

MINUTES

**THE ISLANDER OWNER'S ASSOCIATION, INC
REGULAR BOARD OF DIRECTOR'S MEETING
HELD ON MAY 17TH, 2014 AT 9:00AM
IN THE PALM ROOM OF THE ISLANDER CONDOMINIUM
AT 502 GULF SHORE DRIVE, DESTIN, FLORIDA 32541**

Board Members Present: Fisher (Ax) Feltenberger (#303), Larry O'Bryan (#318), Ken Klus (#502), Ken Dixon (#704)

Board Members Present Via Conference Call: Sharon Schlott (#413, #603), James Swanson (#712).

Members present: Louise Squires (#213), Steven Dudugjian (#314), Rosemary Bubien (#411), Louis Mossotti (#511), Dave Clausen (#611)

Members Present Via Conference Call: Jimmie Hill (#218), Phil Bierbaum (#612), Jimmie Stuart (#516)

Management Present: Stephen Parish, GM, Megan Pollak, Assistant Manager, Helene G. Korski, Transcription.

1) **Call to Order:** The President, Ax Feltenberger, called the meeting to order at 9:04AM.

2) **Roll Call:** 4 Board members present and 2 member on conference call, Quorum was established.

3) **Proof of Notice:** Megan Pollak confirmed the notice of meeting was properly posted in accordance with Florida Statute 718.

4) **Approval of Agenda:**

Motion: Larry O'Bryan moved to approve the Agenda as presented, 2nd by Ken Dixon

Vote: No objection, Motion carried.

5) **Approval of Minutes (February 22nd)**

Motion: Ken Klus moved to approve the BOD meeting minutes held February 22nd, 2014, 2nd by Larry O'Bryan.

Vote: No objection, Motion carried.

6) **President's Report – Axel Feltenberger**

On behalf of The Islander, Mr. Feltenberger offered to the Blair family our sincere condolences for the loss of Mr. Luvern Blair, whom passed away this past week due to a tractor accident. He thanked Management for sending a plant on behalf of The Islander. He continued to say Leo Rolfes, Treasurer, underwent a stem cell transplant procedure. Although this was a very serious medical intervention, he was glad to announce that Mr. Rolfes was now recovering. He congratulated Sharon & Dennis Schlott as they are new grand-parents.

7) **Finance Committee Report - Ken Klus (subbing for Leo Rolfes):**

a) **2013 Audit**

Ken Klus reported that this was reviewed in detail yesterday during the Committee meeting. He concluded that it was a positive report and that overall The Islander was in very good shape. He then referred to the CPA recommendations regarding internal management and that the Board will be looking at possible changes in the future. Megan stated that they are very happy with the new CPA firm for their services and fast responses.

b) **First Quarter Review**

Ken Klus referred to Page 24 "Comparisons 2013 vs. 2014". He added that the total revenue is up on the Association side due to real estate income, increase in rent and improved laundry room income. The expenses are up due to insurance premium increases and plant replacement from the winter freeze. He noted that Rental was down from 2013 due to bad weather during the spring season and that Stephen will go over this subject in his report. Expenses are down as we are saving money on salaries; however, the rental now pays a portion of the audit so that expense has increased.

c) Reserve Study

Megan reported the last reserve study was done after the renovations and The Islander is due for an up-date. Victor Bowman was hired to conduct the reserve study up-dates. He will re-evaluate the expected life and expected replacement cost of all listed assets items. New items have been added such as reserving to replace the doors and windows in the units, plants, and to replace the plumbing and electrical throughout the building. The up-dated report will be available at the August Board meeting. Another company was contacted to complete a reserve study but quoted over \$5,000 to complete it when Victor quoted \$1,000.

d) Insurance Appraisal

Megan explained that the Florida Statute directs condominiums to obtain an Insurance Appraisal every 3 years. Therefore, we were due for an up-date which was obtained at a cost of \$500. The appraisal has been posted on the website under the owners tab in the owner reference materials section for anyone who wants to review.

8) Marketing / Rental Working Group

a) Occupancy Report – Stephen Parish

Stephen referred to Page 35 of the binder. He reported that despite the arctic winter and torrential rain, we were still \$4,000 ahead of budget. He reported a \$26,000 loss against budget in April and predicts that we will probably lose about the same in May. However, June (\$50,000 ahead of this time last year) and July (\$22,000 ahead of this time last year) are both stunning months ahead of 2013. Also, we have achieved 64% of our bookings online.

b) Advertising / Marketing Report

Stephen stated that we are doing the same marketing and advertising as we have done in the past, by spending \$1,000 per month advertising on Google. We have over 11,000 fans on Facebook. We saved about \$6,000 on marketing and are still achieving the results we need. He invites the owners to view the email blasts posted every week under the specials tab on the website. He added that we had an exceptional year in real estate, available condos also advertised with weekly email blasts.

c) 2015/2016 Rental Rates

Stephen explained that the 2014/15 weekly rate will remain the same as previously agreed upon. He reminded the board members that the current rate was a 6.5% increase which resulted in 7% growth and was set to encourage longer term stays. At yesterday's committee meeting, it was discussed to drop the \$35 booking fee which was established to encourage online bookings, which it has successfully done. Stephen recommended that the booking fee be replaced by a damage insurance fee of \$9 per day or \$63 per week starting January 1, 2015.

Ken Dixon explained that Megan and Stephen surveyed the surrounding condominiums' rates structure providing a fee for damages. Stephen believes that it would be good for us to recover the replacement charges for broken, lost items, carpet cleaning up to \$1000 on a claim.

Discussion:

Would monies from the damage fee be kept in a designated account and only used when needed?

Megan said that monies collected will be considered as an "income item" for the rental company and be used when there is a claim. Stephen explained the type of claim for which these monies would be used up to a \$1000 limit per claim i.e. carpet clean or sleeper sofa frame mechanism replacement. He confirmed that the damage insurance fee will not be applied to the long term rentals.

Stephen recommended that floor tiles be cleaned professionally once a year to be done with the deep clean.

9) Management Report

a) Landscape

Stephen reported that back in February, he walked the property with Leo and Ax to evaluate the damages caused by the harsh winter to the grounds. Most of the plants had to be replaced for a cost of \$23,000. The replacement plants are 80% local indigenous plants resistant to cold weather except for the Hawaiian Ti plants needed for their color. Plants had to be purchased from south Florida as plants providers in the areas had also been affected by this bad weather and were shut down.

b) Walkway/Balcony Handrails & Master Bedroom Windows

Warranty has been fulfilled. All items have been power washed.

As to the bedroom windows, Megan stated that they have been waiting on EFCO, the window manufacturer and warranty provider. Numerous complaints have been filed with Suncoast regarding loose seals threatening the integrity of the window and producing condensation between the glasses. Megan said that they will not use and/or recommend EFCO in the future.

c) Annual Renovation Building Inspection

Megan said that Victor Bowman came to The Islander to do the Reserve Study. Mr. Bowman will be back to inspect the building. This will be reported at the August board meeting.

d) Future Building/Grounds Projects

Megan listed future projects in need of attention:

- Tennis Court lights need to be sanded and repainted;
- Perimeter fence needs painted and some boards replaced;
- Resurfacing of both pools; Todd suggested that during pool resurfacing, it would be the ideal time to change the lights.
- Proposal to paint the front doors and doors casings as a lot of them look in disrepair. Subject tabled to the next Board Agenda.

Discussion:

Since the entrance doors are scheduled for replacement, would it be wise to invest the money to sand and repaint them now? Can we make a temporary fix until replacement?

Subject tabled to the next Board Agenda, the Door/Window committee will consider all options.

- Megan reported that ICG, a consultant firm contracted to study our utility bill, advised us that we were overcharged by Gulf Power in the amount of \$26,320.56 and we are entitled to a refund. She added that the overcharges were not on the kilowatts but on the surtaxes for the entire building. ICG's fee is 50% commission of the refund. The Islander has received a refund check from Gulf Power in the amount of \$13,160.28. Megan contacted the CPA to see how this refund can be used. The CPA advised that we could use the money as the Board seems fit. This could be used to reduce a future assessment or be applied to the sweep account shortage. Stephen added that this will continue to be good news and continue to save us money. In 6 months ICG will confirm Gulf Power is no longer over charging us.

10) Unfinished Business

a) FDIC limit

Megan reported that at the November Owner's meeting, one of our owners, Mr. Johnson, made us aware that we might be over the FDIC \$250,000 insurance limit in our bank account. After investigating, we found this to be the case. To rectify the situation, we are in the process of purchasing CD's from 2 different banks to make sure our monies are insured.

To Do: Management to get 2 CDs from 2 different banks.

b) Insurance Agent

Megan and Stephen searched and found a new insurance agent - Hays Insurance Company. They found out that we were over insured for our flood insurance. We are now insured in accordance with the FDIC limit requirement. Overall, we are fully insured for the next year policy. This new insurance company has already taken over and our policies have been renewed. During the appraisal, it was discovered that we were over insured for flood insurance, premium \$11,000, and received a refund of about \$2,300.

c) Section 5 on Page 109 in Condo Docs

Ken Klus referred the members to the Islander's docs "Operations Financial Administration" at Page 47 of the binder Section 5 – He reported that in 2013, the Rental Company made a profit and had to pay federal and state taxes of about \$13,000. Section 5.1.A (5) – Financial Administration of the Condo Docs outlines how to administer and apply any surplus or loss from operations. The CPA was consulted on this and they advised the "fund balance" amount is to be used to determine if we have a surplus or loss. He added that at this point we are

in deficit so therefore it is not applicable. He recommended that the Finance Committee will review the books every August, to find the right strategy to get close to ZERO balance so to avoid owing taxes.

d) Playground

The President reported that Rosemary Bubien did a very detailed job researching about the installation of a playground focused specifically on age 2 to 5. He added that following the committee's discussion yesterday, it was decided to concentrate on up-grading the Palm Room first so that, the revenue generated by the Palm Room rentals could potentially pay for the playground purchase and installation.

Discussions:

Mrs. Bubien confirmed that a playground was covered by the insurance and, as to maintenance; there was a 10 years warranty on all material as said installation and material was reputed to hold up very much. Subject put on hold.

Megan obtained the attorney's opinion: a vote to the owners will be requested as "once you pour concrete in the ground it is considered a "permanent structure" and would require the owners' vote". Subject will be brought back as "New Business".

Megan explained that Enchanted Beach Weddings are recommending us and sending a lot of wedding parties to us to rent our condos and the Palm Room. Helene has a good business relationship with them and she believes this is why we have an increase in group/wedding rentals. However, they mentioned that it was very hard to match their decorations with the color of the room.

Mr. Dixon referred the owners to the Palm Room Business Plan prepared by Helene under Megan and Stephen supervision covering the Palm Room's rentals in 2013.

To Do: Management: Research to be made for the cost of remodeling the Palm Room – Best way to market it, and rental rate – When would work start.

e) Patio Furniture

Megan provided a copy of the letter sent to the 5 owners not in compliance with the new patio furniture. She confirmed that the order had been made and furniture to be delivered within five (5) to six (6) weeks. Ref. Page 68.

f) Staff Bonuses

Ken Klus stated that he and Leo Rolfes met and discussed staff bonus plan. A bonus plan is being prepared with a goal of recognizing outstanding performances by our staff members and to share in The Islander's success. It will be tied to an overall compensation plan and needs to be included in the budget process. We may need to have an interim plan for 2014 with a permanent plan in place for 2015. Hopefully, come August we will have a more specific plan to present.

Subject reported to August Agenda.

g) Employee Handbook

Megan reported that the Employee Handbook has been revised by Management and our attorney. The document is to reflect our employee's policy. We have taken out the "Group Health Insurance" as we no longer provide it. Megan asked the BOD to revise the document for additions, omissions, or comments. Ref. Pages 69-75

h) Owner Pets

The president stated, as requested by the BOD, an investigation regarding "owners' pets" research has been made by Carole Marie Stuart, and Vicki Waldie providing supporting data of nine (9) condo documents regarding their respective "Pet Policies. Out of the 22 condos researched, she received five (5) NOs and seventeen (17) Yeses. She was also informed that 90% of Destin area Condos allows owners to bring their pets in the Destin area.

To Do: The President will take this matter under advisement. Language will then be drafted for an owners' vote at the annual meeting. Verbiage to be discussed at the August Board meeting.

i) Doors/Windows Committee

Dennis Schlott, David Jeffcoat and Jack Mayer with Ken Dixon the chair formed the “Doors/Windows Replacement” Research Committee. They will then submit their report and recommendations to the Board.

To Do: Ken Dixon will investigate to try to find a manufacturer that would provide “already colored doors” so we would not have to paint again. We will also research for combination key door / keyless with reliable system. He was informed that Jetty East has the keyless system and it works pretty well, is more users friendly, more staff friendly, more liable and economical.

Discussion:

Options 1: To make it less of a financial burden on the owners, the committee will consider doing the project in stages - doors could be replaced one year and the windows another year. The disadvantage to this approach is we would have to close down a unit two times for 2 to 3 days.

Option 2: To replace both doors and windows at the same time and be finished with the project and shut a unit only one time.

Slider Door Option: Give the interested owners the option to replace the sliding patio doors at the same time as the doors and windows are being replaced, while their unit is shut down.

To Do: Committee to present their report and recommendations at the August Meeting.
Item to be added to the August Agenda.

11) New Business

a) Employee Health Insurance

Megan said that Management looked at BC&BS plans with the subsidies the Obama care will help pay so to provide health insurance for our employees. Result: only two (2) of our employees qualified. At yesterday committee meeting, it was decided that the health insurance will be covered for 3 managers by salary compensation: for Megan and Todd \$250/month, and \$500/month for Stephen. Funds for Group Insurance were in the budget in February and therefore, compensations will start from then.

Meeting conclusion:

As there is only one occasion for the membership vote, and it is at the annual meeting, the President specified that at the August meeting, all reported subjects and proposals will be discussed and decisions will be brought for owners’ vote at the November annual meeting.

12) Adjournment

Motion to adjourn moved by Larry O’Brian, Ken Dixon 2nd.

Vote: No objection, motion carrier. Meeting ended at 10:15AM.

BOD August meeting scheduled for 23rd and the Committee meeting will held on the preceding Friday.