

**Highlands at Ocean Point Condominium Association
Board of Trustees Meeting
October 19, 2015
Pool Clubhouse**

Attendance: Lesley Pitts (Chair), Helen Jones (Secretary), Gary Gersten (Treasurer), Tony Baldwin, Pam Claughton; Maintenance Coordinator Donna Crone.

Guest: Jenn Morrison, Property Manager, Lorell Management Corporation.

Observers: Ginny Sands, Marilyn Marvill, Nancy Carini, Rita Potocsky, Marie and Tom Young, Andrea and Neil Swart, Sue and Bill Brissette

At a regular meeting of the Highlands at Ocean Point Board of Trustees, held on the pool clubhouse, on Monday evening, October 19, 2015, the Chair called the meeting to order at 6:00 p.m. The Chair opened the meeting with introductions, for the benefit of guest Jenn Morrison from Lorell Management.

I. BOARD OPERATIONS/CHECK IN:

1. The first order of business was a check in with the Trustees on how the new email protocol is working out. Trustees reported that it's working well for the most part. Gary Gersten asked that we change the subject line when it is no longer relevant (e.g., change from "VOTE NEEDED" if the discussion continues after everyone has voted). **No action taken.**

II. MEETING WITH JENN MORRISON / LORELL MANAGEMENT

2. The next order of business was identification of liaisons from the Highlands to Lorell. **Trustees agreed that the liaisons will be the Treasurer and the Secretary.**
3. The next order of business was Lorell's recommendations for improved financial procedures and protocols in the areas of budgeting, invoice approval, and vendor approval. Property Manager Jenn Morrison distributed a handout to Board members, which will be included in these minutes as Appendix I.
 - Key points from the discussion of vendors, contracts and invoices included: a request that the Highlands send to Lorell copies of all Highlands contracts to be paid through Lorell; a recommendation that the Board oversee and approve special projects and any additions to the budget; a request that Lorell get vendors certificates of insurance to keep on file in case of audit and to ensure minimum required coverage; snow contractors insurance should have snow removal as a listed covered expense; Lorell should always be notified of new contractors prior to job so they can maintain certificates of insurance and W-9.
 - Key points related to budgeting included the advice that a condo association should never back into costs based on existing revenue, but rather should start by projecting realistic anticipated costs; that the Board should try to get a budget to owners by December 1 with a cover letter explaining any changes, especially whenever fees increase.
 - In response to a request for advice on getting an independent insurance appraisal of the full replacement value of the property, Morrison clarified that the Highlands condo docs do not require an independent appraisal each year, but they do require the Trustees to at least consider one each year and take a vote on whether or not to get one; she recommends every 5 years rather than annually. She cautioned that if the Board does decide to get an independent appraisal, to be sure never to sign it, but send it to her instead. If someone has to sign it, she will sign it as our managing agent.

Additional detail from the discussion, comments and questions related to Lorell's presentation are included in these minutes as Appendix II. **No action taken.**

4. The next order of business was to make a decision on Lorell's July 27 advice to move the insurance reserve account to Rockland Trust. The chair asked the treasurer to look into that and bring back a recommendation to the Board. **No action taken.**
5. The next order of business was a status report from Lorell on the FHA application. Morrison reported that the application package has been sent to the contractor (in Virginia) for review. The contractor's fee is \$1,200 as compared with an attorney's fee which would run \$2,000-\$2,500 to sign the application. Morrison explained that it is important to submit a perfect package, since, if the application should be denied, re-application is not allowed for two years. The contractor Lorell uses has an excellent track record for approval within 3 to 4 weeks of submission, while FHA generally advises a 6 to 8 week turnaround time. The contractor has followed up with Lorell by asking for narratives on some topics; Jenn just completed the second one. She expects the application package will be submitted by the end of next week (October 30), and she believes that we should hear back with a determination by the end of the year or even by Thanksgiving. The Secretary asked, since FHA approval requires that our 10% reserve contributions are up-to-date, where we are with contributions. Morrison clarified that they will look at last year to make sure we were up-to-date by the end of the year, and they may also look at 2013 and even 2012. Although we are currently 5 months behind this year, she will make sure that we are up-to-date by the end of the year. **No action taken.**
6. The Treasurer asked Morrison for guidance as to what would be a reasonable and fair turnaround time for Lorell to respond to the Highlands liaisons inquiries and requests for information. Morrison state that 24 hours would be reasonable, and suggested using an IMPORTANT flag on email when a request is urgent. **No action taken.**

III. MAINTENANCE UPDATE – Maintenance Coordinator

7. The next order of business was a maintenance update. The current maintenance log was distributed to Trustees. The Maintenance Coordinator reported the following:
 - **Decks:** Handyman Earle Miller is again working on decks at building 4. He will start with 407, and work down from there (406 & 405). She stated that there are 3 decks left on building 4, a balcony on building 25 (2506), and some on 24. Decks that need paint sanded off before washing and sealing, including 2914, will be done in the spring.
The chair commented that we should consider increasing the hours for the condo handyman in order to ensure that we get through removing mold from all decks each spring. Next year, we need to have a plan to complete decks in the spring.
 - **Timing of jobs:** When repairs are handled out of chronological sequence, it is based on convenience, materials on hand, and prioritizing issues of safety, such as lighting.
 - **Air conditioner 3008/3004:** Earle will do a drawing to explain how he proposes to remediate the proposed fix for the hot air from unit 3008's air conditioner coming in the kitchen window of unit 3004. He will share the drawing with Trustee Gary Gersten. The owner of 3004 asked to see the drawing when it becomes available. The chair stated that the Board would review it first, but would share with the unit owner before making a decision.
 - **Inspections:** Fire alarm and sprinkler inspections have been completed. There are a couple of sprinkler leaks to be repaired. Fluid needs to be put back into building 24. There are some missing plate covers; building 29's need to be ordered as they are of a different type.

- **Other:** Fire extinguishers have been tagged, and the paperwork for elevator inspections is in.

At this point, a few observer questions on the Maintenance Update were taken.

Q: Has the cause of the mold reported in the basement of building 4 been identified?

A: The Maintenance Coordinate stated that Earle sprayed all mold with Tilex.

C: It is important to find the cause rather than just spray it.

A: The Maintenance Coordinator stated that if mold comes back, we would have to open up the ceiling, and that she would come by and check it every other week.

Q: Are we allowed to run dehumidifiers in our units?

A: Yes.

C: When Earle is finishing the decks on building 4, the stairs on 414 need to be finished. He sanded and sealed the deck, but not the stairs.

A: The Maintenance Coordinator affirmed that that would be included in finishing up decks on building 4.

Q: Can the boards on the deck at 2415 be lifted to check for rot, mold, or mildew on the bottom side? The under decking on 2414, installed 3 years ago, does not allow for air flow and a problem on the underside of 2415 deck is suspected.

A: The Maintenance Coordinator stated that Earle would remove a few deck boards at 2415 to check for any problems.

Q: What is the product that Earle used on 411 deck? It did a great job without needing to power wash and sand.

A: The product used is called "Wet and Forget". Earle plans to use it on 406 deck as well.

No action taken.

IV. OTHER MAINTENANCE ITEMS - Trustees

8. The next order of business was a report back on repairs to the west end of building 4, the deck at 414 and beneath the deck are deck wall on 414.

Trustee Helen Jones reported that on the ground level and first floor level at the west end of the building, all shingles, sheathing, and both ledger boards were removed down to the studs. Six rotten studs were replaced, as were a rotten header over one slider and part of the header over the other one. All new sheathing, housewrap, ice and water shield and ledger boards were installed. The wall was resingled except for the areas immediately around the two sliders, leaving those areas for the door installers to finish when they install new sliders. Although the contractor left extra shingles for the door installers to use to finish up, the door installers ran out of shingles and left the header over the bedroom door unshingled. The contractor will bring additional shingles over so that the job can be completed. The Maintenance Coordinator stated that Earle could finish up the small amount of shingling needed over one slider to complete the job. **No action taken.**

9. The next order of business was a report back on Chris Murphy's assessment of the rest of building 4. Jones reported that, on October 7 and 8, since the Maintenance Coordinator was busy escorting the alarm and sprinkler inspectors around the property, she and Lesley Pitts accompanied contractor Chris Murphy from one end of building 4's north wall to the other to inspect all areas of the wall that could be accessed from the ground or from decks. Not including the two areas that were repaired over Sept-28-Oct 13 at and underneath 414, there

are 24 remaining issues. These include at least 11 more soft spots, two of which were considered to be very serious and need immediate attention (401 and 404); additional areas of concern where soft spots have not yet been able to be confirmed; some improperly flashed areas; some under decking installed incorrectly; buckling roof trim allowing water to get in; an A/C vent that needs a cover; a deck support post not properly braced; and some holes at the roof line on either end of the building that he recommended closing up. Murphy advised that the impact of problems future water on the back wall could be mitigated by installing gutters.

A written summary of the issues was provided to the Trustees and will be included in these minutes as Appendix III. A more detailed report, with details and photographs of each problem area, was submitted to Chair Lesley Pitts for the long-range maintenance committee and to Maintenance Coordinator Donna Crone. The detailed report is available on request from any board member or owner. There is also a marked up floor plan of each level to help identify exactly where each problem area is.

Trustees asked the Secretary to notify the contractor that the Board has met and would like to review estimates for repairing the two high-priority areas at 401 and 404.

10. The next order of business was an update on solar investigation. Chair Lesley Pitts reported that she is exploring the possibility of working together with the Dunes to investigate solar options. Trustee for both the Dunes and OPMT Ashok Vichare recommends a joint meeting of the Dunes and the Highlands full boards before getting bids for solar, as it is a lot of work and will require the support of both organizations.

Chair Pitts advised that the next step would be to sign a letter of authorization so Veridian can review the Association's credit status and current and historical energy use data.

On the motion of Secretary, seconded, the Trustees passed the following motion: Lesley Pitts is authorized to complete, sign and send in Veridian's letter of authorization. There were four votes in favor, since one Trustee had briefly stepped out of the meeting and was not present for the vote.

The Maintenance Coordinator asked Jenn Morrison whether any of the condos managed by Lorell have solar panels on their roofs. Morrison replied, not on roofs, but some have panels on open fields behind the condos. Since these are fairly new, condo associations have not yet had a chance to review their success. Morrison commented that if condos don't have common power, it's too difficult to convert to solar; however, the Highlands does have common power.

Trustee Tony Baldwin commented that he would rather do an energy audit to see if we can reduce usage. He commented that the Association would pay about 25% of the audit and the rest would be subsidized.

An observer asked whether it was possible to get an energy audit for a condo. Morrison stated that it would not be possible for an individual condo; the Association would have to arrange it with the cooperation and participation of 10 to 15 units.

Chair Pitts suggested that we could pursue these two avenues in parallel; both get an energy audit and continue to explore solar; trustees agreed.

11. The next order of business was a review of itemized bids requested by the Board at its September 8 meeting. The Maintenance Coordinator stated that she had not brought any bids for review. She stated that she called several roofers but none showed up. When asked which roofers she called, she stated Express and McKenna, and could not recall the name of the third company, but would get that information to the Trustees.

The Maintenance Coordinator stated that most of the small jobs for which the Board has asked her to get bids have been completed instead. The leak in unit 2403 and some work on building 30 had been completed by Roberts Roofing. Repairs to decks had been completed by Earle.

The fix for snow coming in through soffits at units 2415 and 411, proposed by owner Bill Brissette, has not been addressed. Replacement of concrete tiles with decking on the balcony at 2506 has also not yet been completed. **No action taken.**

An observer and previous Board member advised that it is not in the Association's best interest to be changing roofers annually, because a vendor's familiarity with the property and the history of issues and repairs becomes very valuable over time, and because one vendor's warranty is not transferable to a new vendor. He stated that, in past years, the Association had used Falcone, who provides guarantees and warranties for their work, and recommended that we use them again.

V. 2016 BUDGET PREPARATION

12. The next order of business was to schedule one or more working sessions to draft a 2016 budget. **Trustees scheduled a closed working budget session on Monday, November 9, at 6:00 p.m. in unit 414.** This will be a closed session for Trustees and the Maintenance Coordinator only, in order to move efficiently through all of the relevant issues and to discuss contract issues openly.

13. The next order of business was a review of the current vendor list and determination of which contracts will need to be renewed or new contracts established for services, and determine for which services RFPs will be issued.

The Maintenance Coordinator stated that she had emailed to all Trustees Egan's 2016 bid for snow removal, but that she did not compile a complete list of all current vendors. Trustees determined that the list would be needed to make the decisions regarding renewal and rebidding. The decision was deferred to the budget working session, and the Maintenance Coordinator was asked to provide a complete vendor list. **No action taken.**

14. The next order of business was a review of the Highlands handyman contract. The Chair asked the Maintenance Coordinator to provide the details of the Association's agreement with the current handyman.

Q: What is the nature of the Association's formal relationship with the handyman?

A: He is a contractor who gets a 1099 for tax purposes.

Q: Is there currently a written agreement that outlines his duties, rate, and time on the job?

A: There is no written agreement. The Highlands currently budgets for 50 hours per month.

Q: Is there a list of tasks for which the handyman is responsible?

Q: No.

Q: Do we want to consider increasing his hours, and/or hiring someone at a lower rate for less skilled jobs such as emptying the trash on the beach?

A: The Maintenance Coordinator explained that we cannot hire a teenager to pick up beach trash, because there are a lot of needles in the trash.

Trustee Pam Claughton offered to look into the possibility of hiring someone for non-skilled tasks at a lower rate. **No action taken.**

VI. CONCERNS RAISED BY OWNERS – POLICY CONSIDERATIONS

15. The next order of business was to consider establishing policies for notifying owners and residents when anyone will be on their deck or otherwise imposing on their personal space, and any chemicals are used in areas accessed by owners, tenants, or their pets.

On the motion of the Secretary, seconded, the Board unanimously approved the following policies:

- **Except in the case of emergencies, a minimum of 24 hours' notice, earlier if possible, will be provided to owners and tenants whenever workmen, the manager, or anyone will be on their deck or otherwise imposing on their private space. Such notice will be provided by email. Phone calls will be made to residents who do not use email.**
- **A minimum of 24 hours' notice, earlier if possible, will be provided to owners and tenants before any chemicals are used in areas accessed by owners, tenants, or their pets. Such notice will be provided by email. Phone calls will be made to residents who do not use email.**

VII. OBSERVER QUESTIONS AND COMMENTS

16. While several questions and comments from observers were taken during Board discussion of agenda items, at this point the Chair opened the floor to remaining questions and comments from observers.

C: There is a large piece of roofing/siding/trim on the ground outside building 30 that has been there for a while.

A: The Maintenance Coordinator stated that she will have Earle remove it.

Q: The outgoing mailbox at building 29 is broken, with a "Do Not Use / Broken" sign posted on it. Is this the Association's responsibility to fix, or the post office?

A: The Maintenance Coordinator stated that this one is the Association's responsibility, as it is owned by the Association, rather than by the post office, and that she will have Earle take care of it.

Q: When FSS returns to repair leaks in the sprinkler system, will they need to drain the system?

A: Yes (per Maintenance Coordinator).

C: The last time they did this, the runoff from the drainage stained the parking lot.

A: The Maintenance Coordinator stated that this time they will drain into buckets, recharge it, and put it right back into the system.

Q: How long will this take?

A: Draining will be done first, and it takes about half a day. Replacement of a sprinkler head takes about a half hour. Access to units to replace sprinkler heads will be needed in the afternoon.

Q: What is the butterfly valve mentioned in the email, and where is it?

A: The butterfly valve is in a closet in the middle of building 29; this repair will not affect owners.

Q: The building 4 elevator rests on the ground floor, and picks up a smell from all the mildew and mold on that level. Can it be reset to rest on the first floor?

A: The Maintenance Coordinator said that it could be reset by the elevator company, and that she will have them reset it to rest on the first floor.

C: Beach cleanup might be enhanced by adding a sign reminding beachgoers to carry out whatever they carry in.

- A: The Maintenance Coordinator stated that if she is provided with language wanted, she will order a sign.
- Q: Question for Lorell Property Manager Jenn Morrison: Do you have any advice for what amount of insurance unit owners should carry?
- A: Property Manager Morrison advised looking at the Association's deductible and having insurance to cover that and having an "all risk" endorsement. She recommended carrying at least one million in liability, \$50,000 if the cost of a one million policy is too expensive, and suggested an umbrella policy. A rider for valuables might also be considered. Because individual circumstances vary, she suggested that owners bring the Association's Certificate of Insurance to their agent and ask for advice regarding good coverage.
- Q: Who is responsible for damage if a dishwasher above leaks into a unit?
- A: With differing opinions being offered on this matter, it was decided that Jenn Morrison will assist the chair and secretary in reviewing our condo docs to answer this question.

At 8:25 p.m., the Chair announced that the Board would go into executive session and all observers left the meeting with the exception of Maintenance Coordinator Donna Crone and Property Manager Jenn Morrison, who remained to discuss their respective contracts with the Board.

At 9:20 p.m., the business of the executive session having been completed, the chair adjourned the meeting.

**** See following pages 8 through 14 for Appendices I, II and III to the minutes ****

Respectfully submitted, Helen Jones, secretary, October 29, 2015

Approved: Lesley Pitts, chair, November 16, 2015

Appendix I to the Minutes of The Highlands at Ocean Point Condominium Association's
October 19, 2015 Board of Trustees Meeting:

**Lorell Management Recommendations for Financial Procedures and Protocols in the Areas of
Budgeting, Invoice Approval, and Vendor Approval. (Agenda item II #3.)**

Highlands at Ocean Point Condominium Trust

**October 19, 2015
Board Meeting**

Board Liaisons -

Lorell Contacts:

- 508-222-1220, 800-656-7355
- **Jenn Morrison, jenn@lorellmanagement.com** : insurance information, general legal questions, compliance with Mass General Law 183A, vendor information , direction on payment of invoices, authorizes all invoiced payments
- **Kerry Moreau, kerry@lorellmanagement.com** : specific questions about financial transactions and ledgers, as well as accounting procedures
- **Donna White, donna@lorellmanagement.com** : processes vendor certificates of insurance, payables and receivables, is available in Kerry's absence

Recommendations -

Budgeting:

- Lorell can provide general ledger for expenses for any time period,
- Lorell can provide a draft budget for general expenses, Board needs to add specific expenses that would include Special Projects, specific contract changes
- Board should discuss what specific projects are anticipated for following year and budget accordingly.
- Can post an amount to a Special Project General line item but that should be for extras, not every project if possible
- Should have budget out to all unit owners by December 1
- Board should write up cover letter to explain any changes, etc.
- Lorell can mail with postage and copying expense, or email at no cost
- Should especially if there is an increase in fees

Invoice Approval:

- General expenses - utilities, etc. - Lorell can approve as received, notes any drastic changes and advises Donna and Board Liaison
- Contract expenses - landscaping, snow removal, etc. - best if Lorell has copy of contract to approve invoices against that. Any changes or additions should be told to Lorell.
- Special Projects - Lorell needs Board approval prior to payment, should have copy of contract for quicker approval.

- Recommends that Board oversee special projects and additions, and gives approval to Donna. Can consult with Lorell prior to determine ability to pay, from which account, etc.

Vendor Approval:

- Loyalty to a contractor can be beneficial, lowest price not always the best
- Need to maintain certificates of insurance on file. Any sent to the Board or Donna should also be sent to Lorell for audit purposes and payment approval.
- Necessary coverages: Minimum - \$1,000,000 General Liability, minimum state standard for Workers Compensation, Snow Removal should be a listed covered expense for snow contractors. Differences can be acceptable depending on job, and price (ie: if small job and no work comp, may be okay if a "one man band")
- If contractor does not have Workers Compensation coverage, anticipate the audit on the Association's Workers Compensation to pick it up and charge \$2.99/\$100 of project cost (less materials). Example: \$2,500 job: $2500/100 = 25 \times 2.99 =$
- \$74.75.
- Lorell should always be advised of new contractors prior to job so we can maintain certificates of insurance and W-9 (or FEIN)

Insurance:

- Lorell maintains copies of all policies.
- Remarketing - Lorell can handle fully or assist. If assisting, please ask advise on carriers, agents, coverages, and remarketing process prior to contacting any agent.
- Independent Insurance Appraisal - contact insurance agent for recommendations. Can range in price between \$750 to \$2,000.

Audit:

- Condominiums over 50 units must have an annual review at a minimum.
- Review and Tax Returns - \$2,500
- Audit - \$7,000 to \$10,000
- Last time a full audit was done? Never that we know of.

FHA:

- Waiting for contractor to complete final review of documents. Will be sent to FHA shortly.

THE HIGHLANDS AT OCEAN POINT CONDOMINIUM ASSOCIATION					
SCHEDULE OF INSURANCE					
	LIMITS	EFFECTIVE	INS. CARRIER	PREMIUM	MISC. INFORMATION
Package Policy	COVERAGES	12/19/14	Arbella Protection	\$42,202	Policy #: 8500053663 Manager included as add. insured Agent: HUB International New England 299 Ballardvale Street Wilmington, MA 01887 Carole Stapleton (978) 661-6874 (978) 988-0038 fax
PROPERTY:					
Blanket Building (All-In Agreed Amt/RC)	\$20,039,015				
Backup of Water	\$150,000				
Deductibles:					
General	\$10,000				
Windstorm or Hail	2% of damage				
Mechanical Breakdown	included				
Business Income	\$339,000				
Increased Cost of Construction	\$1,000,000				
Demolition Coverage	included				
Undamaged Portion	included				
GENERAL LIABILITY:					
Each Occurrence	\$1,000,000				
General Aggregate	\$2,000,000				
Fire Damage Liability	\$100,000				
Medical Expense	\$5,000				
AUTOMOBILE LIABILITY:					
Non-Owned & Hired Auto	\$1,000,000				Policy #: 8227-5927 Agent: HUB International New England Program Administrator: McGowan
Crime Policy		12/19/14-15	Federal	\$812	
Employee Dishonesty	\$300,000				
Property Mgr. Included					
Depositors Forgery & Altercation	\$300,000				
Computer Fraud	\$300,000				
Funds Transfer Fraud	\$300,000				
Deductible	\$750				
Workers Compensation Policy		08/04/15-16	Travelers	\$1,414	Policy #: 7PJUB-777X894-1-15 Agent: Nolan Insurance Agency 79 Samoset Street Plymouth, MA 02360 (508) 746-6099 (508) 746-6521 FAX Attn: Bill Nolan, Sr.
Bodily Injury by Accident	\$100,000	ea accident			
Bodily Injury by Disease	\$500,000	policy limit			
Bodily Injury by Disease	\$100,000	ea employee			
Directors & Officers Policy		12/19/14-15	Federal	\$1,378	Policy #: 79937223-65855 Agent: HUB International New England Program Administrator: McGowan
Limit of Liability	\$1,000,000				
Retainage	\$1,000				
Umbrella Polley		12/19/14-15	Federal	\$1,650	
Limit of Liability	\$10,000,000				
Retainage	\$0				
				\$47,456	

From: David Doucette [mailto:daved@davedoucettecpa.com]

Sent: Monday, October 19, 2015 11:42 AM

To: 'Jenn Morrison'

Subject: RE: Highlands ...

A lot of times this question comes up because they want to make sure all of the money is being handled properly, however an audit is not designed to catch fraud or other improprieties but it could find something to give an indication.

Additional steps included in an audit would be:

- sending out confirmations to unit owners to validate outstanding balances
- pulling supporting documentation to validate expenditures
- testing the existence of internal controls to determine if they can rely on them
- etc etc

I think for a Condo or HOA a review gives pretty good assurances that things are in order-which is why Mass Gen'l Laws talk about reviews and not audits

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Appendix II to the Minutes of The Highlands at Ocean Point Condominium Association's October 19, 2015 Board of Trustees Meeting:

Discussion, Comments and Questions during Lorell Management's Presentation. (Agenda item II #3.)

Budgeting:

- a. In response to the Chair's inquiry as to what Lorell's role with the Highlands is in the budget process, Morrison replied that it is up to the Association. Lorell can estimate expenses for the upcoming year based on a review of current year actual expenses to date (Jan-Sep), as well as actual expenses for the previous year (Jan-Dec), and the last quarter of the previous year (Oct-Dec), comparing actual expenses with the budget, and estimating utilities and insurance based on losses and rates. They generally ask the association in August for a "wish list"; e.g., not only, "What has to be done?", but also "What additional would the association like to do?" They then provide a full, draft budget, for the Board's review, and step back; budget decisions are always the Board's to make. For the Highlands, Lorell would review administrative costs, utilities, basic maintenance, insurance, any reserves studies, and the Board would fill in special projects. Morrison can provide us with a draft budget by the end of the week. The time to prepare the draft is included in our contract; postage and copying costs could be avoided by using email. Morrison advised that a condo association should never back into costs based on existing revenue. Unless we budget on anticipated costs realistically, we will always come up short. Morrison recommended that the Board provide all owners with a budget by December 1, with a cover letter explaining any changes from the prior year.

Invoice Approval:

- b. Morrison explained that Lorell pays all of the Highlands bills except for the "Handyman Account", which on-site manager Donna Crone manages. D. Crone explained that she pays the handyman from this account, as well as small vendors who bill under a couple of hundred dollars. There is also a debit card on this account, which the handyman uses to pick up supplies. He gives all receipts to D. Crone, who forwards the receipts to Lorell. Larger bills are sent to Lorell to pay out of the cash account; Morrison reviews and approves all bills for payment. For example, if electricity seems high, she will pull up prior bills and investigate the reasons.
- c. Morrison explained the process Lorell uses for invoice approval. Bills for general expenses, such as utilities and insurance come in directly to Lorell. Lorell does not generally get copies of vendor contracts, but Morrison recommends that the Association provide them with copies of each contract to ensure that invoices submitted are consistent with the approved contract. If anything additional or off-contract comes up, she requested that we let her know. For special projects, Morrison requested that we let her know in advance, and provide her with a copy of the contract. Unless the Maintenance Coordinator has already done so, she will obtain the contractor's certificate of insurance, federal ID number, W-9 form etc. She will note the payment schedule agreed on, and the down payment required.
- d. The Treasurer asked what constitutes a special project. Morrison replied that it is anything beyond general maintenance.
- e. The Treasurer asked Lorell's guidance on how reserves can be used. Morrison replied that under IRS rules, reserves can be used only for certain items. She advised that major improvements, such as putting in a pool or replacing a pool, are allowable expenditures. Putting in a road is allowable, but sealcoating is not. Partial replacement, such as replacing a portion of the pavement, is a grey area. Reserves are for costs in excess over operating costs, for specific expenses only. Because they are not considered income, they are not taxable; that is why the IRS has jurisdiction over what is and is not allowable.

Vendor Approval:

- f. The Chair asked what is needed when we hire smaller vendors for small jobs around the property. Morrison replied that the Association needs to get a certificate of insurance from the vendor. If the vendor is so small that he or she does not carry workers comp insurance, the Association has it, which covers Donna Crone and small contractors. We get charged \$2.99 per \$100 of payroll (vendor's labor) to cover a small contractor for workers comp. So, for example, for a recent job totaling \$8,985, with \$5,070 in labor costs, the cost to the Association to cover the small contractor came to about \$150.
- g. Morrison commented that loyalty to a contractor can be beneficial to the Association, especially on utilities. In response to the Treasurer's question as to whether most condo associations have more than 2 or 3 contractors, or a sole source, Morrison replied that Lorell tries to have a sole source with backups. For example, Lorell uses one electrician who is on call, offers a reduced rate for volume, and covers all Lorell's properties; she commented that plumbers are harder.
- h. When engaging in a competitive bidding process, Lorell will issue 6 to 8 requests for bids in an attempt to get at least 5 proposals back. Lorell reviews any new contractor for qualifications and experience, gets references and where relevant tries to view their work (e.g., landscaping). Lorell requires a copy of their license, ensures they are licensed in the town in which they will do the work, requires an insurance certificate, and notes whether they are insured for ladder work. The requests for bids include the job specs so that when reviewing proposals they are comparing apples to apples. If a bid is unusually low in comparison to other bids, Lorell will ask the bidder to review the specs just to be sure. Her concern would be that they would do a substandard job if they make a mistake on their bid. Any bid that is too far off from others might raise a red flag. Sometimes the advice is to discard the lowest and highest bids, and only compare those in the middle.

Insurance:

- i. Lorell's advice on getting a review of the full replacement value of the property was requested, and what Lorell's role in that process would be. Morrison clarified that the Highlands condo docs do not require an independent appraisal each year, but they do require the Trustees to at least consider one each year and take a vote on whether or not to get one. Her recommendation is to get one every 5 years or so rather than annually. What is involved is that an independent appraiser will visit the property, inspect the grounds and common areas, as well as some units (one unit of each style), will note the condition of the property, and take pictures, to determine the full replacement value of the property. The cost of the appraisal would range from \$750 to \$2,000; \$750-\$1,000 should be adequate for the Highlands. Morrison can call HUB International to get independent companies and their prices. She cautioned the Board to never sign an appraisal, but to send it to her. If someone has to sign it, she will sign it as our managing agent.
- j. Morrison also commented that our policy is for blanket building coverage for \$20,039,15. She wasn't sure whether the policy includes an inflation guard. She also commented that she has 10 years background in commercial insurance and can therefore be a good resource to us on insurance issues.

Audit:

- k. Lorell's advice on the advisability of getting an audit vs. a financial review was requested. Morrison cited change of management company or concern that there may be a problem as reasons a condo association should consider getting an audit. The CPA Lorell uses does not perform audits, only financial reviews. With a financial review, the CPA reviews records provided by Lorell, such as general ledgers, insurance, contracts, and meeting minutes, and provides an opinion as to whether the financial statements are free of misrepresentation and consistent with generally accepted accounting principles. In an audit, the CPA will request and review a representative sampling of the individual receipts, invoices, and other documentation, and will test internal controls. An audit report will provide a professional opinion as to whether the information provided is valid and reliable, and can provide an assessment of the organization's internal controls.

Appendix III to the Minutes of The Highlands at Ocean Point Condominium Association's October 19, 2015 Board of Trustees Meeting:

Summary of Contractor Assessment of Building 4 North Wall (Agenda item IV #9)

**Summary of Assessment of Building 4's North (ocean-facing) Wall
Conducted by Chris Murphy (Organic Builders), October 7 and 8, 2015**
Report submitted to the Board of Trustees by Helen Jones, October 19, 2015

On October 7, Board Chair Lesley Pitts and Secretary Helen Jones accompanied contractor Chris Murphy from one end of building 4's north wall to the other, climbing stairwells to inspect those portions of the wall that could be directly inspected from decks, and visually inspecting areas that could not be reached directly. On October 8, Chris and Helen were able to gain access to the remaining 4 decks not accessible from outside stairways (403, 402, 415, and 416) either through the units or by ladder. The inspection took approximately 3 ½ hours over both days.

In all, 26 issues have been identified on the north wall of building 4, including the wall at 414 and underneath 414 that were repaired by Chris Murphy over Sept-28-Oct 13. Since these two areas were repaired, that leaves 24 remaining issues. A more detailed report, with details and photographs of each problem area, will be submitted to the long-range maintenance committee and the maintenance coordinator, and will also be provided to any board member (or owner) upon request. There is also a marked up floor plan of each level to help identify exactly where each problem area is.

- At least 11, possibly more, soft spots remain on the north wall (401, 402, 404, 406, 407, 408, 413, and at least 2 on the exterior stairway going up from 405-406-407).
- Two of these soft walls, at 401 and 404, are very serious and need immediate attention. The soft spot at 413, which extends down to the area around 412's dryer vent, was also described as a particularly bad one.
- Additional areas appear to have issues but were too high or otherwise inaccessible; not possible to confirm whether the walls or portions of the walls are soft. These are at:
 - 405 – some concern to right of slider and around the light fixture; should be investigated
 - 410 – some evidence of water around far left end of deck
 - the inside corner at west-center area on units 416, 415, 413-414, and 412 (lighter colored/stained shingles extending down several stories)
 - a possible bulge in the wall behind the outside stairwell that leads from 409 to 410 to 411 – reported by both 409 and 411.
- Additional issues noted include:
 - Improper flashing of some sliders, including 410, which may be contributing to problems at 408, 409, 412 and 413, all of which are beneath 410. It was noted that the 410 slider is also flush with the deck; no kickboard under door.
 - Underdecking at 408 and 401 installed incorrectly; not designed to drain properly.
 - Buckling white trim on the roof line just beside 407 and around the corner from the deck; trim is bulging out, allowing water to get in.
 - A/C vent line center of north wall (outside unit 408) should be capped to prevent water from getting in. Shingle lifting next to A/C vent line (see photo).
 - A deck support post not properly braced on 406.
 - Two triangular holes at the roof line, one on each end of the building (403 and 416), on the west and east sides, that should be closed up to prevent birds from nesting in them.