

Highlands at Ocean Point Condominium Association
Trustee Special Meeting
April 26, 2015
Pool Clubhouse

Attendance: Trustees Rick Cash (chair), Helen Jones (secretary), Pam Claughton (treasurer), Jan Zabrieski, and Lesley Pitts.

Observers: Bob Dockendorff, Mal Marvill, Rita Potocsky, Tom and Marie Young, Bill and Sue Brissette, Janice Brodil, Emily Gallup, and Nancy Carini.

At a special meeting of the Highlands at Ocean Point Board of Trustees, held in the pool clubhouse on Sunday evening, April 26, the chair called the meeting to order at 6:30 p.m.

1. Review of Expenses in Excess of 2015 Budget

Chair Cash stated that the purpose of the special meeting was to discuss and agree on possible solutions to additional expenses related to the winter, specifically, damage to OPMT's boardwalks and tennis courts and to the Highlands sidewalks and driveways, as well as the Highlands overage on snowplowing expense, and special projects we have committed to with estimates in excess of our 2015 budget.

The chair stated for observers that the options that Trustees have discussed for covering these expenses include levying a special assessment, drawing from our reserves account, taking out a loan, or a combination of these. He clarified that if a special assessment is imposed, it must be levied according to the Beneficial Interest each unit has, according to the condominium documents.

The chair stated that the OPMT obligation is approximately \$6,250, that our snowplowing bills have exceeded our budgeted amount by \$11,000, that we have an estimate of \$8,000 to rebuild the sidewalks, but that he does not believe we need to replace them, and expects they can be repaired for about \$4,000 to \$5,000, and that we will get another quote.

As for the special projects, the chair explained that we do not yet have final figures, but bids on building 24 alone range from \$17,000 to paint the trim to \$85,000 to replace all wood trim with Azek. He reminded everyone that the special projects the Board has voted on for 2015 include paint or preplace wood trim on building 24, clean dryer vents, and assess the result of water damage to building 4's ocean-facing wall.

2. Proposal to Reduce Special Projects Expense

On the motion of Trustee Zabriskie, seconded, the Board voted to rescind its January 26 decision to spend approximately \$1,000 to have a structural engineer evaluate building 4. After some discussion, Trustees Zabriskie, Claughton, Pitts and Jones voted to cancel the structural engineer's visit; Trustee Cash abstained.

Trustee Zabriskie urged the Board to repair the improper flashing above the sliders on unit 414, as the shingles have been off that area since November, and the repair needs to be done. After some discussion of the bids received, the Chair tabled the discussion until we get all the figures we need to make an informed decision. The Chair will have Maintenance Coordinator

Donna Crone provide Trustees with all quotes received to date and get a bottom line figure from Bob Wilcox. He also stated that we will have the leaks over unit 409's bedroom windows and all the soft spots on building 4 looked at.

3. Consideration of a Special Assessment, Drawing from Reserves, and Loan

Discussion:

Trustee Cash proposed that the Board impose a special assessment equal to one extra monthly condo fee for each unit, which would raise \$31,000. He estimated that the OPMT additional obligation and other winter related costs, together with special projects, would cost between \$40,000 and \$50,000. Since we have \$15,000 budgeted for special projects, he projects that we will be between \$25,000 and \$35,000 short. If we raised \$31,000 with a special assessment, he proposed that we take some from the reserves account if needed.

To inform our thinking about a loan, Trustee Cash reported that the last time the Highlands took out a loan, it was for \$60,000, guaranteed with a \$60,000 hold on our reserve account, over 5 years, and the monthly payment was \$1,282. In response to a comment that it would take a long time to get a loan, Cash stated that it took three weeks last time.

Trustee Pitts stated that she favored the idea of imposing a special assessment to cover the winter damage, as opposed to taking out a loan. She considered a loan to be more appropriate for the special projects, particularly building 24 and 4, if needed.

Trustee Jones cautioned against drawing too much from reserves without a long-range maintenance and savings plan. She referred to the 2012 *Capital Needs Assessment and Reserves Analysis* report prepared for the Highlands by OnSite Insight, and read the following from the report: "the property has substantive capital needs anticipated in the coming years; a number of systems and components are at or approaching the end of their useful lives... At current funding levels... the projected reserve balance... coupled with the annual contributions... will not be able to keep pace with anticipated capital costs starting in Year 6." Jones clarified that the Year 6 referred to is 2017. She stated that the report projected that we would need \$2 million to cover our capital expenses over 20 years, and that at our current rate of saving, we would be \$1 million short.

Trustee Zabriskie stated that he disagrees with much of the report, and disagrees with the figures the engineer used. He expressed his support for taking \$13,000 from reserves and imposing a lower assessment, suggesting an assessment of \$6,200.

Treasurer Pam Claughton stated that this approach would not pay for everything, and that we would be back seeking additional funds at a later date. She stated that she would consider a fair solution to be dividing the expenses between drawing from reserves and imposing a special assessment.

At this point, the chair opened the floor to observers.

Bill Brissette spoke in support of a special assessment to cover only the unforeseen expenses related to the severe winter. He pointed out that the \$5,000 for drier vents and 30,000 for building 24 trim should have been budgeted in the first place, and should not be rolled into a special assessment for unforeseen expenses. For the amount of these in excess of the budget, he supported a loan rather than drawing from reserves, as it has less impact on the budget.

Trustee Zabriskie pointed out that a loan payment was not budgeted into the 2015 budget; Treasurer Claughton agreed.

Emily Gallup expressed support for a special assessment to cover only the unforeseen expenses related to the severe winter. Nancy Carini and Marie Young each spoke in agreement with this position. Carini also expressed concern about including tennis court repair in a special assessment.

Trustee Jones advised that we avoid separating the tennis courts (which OPMT has already voted on) out as a separate issue, as the repair of one is a small part of the OPMT assessment, the bulk of which is for the damaged boardwalks.

Rita Potocsky expressed a reluctance to take any funds from the reserves, commenting that the reserves are the strength and backbone of a condominium association. She spoke in support of a one-time assessment with the option to spread payments out over several months.

Bill Brissette commented that, except for the winter-related expenses, these costs are not unforeseen. He stated that at one time we had a plan to paint one building every year, so that each building would be painted once every five years. He stated that, while it seems that plan has gone by the wayside, a special assessment is not the way to pay for them.

Bob Dockendorff made three points: He agreed that the reserves are the backbone of a condominium association, and questioned whether a special assessment equal to one month's condo fee would be sufficient to keep a healthy reserve account. He expressed support for a one-time special assessment sufficient to catch up on maintenance that has not been done, such as painting and tennis court routine maintenance. His second point was that the Highlands has the benefit of having a track record of having successfully managed a loan in the past. His third point was that whatever needs to be done should be done once, commenting, "don't make people die a death of a thousand cuts".

Trustee Cash, who is also on the OPMT Board, stated that OPMT budgeted to repair the tennis courts two years ago, but the contractor didn't show up. He stated that the money was carried over to the current year's OPMT budget, but costs have gone up.

Bob Dockendorff commented that our property value is impacted by appearance and amenities (such as the tennis courts), and that he would support a loan to address all needs now, and a special assessment to cover the winter expenses.

There was some discussion about taking funds from reserves. In response to a question about the amount currently in the reserve account, Chair Cash stated that it is \$200,000 currently, and since we transfer ten percent of the monthly condo fee income each month, it should be close to \$240,000 by the end of 2015.

Bill Brissette commented that that's still a long way from 2 million; Janice Brodil and Marie Young agreed.

Chair Cash commented that if we have a goal of \$2 million, we'll never get there, and that we need to set a more realistic goal.

Trustee Jones stated that the OnSite Insight report had included a plan to get the reserves to \$2 million, which involved increasing condo fees by 3% each year and imposing a special assessment averaging \$140 each year for four years, 2013-2016. However, we didn't do that.

Trustee Pitts noted that the missing link is the long-range plan, and that we can't set a reserves goal until we have a plan.

Chair Cash indicated that he believes we should be comfortable putting \$37,000 into reserves each year, and taking \$10,000 out.

In response to a question about whether we are required to keep a minimum in reserves account, the Chair indicated that we are required to deposit 10% of the annual operating expenses into a separate capital expense reserve fund, but there is no minimum balance requirement.

Janice Brodil commented that she has had a lot of experience with assessments, having lived in condos in New Hampshire and the Pine Hills. At the Pine Hills, with 1,400 residents, she got a \$700 assessment one year just for snow, and she expected to pay \$500 to \$700 this year. She supports an assessment for winter expenses, and when we have the numbers for special projects, look at the other options.

Trustee Jones and Bill Brissette each noted that the winter expenses would result in an assessment of about \$22,000.

Chair Cash spoke in favor of a special assessment equal to one extra monthly condo fee for each unit, which would raise \$31,000, and taking some funds from reserves.

Marie Young spoke to express a preference for a loan over taking money out of reserves.

Chair Cash agreed that we will need a loan eventually, but that he's not sure that now is the right time.

Mal Marvill asked for clarification of what would get done with a special assessment, and asked whether these figures would change.

Chair Cash stated that the snow figure won't change, and the OPMT assessment for the boardwalks and one tennis court won't change. The sidewalks repair might change.

Mal Marvill commented that we have to take care of these things now.

Chair Cash agreed, and stated that he preferred not to vote on this tonight, but to take a couple of days to think about it and possibly hear from other owners.

Trustee Pitts expressed a desire to vote tonight, and supports an assessment limited to winter costs.

At this point (8:10 p.m.), observers began to leave. The meeting continued with only the Trustees present.

Chair Cash expressed a preference for impose an assessment equal to one month's condominium fee.

Trustee Jones commented that the owners who came out tonight were very much on the same page regarding their support for limiting a special assessment to unforeseen winter expenses, and advocated acting in accordance with that input.

Trustee Pitts agreed with Jones' point, and said the sooner we act, the better.

Trustee Claughton moved to impose an assessment equal to one month's condominium fee. Jan Zabriskie seconded. Trustees Pitts and Jones had already indicated their support for an

assessment limited to the winter expenses. Cash abstained, stating that he wanted to think about it for a couple of days. With only two votes formally cast, the motion did not carry.

4. New Business: Concern Related to a Rule Infraction

A concern was raised about a new owner who has placed a storage cabinet on their patio. The observation was made that, although technically not allowed, it looked neater than the two unit patios next to it, and that the Board couldn't address the storage cabinet without addressing the clutter on the other two patios. No motions were made.

The business of the special meeting having been completed, the chair adjourned the meeting at 9:00 p.m.

Additional related actions taken in the two days immediately following the meeting:

On April 27 and 28, the following motions were made, seconded, and passed over email:

- Moved (Jones) and seconded (Claughton), that we **levy a special assessment limited to unforeseen expenses related to the severe winter only, in the amount of \$22,250**. Votes in the affirmative: Cash, Zabriskie, Jones, Claughton, Pitts. Passed.
- Moved (Jones) and seconded (Cash), that we **authorize withdrawals from the reserves account as needed to cover 2015 special projects and maintenance, up to \$10,000**. Votes in the affirmative: Cash, Zabriskie, Jones, Pitts. Negative votes: none. Abstentions: Claughton. Passed.
- Moved (Jones) and seconded (Claughton) that we **accept Kevin Creed's bid for \$14,400** to replace all rotten wood on **building 24** with Azek, and to sand, caulk, prime and paint all remaining wood. Votes in the affirmative: Cash, Zabriskie, Jones, Claughton, Pitts. Passed.
- Moved (Jones) and seconded (Claughton), that we **accept Wilcox's January 8 bid to do repairs to exterior wall on deck of 414, and ask him to conduct, while on the property, a complete assessment/evaluation** of any soft spots, leaks, flashing problems, on building 4's ocean-facing exterior wall, including the wall over the bedroom windows in unit 409, including shingle removal for visual inspection. The motion includes the additional proposal that we have Earl open up the areas ahead of time, to save Wilcox time and therefore, to save us a little on the cost. Votes in the affirmative: Cash, Jones, Claughton, Pitts. Negative votes: Zabriskie. Passed.
- Moved (Jones) and seconded (Claughton), that we **request bids from several contractors, including Wilcox, for repairing any exterior issues, leaks, soft spots, etc. identified in Wilcox's assessment; and repair any additional leaks that are determined to be the Association's responsibility in the spring of 2015**, drawing on reserves if necessary. Votes in the affirmative: Cash, Zabriskie, Jones, Claughton, Pitts. Passed.
- Moved (Jones) and seconded (Claughton), that we **accept Dryer Vent Wizard's bid for \$4,899** or \$69 per vent to clean 71 vents. Votes in the affirmative: Cash, Zabriskie, Jones, Claughton, Pitts. Passed.

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

Approved: Rick Cash, chair, April 29, 2015