heisler and unanimously carried.

Portfolio Split Week Revenue Increase

- The Board discussed the pending issue of whether to increase the reservation fees for portfolio and split use weeks
- Mr. Whelihan noted if the organization is not prepared for an increase to the entire portfolio, he would be requesting an exemption for Sunset Harbor to have the fee increased

A motion was made by George Detsis to increase the reservation fee for portfolio use from \$60 to \$80 effective January 1, 2025, and to increase the reservation fee for split use weeks from \$39 to \$49 effective January 1, 2025, to generate additional revenue. The motion was seconded by Rick Lohr and unanimously carried.

NEW BUSINESS

ARDA Pac Letter

Mr. Martinez discussed the ARDA PAC Letter that is to be sent with the Maintenance Fee billing and noted an owner must elect to opt in, rather than opt out, should they like to contribute. No action was required by the Board.

Investment Policy

A motion was made by George Detsis to affirm the Investment Policy, as presented, and to be attached to the minutes of record as Exhibit A. The motion was seconded by Marilyn Gordon and unanimously carried.

VAB Board Resolution

A motion was made by Don Heisler to adopt a resolution that the association 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 2024 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 engagement agreement and authorizes Rennert Vogel Mandler & Rodriguez, P.A. to represent the Association and its unit owners in their appeal of the 2024 ad valorem tax assessments pursuant to all of the same terms contained within the Engagement Agreement. The motion was seconded by George Detsis and unanimously carried.

Inspector of Elections

Mr. Martinez led discussion on Inspector of Elections options for the upcoming Annual Meeting. No action was required by the Board.

Announcement of Next Meeting Dates

Tuesday, October 22, 2024 – Board Meeting, Annual Meeting & Organizational Meeting

Proposed 2025 Meeting Dates

Thursday, February 11, 2025 – Board Meeting

Tuesday, April 8, 2025 – Board Meeting


Tuesday, August 19, 2025 – Board (Budget) Meeting

Tuesday, October 14, 2025 – Annual Meeting & Board Meeting

ADJOURNMENT

There being no further business to come before the Board, a motion was made by George Detsis to adjourn the meeting at 2:09 p.m. The motion was seconded by Don Heisler and unanimously carried.

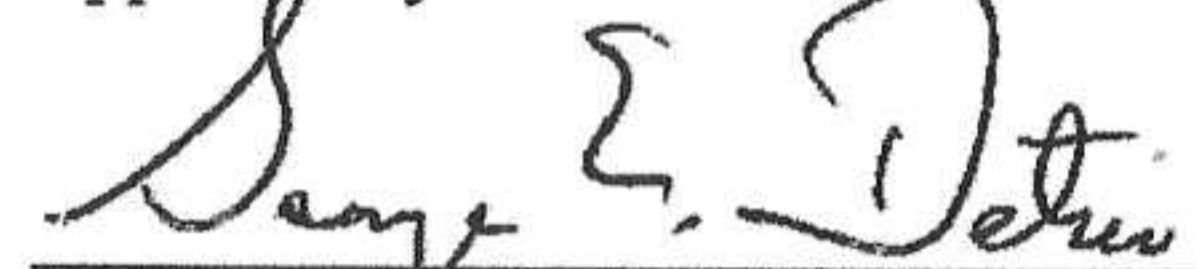
Submitted by:



Colleen Keane
Recording Secretary

10/22/24
Date

Approved by:



George Detsis
President

10/22/24
Date