

MINUTES

ANNUAL OWNERS' MEETING THE ISLANDER OWNER'S ASSOCIATION, INC

HELD ON SATURDAY, NOVEMBER 10TH, 2018
IN THE PALM ROOM AT THE ISLANDER CONDOMINIUM
AT 502 GULF SHORE DRIVE, DESTIN, FL 32541

THIS MEETING WAS AVAILABLE BY TELEPHONE AT 1-800-444-2801,
CONFERENCE CODE 6921782 TO ATTEND THE MEETING

Board Members Present: Fisher (Axel) Feltenberger (#303), Rosemary Bubien (#411), Merrilyn Cook (#713), Jerry Moore (#601)

Board Members Present via Telephone Conference: Mark Hamilton (#510)

Board Members Absent: Linus Carroll (#209, 613, 706), Ken Dixon (#704)

Members Present: Steve & Tina Thomas (#204), Stan & Louise Squires (#213), Pamela Feltenberger (#303), Steve Heath (#306), Dave & Ann Grupczynski (#313), Larry Denning (#317), Alberto & Betty Romeo (#401), Victoria Waldie (#407), Thomas McIndoe (#417), Jim & Mary Coston (#505), Robert & Arlene Whitley (#508), Jim Behrens (#517), Allison Olson (#602), Dennis & Sharon Schlott (#603), Pam & Robert Ludwig (#615), Betsy Harmon (#616), Jan & Wendall Wagner (#701).

Members Present Via Telephone Conference: Grace Highfill (#317), Carole Marie Stuart (#516)

Management Present: Megan Pollak, General Manager,

1) Election of the Chairman of Meeting

Merrilyn Cook nominated Ax Feltenberger as chairman, 2nd Louise Squires. No other nomination. Mr. Feltenberger accepted the nomination and called the meeting to order at 9:03 AM.

2) Roll Call

By way of roll call, the Chairman asked all owners present to sign the attendance roster. Mrs. Pollak confirmed phone attendees.

3) Approval of Agenda

Motion: Merrilyn Cook moved to approve the agenda as posted, 2nd Sharon Schlott.

Vote: No discussion, Vote unanimous. Motion carried.

4) Proof of Notice

Megan Pollak confirmed that Notice of the 2018 Annual Meeting was properly posted in accordance with Florida Statute 718.

5) **Approval of the November 11, 2017 Annual Meeting Minutes** (*Pages 1-9 of the Annual Meeting Packet*)

Motion: Jerry Moore moved to approve the November 10, 2018 Annual Meeting Minutes as published, 2nd Merrillyn Cook.

Vote: No discussion, Vote unanimous, Motion carried.

6) **Appoint Inspectors of Voting:**

Mr. Feltenberger reported it would not be necessary to appoint inspectors as three (3) applicants had submitted their candidacy papers to fill the four (4) vacancies on the Board.

- Candidates Rosemary Bubien, Merrillyn Cook, and Linus Carroll will each serve 2 year terms.
- Board member Jim Orbals recently sold his unit creating another vacancy.
- Consistent with Florida statutes, current Board Members Mark Hamilton and Ken Dixon were asked if they would be willing to remain on the Board for a 1 year term. Both agreed to serve.
- Mrs. Pollak read the proxy vote count to apply excess income against subsequent tax year assessments per Internal Revenue Service ruling 70-604.

Yes – 69 total (66 electronic, 3 paper) 54%

No – 4 (electronic)

Abstain – 4 (electronic)

Invalid – 2 (paper)

Approved: Required 51% majority (65 YES Votes Needed)

7) **Management Report:** Megan Pollak (*Report Incorporated.*)

Mrs. Pollak thanked all staff for their contributions to a very successful year.

a) **Grounds and Maintenance**

- Plants lost during the January 2018 freeze were replaced in spring. The need for more freeze hardy plants which cost less was balanced with the necessity of preserving a resort atmosphere as the cost for ideal plant replacements exceeded available funds. The more expensive tropical plants were placed in key areas such as the pools and our 3 oases; the more typical backyard type plants we placed in the parking lot and scattered areas. We hope that if there is no freeze this upcoming year, we will be able to add more tropical Hawaiian Ty's, our signature plant, out front to create a more resort-like 1st impression. To reduce owner costs, maintenance does the work instead of our landscaper when feasible. Overall our grounds have held up well throughout the summer and fall.
- The beach walkover was repaired in April from the damages sustained by Hurricane Nate October 2017. Water sealing was done in conjunction with repair work.
- Work is on-going to keep our grounds looking exceptional and to preserve our structures to obtain the maximum life through routine maintenance. Many projects such as painting the stairwells, shuffle board courts, grills, security gates, and sealing the beach walkway as well as pressure washing are scheduled to be done annually or more frequently with their completion varying by occupancy and the weather.

Other projects such as replacing fence boards and repairing our irrigation are done as needed. Our beach gate and the entrance gates while a security feature, contribute significantly to guests' impressions about the state of our resort. Typically, the gates particularly the beach gate, is refurbished in the fall. This fall our top priority is replacing the center and end stairwell exterior doors. We were without a third maintenance person all summer. We finally found a good, hard worker (Steve) after the August Board meeting. He is a great asset to our team.

- As part of the north side window replacement, our maintenance staff removed and reinstalled each unit's inside window shutters; and moved all storage items and shelving in the middle closets. Maintenance also completed the inside work on the remaining units required to finish the front doors.
- The Islander requires water heaters to be replaced every 10 years. This minimizes damage to a unit and the ones beneath it. Most water heaters greater than 10 years were replaced. Maintenance will be doing their annual inspections before snowbird occupancy. Any water heaters showing signs of rust or found to be 10 or more years old will be replaced.
- AC inspections have typically started in March to minimize guest interruptions. We replaced 17 this year. We plan to have Climate Makers inspect the A/Cs prior to snowbird season this year in November and December.
- Many units have the original toilets and we are encountering more problems. All owners are strongly encouraged to replace their toilets if they have not done so already. If you would like yours replaced, let me or the front desk know so it can be scheduled with Maintenance.
- The laundry room is now in good working order. It was closed during December 2017 to repair the floor beneath the commercial washer which had broken July 2017. The floor repair company accidentally spilt Epoxy down the drain pipe which caused the drain to overflow when both washing machines were operating. The drain was replaced at the end of January and the company that did the floor repair paid the cost to repair the drain - \$3,600. Our remaining old commercial washer broke this July. We started to outsource laundry as it was not possible to meet demand during peak season. Since then we've determined that outsourcing the laundry and using the Islander's commercial washer for bedspreads etc. is advantageous particularly during high occupancy periods. It's cost effective and allows us to use the 2 laundry room employees to inspect units prior to guest arrival which has significantly reduced the number of guest complaints.
- To assist in the overall management in the event of a hurricane/tornado or other disaster the Islander contracted with Disaster Response Team (DRT), Code Red Disaster Emergency Response Company.
- The Islander engaged Police Officer Detail July 1st – July 4th from 4PM – 3AM. No security issues.
- The change to ENCO as our Internet Service Provider in late 2017 meant that our maintenance staff had to remove all Cox modems and associated routers. This was completed in spring. We have had no complaints with the new provider. If service goes out, they usually call us before we know it's down. This has happened 2 times because of wires cut but service was up within a few hours.
- Cox remains our cable provider. We are beginning to experience some cable wiring problems. The original building RG59 cables running from the corner splitter to the back bedroom are breaking. Replacing cables will be done as needed as it's necessary to remove crown molding and thus far has taken 8-10 man hours per unit. Cox met with Todd about the price to rewire. Cox informed us that they would not bid the job because it requires removing crown molding and possibly cutting holes in the sheetrock and patching and they do not want to take on the liability. Cox anticipates wireless cable boxes will be available in late 2019 which should fix the wire issue.
- The West pool was leak tested and no leaks were found.
- Key card activation replaced the beach combination lock November 1st and has worked great so far.
- We have ordered 8 new grills and 8 luggage carts.

- On the to do list
 - Painting: stairwells (West side completed), outside of the maintenance building, pool bathrooms, laundry room door and Front Desk area.
 - Front walkway porch lights are being changed over to LED
 - Parking lot lights have been switched over to LED
 - Tiki hut thatch will be replaced
 - New bench beside west pool door
 - New lobby furniture
 - Install 2 hand dryers at the East pool baths to hopefully stop the sewer system from backing up.
- Beach Renourishment: The County approved spending the money to dredge the east pass of a couple hundred thousand cubic yards of sand. Per State law when you clear the inlet, the sand is to be placed on the adjacent eroding beaches. The Inlet management plan states the same. The Core of Engineers changed their permit to state the same. A select few Okaloosa Island owners do not like the inlet plan and are actively seeking ways to block our receiving sand. The County is authorized to spend \$2 million to dredge the pass by the Board of County Commissioners. The magic date is 11/15 which is the date to file a challenge against the permit that was put in place this past summer. We hope renourishment will begin before year end but the reasonable date is before spring break.
- A second beach-related issue is the helicopter noise issue. Holiday Isle Improvements Association (HIIA) has prepared a formal statement that the association strongly opposes the tourist helicopter operation in our neighborhood because of the danger, nuisance, degradation of the beach environment and loss of rental revenue and property value; and, it requests that the City of Destin and Okaloosa County prohibit the operation of tourist helicopters.

Motion: Merrilyn Cooked moved that the Islander support the Board of Directors of the HIIA's statement opposing the Helicopters flying over our beaches and grounds and requesting that the City of Destin and Okaloosa County prohibit the operation of tourist helicopters.

Vote: No discussion, Vote unanimous, Motion carried.

TO DO: Mrs. Pollak to submit.

b) Construction Update Report

- Our building is now hurricane compliant throughout. Because of this, our insurance premium did not increase whereas others have seen up to 15% increases. Our new appraisal completed spring 2018 did result in a higher premium. Our building is now being insured at \$21,786,911 which is \$3.4 mil higher than our previous appraisal.
 - Owners too are eligible to receive a discount on their individual policy.
- As reported at the May BOD meeting, the Front Window (Kitchen and Guest Bedroom) /Waterproofing/Common Area Window Replacement Project was completed in January 2018. The punch list was completed in April. Cost savings from only having to replace one section of the East Wall and none of the North wall were \$55,000. We applied this cost savings to the common area windows which were not included in the original bid.

c) **Marketing / Rental Report**

- Our children activities were a huge success again this year. As always Helene does a wonderful job organizing them. This year we had Painting on the beach with Helene, Melissa and LaToya, Nonie's animal Ark, and airbrush tattoos.
- Since going live with VRBO in mid-May 2017, we had 89 VRBO reservations for the 2017 year totaling \$51,720 in rent revenue; \$70,660 which includes taxes and fees (cleaning & DW). For the 2018 year, we have had 390 reservations totaling \$373,760 in rent revenue for 2018; \$473,648 including taxes and fees so far.
- We refunded 52 reservations totaling \$31,300 to guests that stays were interrupted because of Hurricane Michael in early October.
- As shown on the spreadsheet (page 10 owner packet) we are almost \$450,000 above budget for revenue; which is 12% higher than 2017.
 - Our occupancy rate for 2018 has been 5% higher than 2017 on average from Jan – October.
 - We are 14% ahead in advance bookings for 2019 compared to this time for 2018.
 - We discounted rentals up to 15% in October for the evacuees and workers from Panama City.
- We anticipate our new website will go live next week. I hope everyone finds it easier to navigate.
- We have had no kick back on payment in full 14 days prior to arrival. We have sold \$3,908.18 in travel insurance policies with our commission totaling \$1,367.
- November Annual Clean Status:
 - 17 units have been deep cleaned.
 - The Islander Rental Company is paying the housekeeping cleaning fee for Islander Rental participants.
 - Owners will be responsible for the tile, upholstery, carpet and bed comforter if it is sent out for dry cleaning. Washable bed linens are being done at no cost by The Islander.
 - There have been 8 units evaluated and new pictures taken.
 - The November 30th deadline to have the Unit evaluations completed is not feasible with the increased occupancy thru November. We hope to have all pictures and evaluations completed by mid-December for the units that will not be under construction.
 - The clutter in the water heater closets and bedroom closets is being cleaned out during the deep clean. If you would like to keep items, please make sure your unit number is on them. Guests leave beach toys and such. The area should be clutter free with only a few paint cans, broom, mop and bucket.
- Palm Room:
 - Our primary source of reservations is Wedding Wire. This year we increased wedding wire advertising from \$270 a month to \$440.
 - The Islander's contract with Tibor Pollak is complete and payment has been issued. Mr. Pollak did several virtual tours and pictures which are posted on our website and assisted with setting up the ads on Facebook. Printed brochures remain to be done.
 - We spent \$155 on Facebook target advertising (Newly engaged females and males ages 25 – 45) and have 225 page likes in the last 28 days. We have reached 3,400 people. Our biggest reach is Atlanta, GA then New Orleans, Birmingham, Montgomery and Jackson MS.
 - In 2018 we had 15 reservations. Rental income 3/17/18- 11/8/18 totaled \$7,250. There were 3 more reservations totaling \$2,000 and 2 beach only reservations totaling \$500. Beach reservations without Palm Room use have been \$250 per day this year compared with \$50 - \$100 per day in 2017.

- In 2017 we had 11 reservations totaling \$5,250 and 8 beach only reservations totaling \$950.
- In 2018 we increased the Palm Room rental rate to \$1000 if no accompanying unit reservations.
- Since we started tracking wedding unit reservations in March 2018 (following 2018 February Board meeting) we have had 13 unit rental reservations totaling \$6,220 in rent revenue for the 2018 year.
- Currently we have 5 weddings booked for 2019 totaling \$3500 in revenue and 2-unit reservations totaling \$2300 in rent revenue.

d) Finance Report

- The Financial Health Overview Report table on page 11 is an overview since the renovation.
 - Association: As you can see with the contingency account, prior to 2014 we used reserves to supplement unforeseen repair items. We now have a budgeted line item to cover the unforeseen maintenance issues that arise during the year.
 - Rental: The commission was 28% in 2013 and is down to 21% this year and will decrease to 20% for the 2019 year.
 - Reserves: Our balance is steadily increasing since we opted in to fully fund reserves. Since 2014 we only use reserves for replacement items not repairs.
 - Renovation and Assessments: We started the major renovation of the building in 2010 with the master bedroom windows, walkway/balcony tiles and handrails, light up sign, entrance sign, property signage, walkway light fixtures, parking lot enhancement
 - Since completion in 2011 we have replaced the front entrance doors, the sliding glass doors, renovated the palm room, replaced the front walkway windows, replaced the west wall, and waterproofed the building again in conjunction with warranty terms. Most of these items were special assessment items.
 - 2018: Since receiving the final BP settlement we were able to arrange for our walkway pavers to be replaced, parking lot to be repaved and resurfaced; and tennis court repair including replacing the fencing and light poles and fixtures. We hope you will agree that we have the best-looking property on Holiday Isle.
- **Association Balance Sheet:** (Page 12 owners packet)
 - Line 4 prepaid insurance is up \$20K this year for additional amount per insurance appraisal.
 - Line 10 note payable was paid off with BP settlement.
 - Line 11 SBA principle steadily decreases.
- **Rental Balance Sheet:**
 - Line 1 cash on hand has \$200K BP settlement included.
 - Line 11 has \$15K more in advance deposits, \$65K more due to owners' end of Sept than 2017.
- **P/L Association:**
 - Income:**
 - Line 14 real estate commission - no broker 2018.
 - Line 20 palm room income has increased - more functions and now charging \$1,000 if no stays.
 - We had \$389K in special assessment income for 2017 on line 22
 - Line 23 for 2018 is the settlement received from BP.
 - Expense:**
 - Line 25 salaries have increased – more payroll because of busier year.
 - Line 27 insurance was over expensed for 2017 so had less expense in 2018.
 - Line 29 has higher audit expense and attorney expense in 2018.
 - Line 30 was for the front doors and sliding glass doors for 2017 and for property pavers and boardwalk repair for 2018.

→ Line 38 contingency is higher than 2017: In 2018 we had \$1,574 in detail by the sheriff's office, \$1,400 to repair the elliptical, and \$4,566 for the LED roof and exterior walkway lighting.

- **P/L Rental:**

- **Income:**

- Line 13 replacement items is higher than 2017. There were 17 A/Cs installed in 2018 at \$4,174 each compared to 6 in 2017. There were also 6 appliance sets replaced in 2018 compared to 1 purchased in 2017 for \$2,000 each.

- Line 14 rental commissions are up due to higher occupancy which has the same effect on damage waiver (line 15), housekeeping (line 16), and beach rentals (line 18).

- Line 23 is from the BP settlement.

- **Expense:**

- Line 25 salaries, is up as our occupancy increased, maintenance overtime.

- Line 27 replacement items, is higher as income is higher.

- Line 28 taxes, has increased from the BP settlement.

- Line 31 damage waiver, has decreased claims.

- Line 32 has increased, paid VRBO \$17,402.55 this year in commission, \$5,000 for new website.

- Line 35 housekeeping product for 2018 is the outside company linen service.

- Line 37 decrease in housekeeping expense. Saving \$15 per clean this year.

- Line 40 guest amenity beach is due to higher occupancy.

- Line 41 linen replacement, replaced sheets and towels.

- Management would like to purchase matching commercial door mats for all the units.

- **After hurricane Michael, the Islander Rental Company donated \$1250 to the American Red Cross.**

Motion: Louise Squires moved to incorporate Management's Report into the minutes and thanked Mrs. Pollak and staff for a job well done. 2nd Rosemary Bubien.

Vote: No discussion, Vote unanimous, Motion carried

Motion: Jan Wagner moved to approve purchase of matching commercial door mats for all units. 2nd Louise Squires.

Vote: No discussion, Vote unanimous, Motion carried

8) Unfinished Business

None

9) New Business

None

10) Election Results: (Addressed under #6)

11) Adjournment

Motion: Merrilyn Cook moved to adjourn the meeting, 2nd by Louise Squires.

No discussion. Vote unanimous. Motion carried.

Meeting adjourned at 9:50 AM.

Submitted

Rosemary S. Bubien

Secretary