

**Island at Hidden Harbour Condominium Association
Annual Owners Meeting Minutes
September 24, 2016
Meeting Room at OC Recreation and Parks,
200 125th Street, Ocean City MD**

President Mark Hannahs opened the meeting at 1:05 pm and introduced the other 6 board members who participated as well as Bob Moore and Brittany Arnone from Moore & Company. The roll call of owner units was not done after verification from Mana-Jit that we had a quorum with 60 owners represented by proxy along with the 32 unit owners who signed in that day. Mana-Jit confirmed all owners received their meeting announcement package so the notice of meeting requirement has been fulfilled.

Having satisfied the above requirements, President Mark Hannahs called the Annual Owner Meeting of The Island at Hidden Harbour Condominium Association to order. He then acknowledged Craig Boone, President and John Jensen, Property Manager for The Island from Mana-Jit, Inc. Property Management.

Mark requested a motion to accept the 2015 Owner Meeting minutes. Bill Cavanaugh (305 Aruba) made the motion to accept the September 26, 2015 minutes, which was seconded by Donna Reid (265 Oahu). The motion was unanimously approved.

Financial Report:

Bob Moore, CPA from our accounting firm Moore & Company, then presented the financial report.

The association ended the 2015 year with expenditures exceeding revenues in the operating fund in the amount of (\$71,240.00) and in the reserve fund the revenue exceeded expenditures in the amount of \$410.00. The deficit in the operating budget was due mainly to the decision to proceed with the painting of the Dominica building at the end of the year. As of December 31, 2015, the balance in the reserve fund totaled \$504,072.00.

As of August 31, 2016, expenditures exceeded revenues in the operating fund in the amount of \$26,086.00 and in the reserve fund, revenues exceeded expenditures in the amount of \$ 17,055.95. The balance in the reserve fund as of August 31, 2016 is \$501,109.32.

The most significant operating expenses of 2015 were building repairs and painting expense. The building repair and maintenance expenditures totaled \$95,301.15 and the painting expense totaled \$95,666.00. In 2015 Maui, Lanai, and Dominica were all painted, thus all wood rot was repaired during painting.

The most significant expense of 2016 to date have been painting expense and building repair expense. Thus far in 2016 Aruba and Islamorada buildings have been painted. Building repairs to date for 2016 total \$44,269.63 and painting expense has totaled \$60,129.00. Both of these expenses have been paid from the operating fund.

The most significant reserve fund expense of 2016 to date has been carpet replacement in the common areas of Bermuda totaling \$12,612.63.

Owner discussion followed concerning the 2015 year-end budget figures. Several questions pertained to the multiple paint projects which resulted in a cost over-run of the budget in 2015. Bob and the board responded that normally we paint 2 buildings per year. In past years, this schedule was not always followed thus requiring some catch-up efforts. In the Fall of 2015, the Dominica building was added to the 2015 paint schedule thus causing the budget overage in painting. At this point and as defined in the proposed 2017 budget, we are now back on track for building paint work.

Another topic of discussion regarding the 2016 cost overruns concerned the amount of wood repairs needed impacting the building repairs expenses. Responding to owner's questions, Bob and the board

shared that again adding Dominica (the largest building) to last year's paint schedule was a major contributing factor in those higher than expected costs. The owners were advised an estimate to replace the wood trim with another composite type product on just one building was obtained earlier this year; it proved to not be cost effective. Also there was a limited number of color choices (crème was not an option). For several years now, all wood repair is done using pressure treated lumber or a composite (handicap railings) whenever possible to minimize future costs where possible.

Completed Projects:

Mark recapped the major completed projects in 2016. These included power washing, replacing the rotten wood and then painting Aruba and Islamorada buildings as well as painting the entrance bridge, the entrance to the south pool area and Unit 401-A. As was mentioned earlier, the Dominica building was painted after last year's Owner Meeting. New carpet was installed on the Bermuda building in 2016.

Proposed Projects:

Mark shared the planned carpet project schedule was recently adjusted. New carpet on the Hawaii building has been deferred until next year since the awning on Hawaii also needs to be replaced. Instead a shift was made to re-carpet Oahu now; that work will begin in October. Both the Hawaii awning and carpet projects are now planned for Spring of 2017. Dominica will also be re-carpeted in the Spring of 2017. The painting plan for 2017 consists of Bermuda and Cayman.

Reserve Study-2016:

Treasurer Carol Ann Bianco then reviewed the most recent Reserve Study sharing that the first Study was done in 2003 and tweaked in 2005. Following the owner discussion last year, the board had an updated Reserve Study completed earlier this year. Of note, the original study covered a 30-year span but this latest study covers 40 years.

The 2003 / 2005 Reserve Study recommended funding of \$43.23 / month per owner unit or \$96,997 per year. However, the actual funding designated from those years until now only allocated \$24.96 / month per owner unit. The expectation was that the excess Operating funds shifted at the end of each year would fulfill the rest of the recommended funding amount. This plan was generally successful.

Of note, neither the original nor the current study take into account any interest earned on reserve accounts. Also a concern that Wayne will review later in the meeting concerning the south pool was not known at the time the study was done. Thus any cost associated with unforeseen pool work is not included in the Reserve Study report we now have.

The 2016 Reserve Study funding projections start for 2017 and anticipated no Reserve funded projects be done in 2017, which is not a plan the board can execute. Over the next several years, the study recommended the following projects would be needed: carpet on several buildings---as Mark noted this is already planned; awnings replacements---again as Mark noted, an awning will be addressed next year. Another recommendation was to re-seal the parking lot and tennis court; since the parking lot was just done last year, the board will take its condition into consideration before acting on this item. Lastly, the first recommended roof project (Aruba) is targeted for 2021 per this study. Owner discussion then followed on these topics, especially that the board not wait for a major roof leak before starting a roof replacement project.

Carol Ann shared that the Reserve Study is only a guide. The board has and will continue to use our own visual inspections along with those of Mana-Jit and our contractors to direct when we will undertake any and all projects on the property.

After reviewing and tweaking the latest study, the recommended Reserve funding was targeted at \$48.12 per unit per month, a similar amount compared to the prior study, or \$107,900 for the year. Starting with the current designated monthly funding of \$24.96, the board decided that starting in 2017 to designate most of the \$30 per month dues increase from 2016 to fully fund the Reserve accounts going forward.

During this Reserve report discussion some owner questions were raised pertaining to specific items, e.g. are bulkheads included—yes. A general discussion about the timing of and study estimated cost of roof replacement also occurred. As stated earlier, the board does monitor all elements of the property on an ongoing basis and will take action based on need versus a study timeline or an alphabetical sequence. On the roofs, past semi-annual inspections have found a need to replace only a few shingles; overall the roof condition is reported to be sound. To err on the side of caution, the board recently switched to a different roofing company and will enlist their assessment and potential budget cost estimates.

At the end of this discussion, some owners requested a copy of the study. If an owner wants to receive a copy of the Reserve Study, via email only, please send the request to John Jensen at Mana-Jit.

Financial / Proposed 2017 Budget:

Bob Moore then reviewed the proposed 2017 budget that was provided in the owner's mail-out package, which includes a \$10/month increase in the condo dues. The primary need for this dues increase is to cover the increased painting cost for a two building per year routine and the potential related wood repairs. However, as in the past, any excess operating funds existing at the end of the year will be moved to the reserve funds to continue to bolster those accounts so it's use could apply there as well.

With no further questions, Bob Haas (104 Aruba) made a motion to accept the proposed 2017 budget; Marlin Newell (106 Aruba) seconded the motion. The motion was unanimously approved to adopt the proposed budget thus raising the 2017 condo dues to \$310 per unit per month.

Finally, a motion was requested to move any excess 2016 Operating Fund monies to the Reserve Fund at the end of this calendar year. This motion was made by Bob Haas (104 Aruba) and seconded by Rick Clark (118 Cayman). This motion was also unanimously approved.

South Pool Situation:

Board member Wayne Keeler next reviewed the current situation with the south pool. A section of the south pool fence near the tennis court broke off the deck support posts early in the year due to high winds. This fence section was braced to provide an interim solution for this past summer season.

Wayne then noted that the foundation walls around the pool, not the deck surface, are deteriorating. An Engineering firm has been engaged to review the condition of the pool walls. While they have completed a site survey, results of their findings have not yet been made known to the board. Once the scope of the issue(s) found have been identified, the board will collect options and cost estimates for the recommended repairs. If we have a mild winter, the need for urgency will be lessened since it is the freezing of water collecting behind the foundation walls that is causing the cracks.

As noted earlier, this potential expense was not known at the time of the updated Reserve Study. Wayne noted the north pool is also being investigated but thus far has not shown signs of the same level of foundation wall deterioration as observed on the south pool.

Owners questioned if this would be covered by our insurance; Mark advised no, it is considered wear and tear problem. Another suggested owner idea was to tear down the south pool and build a new one instead of continued patching efforts. The board will consider all options.

Election of Officers:

Mark advised 5 current board members submitted nomination forms to continue on the board. Two current board members (Jennifer Cavanaugh and Wayne Keeler) have chosen to leave the board. After the original submission deadline, the board received one more nomination form from Jim Watkins (225 Dominica). Due to a prior out of state commitment, Jim was not able to attend this meeting so Mark reviewed his nomination form to the owners present. Al Dietrich (354 Maui) was then nominated from the floor. Both new nominations were seconded. Ann Weinblatt (231 Hawaii) moved to close the

nominations with these seven candidates. Marlin Newell (106 Aruba) seconded that motion and all present approved.

Thus the following 7 owners (in alphabetical order) were elected to the Board of Directors for 2016-2017:

Carol Ann Bianco, 208-Bermuda	Tom Murrill, 226-Dominica
Al Dietrich, 354 Maui	Jim Watkins, 225-Dominica
Mark Hannahs, 349-Maui	Charlie Zellers, 224-Dominica
Marie Henderson, 101-Aruba	

Owner Comments:

--Clarification on the Oahu carpet installation timeline: John said the old carpet tear-out is due to start after Columbus Day; the entire project expected to take approximately 3 weeks, weather permitting.

--Debris in the marsh / wetlands: Owners were reminded no one is to walk into the wetlands. Mana-Jit will contact the Town of Ocean City to see if they will clean up any debris or provide us other options.

--Shift of Owner Meeting to 1pm start time: Mark shared while John followed past year's reservation guidelines, another association jumped the line and took "our" morning slot. We will attempt to move our meeting back to a morning timeslot next year.

--Police type concerns: An owner shared 3 situations that occurred this past summer where the local police were or should have been contacted for support. The first occurred early in June when a large number of young people were disturbing residents with loud noise, etc. Following the owners request for police support, they did break up the crowds (twice). Mark shared the board also followed-up with the police and learned no individuals were issued a citation. Inspections of the property were made after the fact to confirm no structural damage was sustained.

The second incident late in August observed fireworks being set off behind Oahu. The third incident occurred during Bike Week when a strong marijuana odor was noticed coming from a nearby deck. The owner sharing this information will provide more details on these two incidents to Mana-Jit. In both of these situations, the police should have been called.

--Rentals: The 7-day minimum rental period was again verified. Questions pertaining to rentals included: can our By-Laws further restrict rentals? Would the board re-visit the violation process, esp. in this area. Are rental units inspected to verify the required noise permit is displayed on the unit door? The new board will pursue these items in the next board meeting; owners will be updated via a future newsletter.

--Owner Directory update: The new board will review the number of returned directory forms and consider the options for how to handle a future directory update distribution. Owners were reminded, if they are willing to receive communication via email and they have not already done so, to sign an email authorization form. The form is posted on the Island website or you can reach out to John for a copy of it. If an owner does not authorize the use of email, all correspondence will continue to be mailed to them.

--Unit specific concerns: Several owners shared unit specific concerns during the meeting. Mark thanked Mana-Jit for their performance this past year and reminded all owners to first engage John / Mana-Jit. If the issue is beyond the scope of Mana-Jit directions, John will then engage Tom (Liaison) and/or the full board team for direction.

With there being no further business, a motion was made by Art Bell (157 Islamorada) and seconded by Craig Seiwert (156 Islamorada) and unanimously approved, to adjourn the meeting at 2:48 pm.

Respectfully submitted,
Carol Ann Bianco, Secretary