

MINUTES
THE ISLANDER OWNER'S ASSOCIATION, INC
REGULAR SCHEDULED BOARD OF DIRECTOR'S MEETING
HELD ON November 14, 2020 IN THE PALM ROOM OF THE ISLANDER CONDOMINIUM
502 GULF SHORE DRIVE, DESTIN, FLORIDA 32541

MEETING TELEPHONE # 1-800-444-2801, CONFERENCE CODE 6921782

Board Members Present: Merrilyn Cook (#713), Rosemary Bubien (#411), Ken Dixon (#704), Janet Jeffcoat (709), Jerry Moore (#601)

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

Owners Present: Farrell & Traci Blair (103,113,115), Linda Demott (107), Nathan & Chanel Prince (201), John & Karen Boyd (301), Axel & Pam Feltenberger (303), Alberto Romero (401), Scott and Jimsie Looper (602), Dennis & Sharon Schlott (603), Kevin & Barb Strand (604), Jack Collins (612), Jonathan & Melinda Keathley (616)

Owners Present via Telephone Conference: Tina and Steve Thomas (204), Thomas & Myra Crawley (205), Tracey & Stephen Hay (206) Nick & Jennifer Fargo (217), Stephen & Ruth Dudugjian (314), Larry Denning (317), Barbara Magnan (506), Dawn Hamilton (510),

Management Present: Avery McAninch, CAM, (VMG) Kristie Laubscher, Human Resource Director (VMG)

Management Present via Telephone Conference: Cindy Seitz, CPA (VMG)

1) Call to Order

Ms. Cook called the meeting to order at 9 AM CT.

2) Roll Call

Ms. Cook called the roll and confirmed that a Quorum was established.

3) Proof of Notice

Mr. McAninch confirmed the notice of meeting was properly posted in accordance with Florida Statute 718.

4) Approval of Agenda

Ms. Cook confirmed there were no corrections or additions. Agenda stands as posted.

5) Approval of Minutes (August 22, 2020)

Ms. Cook confirmed there were no corrections or additions. Minutes stand as posted.

6) Board or Directors Reports

a) President's Report – Merrilyn Cook

Owners expressed concern during Friday's meeting regarding the status of the Islander's employees' IRA and access to funds by former employees. Ms. Cook detailed the steps she had taken since learning the IRA had been locked upon Megan Pollak's departure. Steps included speaking with Fidelity representatives' numerous times, updating the profile to remove Mrs. Pollak, assigning Lori Jackson, new GM to resolve; and restarting the process after Mrs. Jackson's departure. Both Ms. Cook and Kristie Laubscher are actively trying to resolve. Their last

interaction indicated that Ms. Seitz would also need to be on the calls. Efforts to locate the IRA contract at The Islander continue.

Signatories for Islander bank accounts at Trust Mark and other banks have been changed three times, are current, and there are no problems.

The annual meeting and elections had to be postponed due to incomplete mailed information. Owner e-mails disparaging Avery McAninch, the Islander's new CAM are unfounded. Mr. McAninch has held a national CAM license approximately 20 years. As Florida requires a state license, he obtained a FL license about 6 months ago. He is only partially responsible for the oversight that occurred on his 4th day of employment. The information was to have been mailed about 2 weeks earlier by Lori Jackson, our previous CAM. Moreover, this happened because unlike previous years Ms. Jackson did not send out complete information at 30 days. Instead, she e-mailed partial information and did not mail out a hard copy. Upon learning of the oversight Mr. McAninch contacted the Board attorney who advised that the annual meeting and election had to be postponed.

Owners alleging that Ms. Cook and the Board are not being transparent, working or providing appropriate oversight are without foundation. The destructive and divisive e-mails owners have circulated hurt all parties including the Islander. The Board has held approximately 22 executive zoom meetings related to Megan's resignation, retraction of initial resignation, second resignation, initial management plans with an Islander employed GM and VMG accounting services; and the factors leading to change operations to outsourcing both management and accounting activities to VMG. Owners were not notified of these meetings because personnel-related meetings are closed executive sessions. Prior to executive meetings, Ms. Cook spoke with each board member to apprise members of steps she had taken and obtain feedback about upcoming steps needed. When possible, she conducted 3 ways calls. In general, it's Ms. Cook's practice to have another Board member present (or on the call) or Mrs. Laubscher when addressing potential issues.

Owners alleging that employees have left the Islander are unfounded. The Islander experienced unforeseen management changes but core employees have remained. It was necessary to terminate Lori Jackson as our CAM because of her independent actions and disregard of the advice of the Board and VMG Accounting services.

Ms. Cooks reminded owners contending that the Board needs new blood that Janet Jeffcoat was first elected in 2019. She concluded saying "knowing the history of the business is not especially a bad thing. Remember that those who do not learn from history are destined to repeat it."

b) Vice President's Report – Ken Dixon

Mr. Dixon disputed Todd Schultz's and Jack Collin's comments and e-mails to owners and informed owners that these were biased accounts that related only what Megan Pollak had relayed and not the facts as shown by their relaying text exchanges during Friday and today's meeting.

The Board made every attempt to accommodate Mrs. Pollak during her employment. There were 2 occasions when she received at least a \$10,000 a year increase as well as an end of the year employee bonuses of a few thousand dollars when she was Assistant Manager. To retain her as GM in 2019, the Board approved a \$12,000 increase, an end of the year bonus and additional funds, time off and insurance benefits.

The Board foresaw problems with Mrs. Pollak being the only person in charge and requested she hire first a bookkeeper then an assistant manager for several years to avoid the situation we found

ourselves in this year. Cindy Mayo was deemed to have done an excellent job running the Islander when Mrs. Pollak was on maternity leave. She was terminated without Board knowledge. Key positions have gone unfilled. Problems arose not because the Board micro-managed Mrs. Pollak but because of the latitude granted. When the Board required accountability, Mrs. Pollak resigned.

The Board asked Mrs. Pollak to train Cory Weiszhaar while the Islander was shut down using the zoom record option. This was not done. Mrs. Pollak obtained a real estate license to enable the Islander to secure referral commissions and later demanded a percentage of the commission. She did not inform the Board that her spouse was attending the same real estate class, obtaining a license at the same time, or was employed by the same realty company contracted by the Islander.

The Board did not run Mrs. Pollak off. When she retracted her initial resignation after one week, we rehired her after consulting with our attorney. Later she resigned with 2 weeks' notice going into high season. We gave her the benefit of the doubt for a long time.

7) Financial Report - Cindy Seitz, CPA, Virtuous Management Group

a) 2nd and 3rd Quarter Review – Association and Rental

Ms. Seitz was on site for the Friday working Group but delivered her report via telephone today.

There have been a series of issues to work through these last 3 months including numerous bank accounts where Mrs. Pollak was the signatory.

The main reason that items have taken so long to resolve is that accounting practices require receipts and corresponding entries. Locating the items has been a challenge. The majority have now been located and the financials are coming along. Accounting for credit card charges on a credit card in Mrs. Pollak's name rather than the Islander's has been very time consuming as she had sole access and the account was closed. Another example is the many Climate Maker invoices dating back to April. It has been necessary to call to verify every invoice before charging owners.

The budget Ms. Jackson sent to owners was incorrect. She disagreed with the budget that Ms. Jackson developed. Lori distributed the budget without her or the Board's approval.

Responses to owner questions about Straight Line versus Pooled Reserves:

- A Reserve Study is done periodically to establish the projected replacement cost of items based on the remaining useful life of the item.
- The Reserve total and HOA monthly assessment are the same regardless of the type.
- The Pooled Reserve method does not change how reserves are collected or allocated within the reserve account from the straight line (component) method.
- The difference between a pooled reserve and a straight line (or component) reserve is how the funding is used as well as other combinations and factors such as pooled interest.
 - ✓ Pooled Reserves: If a project exceeds the amount in the Reserves, the entire project can still come out of the reserve accounts. This method allows more flexibility and can avoid using operating funds.
 - ✓ Straight Line or component Reserves: If a project exceeds the amount in the Reserves the project may have to use operating funds and/or it may result in a special assessment (unless another measure is in place).
- Pooled Interest Reserves: The Islander pools interests from the funded items.

- ✓ If a project exceeds the amount in Reserves but Reserve Interest is pooled, the pooled interest funds may be used to make up the difference between the replacement cost of the item and the amount budgeted.
- *Islander specific example - straight-line Server replacement and pooled interest:*
The amount budgeted in reserves to replace the 11 year old server is \$8,300.00. This item was 100% funded in May 2020. No additional funds have been deposited to this account. The Board voted to use pooled interest funds to make up the difference between the replacement amount and the budgeted amount.
- *Example -straight-line elevator door and shaft.* The current reserve study estimates \$40,000 replacement over the expected life span. If the elevators' life span were an estimated 40 years then the HOA would save \$1,000 per year until \$40,000 was saved. After 10 years there would be \$10,000 allocated. If it costs \$30,000 to fix the elevator doors and only \$10,000 has been saved, there is short fall of \$20,000. With Pooled reserves, funds from other reserve accounts could be used to pay the entire cost from reserves.
- Florida approved the Pooled Reserve method around 2009.
If the Islander were to change to Pooled reserves from Straight line reserves it would be a change to **The Islander CONDO DOCS and a 66% majority owner vote** would be required.
- Ms. Seitz's opinion is that there is no advantage to one method over the other and that the Association could do a mix.
- Ms. Cook informed owners that Lori Jackson preferred Pooled reserves. The letter she had prepared for the owners stated that the Board recommended Pooled reserves. This was **NOT** true. The Board had NOT made a recommendation and had not approved the budget Lori sent to go out to owners.
 - ✓ The Board has **NO** recommendation at this time.
- Ms. Cook reported that the Islander had obtained a CARES Act grant of approximately \$110,000 in the spring. The terms of the Payroll Protection Plan were specific that funds be used for payroll and utilities.
 - ✓ As part of Cory Weiszhaar's Assistant Manager Contract executed in May, he received a \$5,000 increase in salary which was paid in full prior to his resigning. The contract contained the stipulation that he was to repay the \$5,000 if he left the Islander before December 2020.
- Ms. Bubien clarified in response to owner questions that Fire Sprinkler Pipes were the only known item which had not yet been added to the Reserves.
 - ✓ The item was identified in November of 2019 and discussed January 2020. Mr. Bowman, the architectural engineer who prepares the reserve study, estimated replacement cost would be around \$200,000 or so. He recommended starting to fund at \$10,000 each year.
 - ✓ The Board voted to not change the 2020 budget [approved November 2019] in January 2020 but to add to the 2021 budget. Possibly waiting until 2022 was discussed in August.
- Ms. Cook added that the Board had started to look at whether there was a mechanism whereby insurance could be added as a reserve item to avoid the \$4,000 plus in interest charged each year.

TO DO: Mr. McAninch and Ms. Seitz will verify addition of Fire Sprinkler Pipes.

8) Management Report – Avery McAninch

Mr. McAninch informed all the Islander was a beautiful property that appeared clean and well-kept saying “As you up to the units you notice the walkways are in good repair & clean and when you get to the front door you are greeted by a freshly painted unit door. It appears that there has been a lot of money recently spent to upkeep the place and a lot of hard work to get there so kudos.”

a) Personnel - Update and Responsibilities

- Guest Services – Staff seem engaged and happy to help one and other and the guests and owners alike. I understand that Kendal was recently promoted to a supervisor like position and was assigned to oversee laundry, housekeeping, and guest services; and that Jessica was assigned additional responsibilities to include making changes to Escapia i.e. rates, billing questions, changes on The Islander website, and other assigned duties.
- Maintenance – Todd and John appear to be engaged and in good spirits. It appears that Todd is backed up and will need some time to play catch up.
- Housekeeping – Staff have a good relationship with 5 Star, the contractor that does in unit cleaning and the common areas.

b) Laundry – There are issues with the current Laundry vendor. In addition to addressing vendor issues, Mr. McAninch is addressing inventory and linen storage

c) Building / Grounds Report

- The elevator flooring will need to be replaced.
- The east pool has some discoloration, the west pool has some small cracks.
- Several ground areas need to be tightened up such as weeds, removing dead plants, trimming plants and fertilization. Ziic, landscape contractor, appeared responsive and has agreed to walk the property on a regular basis.
- A few other grounds problems require additional funding such replacing dead and missing plants; replacing sod; and placing new pine straw. Pine straw was only done once this year due to budgetary concerns and parts of the property look tired. Replacement is an inexpensive way to freshen up the property.
- Tennis Court: While damage related to a hurricane is not covered under the warranty, the extent of the damage so soon after installation as compared with projected surface durability has raised questions about faulty installation. American Tennis examined the tennis courts and is working on a bid. It will be a 2-part bid as they will need to stretch the surface out again and then provide a bid on the cost of labor and materials based on the extent of the damage.

d) Rental and Marketing Report

- Snowbird occupancy is forecasted to be at 50%. Snowbirds have requested more outdoor activities such as bocce ball, corn hole, outdoor movies, etc. They have a small fund for their activities department as we may be able to partner with them on activities that we could use on the resort year-round.
- VRBO - \$571,658 in gross rental revenue which includes cleaning and Peace of Mind fees.
- Marketing and advertising funds appear to be about \$60K. The contracts and return on investment will be examined.
- The 2021 rates will be posted to the website when finalized. A program for return guest will be explored.

e) Palm Room

- Revenue was approximately \$8,000 with an additional \$40,000 in room revenue. Costs include the Knot/Wedding wire contracts of \$4,164 per year and \$2,400 as well staff time. Continuing to marketing the Palm Room as a wedding venue will be evaluated.

f) Miscellaneous

- i. COVID-19 update on sanitation measures and air purifier
 - Sanitizer is provided in the lobby.
 - Owner feedback regarding a proposed Beach Amenity/Resort fee was negative Friday.
 - Maintenance charges for in/out services was discussed Fri and is being evaluated.
 - Unit Grading: Due to the shortage of funds this year, unit grading may not be done unless an owner has made major changes.
 - ✓ If an owner has done major upgrades, please contact management.
 - ✓ If an owner disputes the grade received, please contact management so that the appeals committee can reevaluate.

9) Unfinished Business

a) Server Replacement Status

The need to replace the 11-year-old server remains critical. The Board approved purchasing a new server at the May 16, 2020 BOD meeting after securing an additional quote using the \$8,300 budgeted in the reserve account and the remainder of funds needed from the pooled interest account up to the amount of the May bid.

The Islander's IT company, Granade, who provided the May bid, reduced the \$14,546.70 bid by \$4,000. The 2nd bid is not as comprehensive, for example it does not include labor. Mr. McAninch recommended using our current vendor.

Ms. Seitz explained Friday that the \$8,300 budgeted in reserves had not increased because the item had reached 100% funding. As such it will still be necessary to use the pooled interest reserve account to cover the shortfall.

TO DO: Mr. McAninch will execute server replacement and recommend updated replacement cost to reserves.

b) Web site Update Status

Mr. McAninch is implementing steps to assure the website remains current.

The August 2020 video has been located. Staff input has been that they prefer the old video. Mr. McAninch is looking into the matter further.

c) Insurance 2020 Renewal Status and 2021 update

The 2021 insurance costs, projected 2022 insurance increase, and the interest charge for quarterly payments are being added to the 2021 budget.

d) Contract Renewals

i. Beach Service Contract

Holiday Isle Beach Service Inc. submitted a new contract to expire October 31, 2024.

Motion: Linus Carroll moved to accept the new contract. 2nd Jerry Moore.

Vote: No discussion. Vote unanimous. Motion carried

ii. Landscape

Motion: Linus Carroll moved to accept the ZIIC Outdoors, LLC contract bid. 2nd Janet Jeffcoat

Vote: No discussion. Vote unanimous. Motion carried

iii. Housekeeping Contract

Three other vendors were evaluated in conjunction with 5 Star this summer. The contract did auto renew in August. At the Islander's request 5 Star prepared a new contract consistent with the terms the Islander requested.

Motion: Linus Carroll moved to accept the 5 Star contract bid. 2nd Rosemary Bubien

Vote: No discussion. Vote unanimous. Motion carried

iv. Laundry Contract

Different approaches have been evaluated since the Islander reopened. Following bid comparison Mr. McAninch indicated he believes that the laundry can be managed in house and cost savings realized.

Motion: Linus Carroll moved to switch to in house laundry. 2nd Jerry Moore

Vote: No discussion. Vote unanimous. Motion carried.

v. Disaster Preparedness Contract

The contract with DKI Code Red expired July 13, 2020. Mr. McAninch will evaluate DKI and Southern Cat contracts neither of which involves money.

Motion: Janet Jeffcoat moved to allow Mr. McAninch to select the vendor. 2nd Linus Carroll

Vote: No discussion. Vote unanimous. Motion carried.

e) **Real Estate** – Merrilyn Cook

Anchor Realty provided a referral commission for 2 sales prior to Mrs. Pollak’s resignation. Olivier Monard indicated other sales were independently obtained and did not qualify for the referral commission. The contract is no longer active.

At Ms. Cook’s request, Grace Highfill is exploring a partnership with realty companies for a potential brokerage contract with referral commissions. The Friday discussion group determined a partner other than Vacassa was preferred. Mrs. Highfill will pursue other realty companies

f) **2021 Rental Agreement** - Rosemary Bubien

The proposed changes to the 2021 Rental Management Agreement (RMA) include updates to align the agreement with practice changes adopted in previous years and this year, editorial changes such as removal of Megan Pollak’s name, and cost-related changes which were identified as necessary since of 2019. The main section-specific modifications include:

1. Rental Management Program: Removed table itemizing rental rates for 2021 and changed to referencing BOD meeting minutes and website.
4. Maintenance Repairs and Supply Replacements: Authorization without prior approval is increased to \$350.00 from \$250.00.
5. Association:
 - e) Unit Virtual Tour and Photography is reinstated with charge to owner as needed.
 - g) Linen replacement is increased to \$250 from \$200 per unit.
 - h) Authorized not rental use: The first two weeks of October were added due to occupancy.
6. Owner
 - a) Due date of 2021 agreement updated to December 11, 2020
 - e) Beach service contract. Daily rate increased to \$8.00 + 6.5% tax per day.

Motion: Rosemary Bubien moved to adopt the proposed 2021 Rental Management Agreement contingent upon legal approval. 2nd Linus Carroll.

Vote: No discussion. Vote unanimous. Motion carried

TO DO: Mr. McAninch will secure legal review and using DocuSign format e-mail agreement to owners. For owners, without electronic capability, a paper copy will be mailed.

i. Virtual Tours – Avery McAninch

- Mrs. Laubscher confirmed per contract The Islander's Virtual Tours are the property Tibor Pollak's company. Mr. McAninch will discuss sale terms. Mr. Pollak has the capability of deleting a unit's virtual tour from the website.
- Mr. McAninch discussed alternative options. Emerald Coast Photography provides still photography and virtual tours.
- Dennis Schlott, suggested Tim Kramer Photography.

TO DO: Mr. McAninch will collate photographer information and finalize options.

- g) Revised 2021 Draft Budget
Per Cindy Seitz's report the budget remains in preparation.
 - i. Straight Line and Pooled Reserve
Discussed earlier under financials.

TO DO: Mr. McAninch will present draft budget to the BOD and after BOD review send to owners.

- h) Employee Handbook - Rosemary Bubien
Revisions to the 2017 Islander Employee Handbook are nearly complete and will soon be ready for Board review. She, Ms. Cook and Mrs. Jeffcoat started to update the handbook last spring to incorporate changes the Islander had implemented such as provision of health insurance and to eliminate discrepancies such as the duration of the probationary period. It became apparent that the Islander's handbook was deficient in many areas. For example, it made no mention of maternity leave, FMLA, and bereavement. Other sections were inadequately addressed. While we could add sections like bereavement leave, we were stumped as how to identify, add, and modify other sections, particularly those we knew were associated with laws, without outside expertise.

Through the Islander's contract with Virtuous Management Group, we now have access to their expertise including Human Resources under Kristie Laubscher. Mrs. Laubscher has been able to readily identify what needed to be done to bring the Islander's Employee Handbook into compliance with various laws and is now managing the project. Mrs. Laubscher is using VMG's handbook which has undergone extensive legal review within the past year and is compliant with all required legal sections as the template and merging Islander specific policies and benefits. Having access to a Human Resource expert has been an invaluable asset to the Islander.

The one proposed change is to switch to paid time off (PTO) rather than separate vacation and sick time. Total time available would not change.

Increasingly employers are changing to PTO.

- Mr. McAninch favors adopting of PTO indicating it is easier to schedule and plan.
- Mrs. Laubscher recommended adopting PTO and considering a fun term like Islander time.
- The Board concurred with changing to PTO.
 - i. 2020 Benefit Time
Mrs. Laubscher confirmed no employee was maxed out on VT. 1 employee has accumulated the maximum allowed sick time.

TO DO: Mrs. Laubscher will work out PTO specific and present a final draft of Employee Handbook to the Board for review and approval.

10) New Business

- a) Lawsuit Settlement
Settlement terms from the Blair lawsuit for unit 103 have been agreed upon. The Islander settled for \$17,500.00 and is awaiting attorney fees. There is no acknowledgement of wrong doing.

b) Employee Bonus

Motion: Linus Carroll moved to award a 3% end of the year bonus based on employee base salary.
2nd Jerry Moore.

Discussion: Financials are not yet known. Motion restated.

Motion: Jerry Moore moved to award a bonus based on available funds after year end expenses.
2nd Ken Dixon.

Vote: No discussion. Vote unanimous. Motion carried.

Mrs. Laubscher informed the Board and owners present that in her 20 years of team management she had never seem a more dedicated group of employees; and clarified that the bonus provided during the transition to biweekly payroll was to thank employees for their loyalty and perseverance and was limited to employees who were on staff before July 1, 2020.

c) 2021 BOD Meeting Schedule

Motion: Ken Dixon moved to table the 2021 BOD meeting schedule. 2nd Jerry Moore.

Vote: No discussion. Vote unanimous. Motion carried

11) Other Business

None.

12) Adjournment

Motion: Linus Carroll moved to adjourn. 2nd Jerry Moore.

Vote: No discussion. Vote unanimous. Motion carried. Meeting adjourned 11:56 AM CT.

Submitted
Rosemary Bubien, Secretary