

Island at Hidden Harbour Condominium Association
Annual Owners Meeting Minutes
October 3, 2020
GYM at OC Recreation and Parks,
200 125th Street, Ocean City MD

President Mark Hannahs welcomed everyone and introduced board members Alan Dietrich, Caroline Pisano, Charlie Zellers, Tom Murrill and Carol Ann Bianco. Mark explained due to a personal schedule conflict, John Booze who served on the board this year, was unable to attend today. Mark then recognized Bob Moore and Arlene Cline from PKS & Company, our Financial Management firm, and John Jensen from Mana-Jit who were also present.

The roll call of owner units was waived by a motion from Barb Landis (Maui 254) and seconded by Jim Knepp (Dominica 128 / 227) after verification from John/Mana-Jit that we had a quorum with 80 owners attending or represented by proxy. John also confirmed all owners received their meeting announcement package so the notice of meeting requirement has been fulfilled.

President Mark Hannahs then called the Annual Owner Meeting of The Island at Hidden Harbour Condominium Association to order at 9:05am

Mark requested a motion to accept the 2019 Owner Meeting minutes. Tim Winter (342 Kauai) made the motion to accept the September 21, 2019 minutes, which was seconded by Dick Reid (265 Oahu). The motion was unanimously approved.

Mark then announced we would shift the sequence of topics on the meeting agenda to postpone the Financial discussion until after the Completed and Proposed projects were reviewed.

Completed Projects:

Mark started the completed projects review noting, due to Covid-19 Health Dept. restrictions early in the Spring, opening our pools was delayed a week.

Other completed projects include replacing the roof on **Cayman** in the Spring and new hallway and deck carpet was also installed on **Cayman** in the Spring with good results.

The front of the **Lanai** building was painted after a significant wood replacement project was done. Mark noted painting and wood replacement work on the rear of Lanai is targeted for the Fall.

He then shared the final project to replace another large amount of **boardwalk** boards was completed in the Spring. This wraps up the boardwalk effort on the **Hawaii to the Bay** section but noted boardwalk maintenance remains a continuous effort.

Tom advised most of the **landscape** efforts thus far this year continued to focus on removing more dead, dying trees and old growth; some replacement planting were then installed. Tom then shared a new Island owner owns a landscape company in MD and has volunteered to consult with the landscape committee to aid with ongoing planning and advice.

Mark then spoke of several other significant projects that occurred earlier this year. These include the recurring **sinkhole problem** in the parking lot near Bermuda and the North pool. It was resolved by replacing a storm drain pipe there. Mark noted through the efforts of Charlie, all the Island lights have been converted to **LED's** which is cutting our electricity costs significantly. The **Lanai** carpet project finally wrapped up also.

Mark then shared the Island experienced some awning, roof shingles and building siding damage along with tree branches torn down from the August **Tropical Storm**. The final cost to repair those damages is still being determined. Whether we pursue an insurance claim (\$25k wind deductible) will be decided once the total costs are known.

A common **condensate line** in Cayman affected a first floor owner unit resulting in approximately \$35k in damages. Again, whether to pursue an insurance claim (\$5k water deductible) on this incident is also being decided. The board intends to develop a plan to put preventative measures in place to avoid future common condensate problems in the future.

Mark introduced Dick and Donna Reid (265-Oahu) who noted this years annual Owner Clean-Up effort was cancelled earlier this year. Donna said their plan is to restart this effort in the Spring of 2021. She noted photos of past clean-up efforts were posted on the Island's website. In prior years, lots of trash was removed from the property but she feels we are now in a maintenance mode going forward. Donna left a sign-up sheet for interested owners at the meeting sign-in desk; no specific clean up date in 2021 has been set. The association supports this effort by providing funds to supply the volunteers with trash bags and disposable gloves along with coffee and donuts. Mark thanked the Reid's and all the volunteers.

At this point, owners noted the accumulation of leaves on the property, especially in the corners of the parking lots and questioned who cleans them up. Mark commented the weekly cleaning service we use is only tasked to clean the building hallways, etc. Similarly the lawn cutting service focuses on cutting the grass. Right now we don't have anyone designated to clean up leaves and other miscellaneous debris on a regular basis but the board will look into options to address this in the future.

Major Projects Proposed for 2020-2021

Mark then reviewed the planned projects which includes awning replacements on **Lanai, Oahu and Bermuda** in the Spring 2021. We also plan to re-carpet **Aruba** and replace the roof on **Dominica** in the Spring. The next buildings scheduled for painting and wood replacement work, as needed, are **Maui and Dominica**. Finally, **the South pool will be re-plastered** next Spring.

Financial Report:

Arlene Cline from PKS & Company, our accounting firm, then presented the financial report.

The association ended the 2019 year with expenditures exceeding revenues in the operating fund in the amount of \$5,652.00 and in the reserve fund the expenditures exceeded revenue in the amount of \$42,949.00. The decrease in the reserve fund is due predominantly to incurring roof replacement costs of \$84,990 and building repairs/components replacement costs of \$39,773. The association did incur expenses for carpet replacement of \$30,843.00 and pier expenses of \$15,160.00. As of December 31, 2019, the balance in the reserve fund totaled \$623,275.00.

As of August 31, 2020, revenue exceeded expenditures in the operating fund in the amount of \$74,096.60 and in the reserve fund, expenditures exceeded revenues in the amount of \$28,371.05. The balance in the reserve fund as of August 31, 2020 was \$594,904.30.

As it has been the case in prior years, the two largest expenditures in the operating fund were building repairs and painting expense for 2019. The building expense increased roughly \$34,000.00 to a total of \$138,369.00. The painting expense totaled \$39,014.00 which is \$29,279.00 less than 2018. Wood replacement continues to be a significant expense.

The most significant operating expenses of 2020 has been building maintenance with amounts totaling \$61,057.75. These expenses comprise a number of areas.

The most significant reserve fund expenses of 2020 to date have been Roof replacement of \$47,140.00 and Building improvements of \$51,091.18. The improvements have comprised multiple projects.

With no questions on the Financial statements that were shared in the owner package, discussion moved to the proposed 2021 budget which includes a \$30 per month increase in owner condo dues. Several owners questioned why this increase is necessary, what is the board's Reserve funding target. During the discussion, owner suggestions were made to consider a staggered increase or a one-time increase versus the proposed budget plan. Owner also questioned if alternate materials would be more cost effective in the long term.

Bob Moore / PKS shared two local examples where special assessments have been imposed. Bob stated the special assessment option is not needed now for the Island, nor is it desired. Further, a special assessment cannot be imposed without a prior declaration of intent to do that before this meeting. Mark shared a history of the Island's condo dues over the years. It reflected several years in the past when the condo dues were not raised at all and when in several other years no contributions were made to the Reserve fund. Those actions prevented the Reserve funds to be built up over time.

The board then shared more details on how the costs to maintain the Island have changed. For example, in the past, we did wood repairs when painting a building. Now the original pine wood pickets have outlived their useful life and we are doing full section wood replacements. We switched to pressure treated pickets with a 20+ year life expectancy and an alternate building product for the longer trim boards. Also in today's market, the price of lumber has increased significantly. Finally it was noted the Reserve expenses were higher than our Reserve contribution last year and we anticipate that happening again this year and even with the full \$30 dues increase going to funding the Reserves in 2021, our expenses are projected to again exceed our Reserve income.

An owner then shared in his recent search for an OC condo, of 8 properties he considered, the Island's dues were the second lowest. A few other owners then spoke in favor of the proposed dues increase.

At the end of the discussion, the board committed, as we do every year, to examine our funding needs for the 2022 budget and if possible either hold the dues steady or adjust lower. Dick Kemezis (246 Lanai) and Mark Basher (147 Lanai) made the motion to accept the proposed 2020 budgets. Charles Ryan (317 Cayman) seconded the motion and the owners present agreed. Acceptance of the 2021 budget will thus change the monthly condo dues to \$360 in 2021.

Bob (PKS) then asked for a motion that "any excess of membership income over membership expenses as defined by the IRS Regulation 1.277-1 for the year ended 12/31/2020, shall be applied against the subsequent tax year membership assessment as provided by IRS Revenue Ruling 70-604." Jim Knepp (128 / 227 Dominica) made a motion to accept this option and Barb Landis (254 Maui) seconded the motion. All owners agreed.

Election of Officers:

Mark advised 6 current board members, Mark, Tom, Carol Ann, Alan, Caroline and Charlie, submitted nomination forms to continue on the board. A 7th owner, Richard Foard, also sent in a nomination form. With no other nominations from the floor, the owners agreed to accept those 7 nominees as the new board members.

Thus, the following owners (in alphabetical order) were elected to the Board of Directors for 2020-2021:

Carol Ann Bianco, 208-Bermuda	Tom Murrill, 226-Dominica
Alan Dietrich, 354-Maui	Caroline Pisano, 353-Maui
Richard Foard, 339-Kauai	Charlie Zellers, 224-Dominica
Mark Hannahs, 349-Maui	

Owner Comments:

Mark then opened the floor to comments and concerns from the owners present.

Based on several owner comments, the revised carpet replacement plan that now includes applying a deck protection material to maintain the integrity of the building, is also working to control rain from leaking through to owner decks below. However, owner's whose carpet was replaced prior to this new process being implemented shared their frustration that their decks are not usable during a storm. Mark reminded the owners the decks were never designed to be waterproof. John said he would inspect the deck cited to determine if the reported leaky decking was a safety issue.

On a different water topic, an owner reported quite a few owners boat slips and lifts are in bad shape now and need to be repaired or replaced. Mark clarified the dock owner owns the finger piers and the owners are responsible for any maintenance of, or accidents or problems that occur at their boat slips. However, an inspection of the boat slips will be made. Owners with slips and/or lifts needing attention will be notified they need to take corrective actions. Where to store kayaks was also a concern.

An owner questioned if we were aware the pool umbrellas at the south pool "fly away" in the wind. Charlie commented he is aware of this. Owners were reminded pool umbrellas need to be put down when not in use. Another item shared was for the board to consider power washing the concrete esp. near the Kauai building, the Lanai ramps and the south pool steps next year.

An owner shared the recent paint project, in connection with last year's wood replacement effort, resulted in paint peeling likely due to the new pressure treated wood being painted too soon after it was installed. The board will relook at the timing of those two projects going forward.

A few other miscellaneous items were shared by owners throughout the meeting. Responding to an owner inquiry, John noted the board is waiting for cost estimates on the damaged awnings; they will be replaced next Spring. Another owner suggested some trees, esp. at Cayman have gotten too tall. Finally, it was requested the Island owner directory be updated. The board will review all of the above concerns in future board meeting.

With there being no further business, a motion was made by Greg Feest (108 Bermuda) and seconded by Bill Auld (233 Hawaii) to adjourn the meeting at 11:15 am.

Respectfully submitted,
Carol Ann Bianco, Secretary