

Spanish Key Annual Condominium Owners' Association Meeting

10/13/18, 9:00 A.M.

17287 Perdido Key Drive, Pensacola, Florida

President Steve Rozich, voted by the Spanish Key Condo Association board as interim president at the September 2018 meeting, deferred to Mike Coggin, who led the association as its president until the end of the September 2018 meeting, to preside at the meeting. The roll call of officers and association members affirmed that all board but Mickey Petty were present at the meeting. Cathi Oursler counted 16 proxy votes tendered in advance of the meeting and confirmed that an additional 26 authorized voting members of the association were present in the meeting and planning to vote on site. Determination of Quorum was affirmed with 46 unit representatives accounted for by proxy or on site.

Tabulation of votes for the Election of the Board of Directors was accomplished from the envelopes sent by owners in advance of the meeting, which were held in their individual sealed and signed envelopes until meeting time. At the meeting, two association unit owners (Gail Pollard, 401, and Linda McGee, 203) voting members that were not on the current board, or on the slate for reelection, or spouses of any nominees, opened the ballots and recorded votes with manager Cathi Oursler. The ballots were counted in the same room, connected by open door, while the meeting was taking place.

Notification of the meeting was confirmed by Sherman Hopkins, posted according to Florida Statute, and the meeting was declared by Mike Coggin as officially underway.

Certification of proxies was made prior to the meeting by association manager Cathi Oursler. Each unit's designated voter could vote in person, or through a proxy, depending upon his or her wish.

Approval of previous minutes from October 2017, pages 12-16 in the printed meeting booklet, was motioned by Louis Crumbley, 108, and seconded by Al Diket, 706. With no amendments and no opposition the minutes stand as presented in the 2018 annual meeting documents.

The vote tabulation continued in the early part of the meeting, upon completion the results of the board election were handed to Mike Coggin.

Reports of Officers

- a. Past President's report is located on page 17 of the meeting booklet, right before the operating budget.

Mike Coggin explained to the membership that he is the past president. At last board meeting he resigned the final month of his administration as president, but continued as a board member. As the September board meeting minutes reflect, Steve Rozich was selected interim president by the board.

Mike shared that this has been a year of change, and Spanish Key needs to affirm its board of directors at maximum level of seven. Mike and Mickey Petty, 2017/18 board members, opened places for new board membership while affording that a group of experienced board members will continue as part of the governing board. Mike also announced association staff turn-over with Sheila Jones, Common Area Cleaner, and Scott Fredricks, Maintenance Tech, completing a full staff.

Mike Coggin continued with the final report on the water leak on South side of building that has been resolved at a cost of \$ 245,000. The damage was greater than earlier thought. BECI put a plan together to do repair; C Sharp completed repairs to the building. Three legal firms and 400 pages of documentation were a part of the investigation into recourse to owners or insurance. Though damage was significant, all damage has been corrected and all consulted firms concurred as to the association having no further legal recourse. Condo association funds were used to pay for the repairs. The association diminished reserve funds in order to do the repairs. The board looked under every financial "stone" and final accounting confirmed that owners as an association would have to pay to replenish reserves. Staff members are now elevating leaks to highest level of attention so as to keep time and continuance from causing significant damage in the future.

This year the board formed an insurance committee and its activity was reported on by Steve Rozich. The insurance committee made some recommendations and changed the association property and liability coverage to Fisher Brown Agency. Also changed were some aspects of coverage. During the change in agents the board was made aware of liability settlement issue--a \$ 540, 000 award to a renter who reportedly slipped in the stairwell. The board was not made aware of any claim at the time of occurrence. Board members were told of the settlement by the previous agency at the end of summer 2018, when the board followed up on insurance costs with the new agency.

At change of coverage the board reviewed rules for potentially dangerous situations. Small things like wet feet can result in accidents, even as mats are strategically kept in place. Sally Stanfill, 110, reminded owners about speaking up when association rules are being disobeyed. Read Diket, 109, spoke on some lessening of poolside infractions due to owner oversight. Sam Schreiber says that abuse of house rules puts the association in a bad spot, a problem that members have to keep thinking through as an association. Several suggestions regarding rules were brought up again. The new board will make safety a pointed priority. Committee assignments will ask owners to sign up to assist with safety and other association priorities.

Larry Greer, 703, brought up discussion again of the liability award, asking who approved. Our prior association manager and the president before Mike Coggin accepted the award, but did not inform the board. As a result we have changed legal counsel. Construction litigation now relies on the Lynn Perry firm and condo administrative situations on another law firm (Emmanuel, Sheppard, and Condon). The last comment in past president report regards the selling of the Coggin condo at end of October. In his farewell to the association, Mike noted that his family has grown up at Spanish Key and he and Carol have made wonderful friendships. With those special memories, the Coggins will head home to Orlando.

Presentation of painting by Read Diket to Mike Coggin occurred during the meeting. In her presentation Read spoke of "the view to the shared beach" and to the hurricane depicted in the painting. The hurricane, Gustav, in 2008 wrought 8 billion dollars in damage to Louisiana. In that season, Spanish Key saw the edges of storms as threats to our community and property. The president of SK association bears the greatest burden in keeping the association "safe" in a financial and property sense and its members acknowledge the import of the office to the well-being of the community.

The report of Spanish Key's financials thru August was presented by Sam Schreiber, association treasurer. The Board has received monthly statements through August; the association shares the reserves statement on its website. Despite the recent draw the association still has close to \$ 800,000 from a balance sheet perspective. One owner is lagging behind on dues, and the association has recently

filed a lien on the property which is many months in arrears. Sam Schreiber noted that the association had some unexpected returns and that SK administrative expenses are on track. A small cost overage was noted for the fire protection system, which should be now fixed. Staffing compensation continues at approximately the projected level. Association costs were over in security. Water and sewer costs continue to rise due to recent leaks. Overall the budget is in good shape and close to actual versus plan in expenses.

Budgeting continued:

- a. Adoption of the 2019 Operating Budget found on pages 18 and 19 enables owners to compare budgets. Line items the various expenses are broken down so that the outside auditing expense appears as a line, and monthly fees are shown as \$ 11,500. \$ 19,000 is the composite of those two line items. Maintenance remains flat, but with an aging building the association must act proactively in regard to beach conditions. Repair and maintenance issues are addressed proactively by fixing or preventative measures. Staff costs appear as 36% of budget. Utilities are at a fourth of budget. \$ 22,000 represents increased personnel costs and upward costs with utilities. LED lighting added to common areas improved utility costs, and Cox costs are slightly lower, but sewer line failures have increased utility costs. The budgets also show rate and usage increases. Waste removal has gone up due to building usage. Plan is to keep reserves flat at \$ 95,000 (15%). Nevertheless, have had to increase our condo fees to cover operating budget needs. In the board's opinion association members have best of both worlds with low density and highly competent staff serving the 75 units.
- b. 2019 Security Budget

American Protection is the association's current company. Security is on site twenty four weeks per year at 8 hours a day. Another twenty weeks SK has roving security monitoring. SK has additional security coverage that includes Mullet toss and Labor Day. Also the association must provide for area events, May to September.

The last two columns of the budget show that \$ 119,000 the expected insurance payment while actual costs went above that amount to reflect storms that Florida is now experiencing. There are more agents than carriers for beach environment. The association needs to be placed with right carrier. The board elected to keep the insurance assessment at \$ 1975 per unit, the same as in 2018. The residual will be placed in the rainy day fund. \$ 200,000 remains in the rainy day account. As a result of rising insurance costs, the residual is a lesser amount. Deductible buy down for wind damage from 2 to ½ of one percent saves \$ 360,000 if Spanish Key has a catastrophic loss. We pay \$ 20000 to save the major loss which would cost each owner \$ 6000. Board elected to wait to the annual meeting to adopt the budget, though had the authority to do so. The board wanted to officially adopt the budget and insurance assessment at this full owners meeting.

Motion from Jim Massengale, 210, to adopt the budget as presented; Pam Accardo 409, seconded, Insurance assessment stands as presented with proxies included and on site votes unanimous.

c. 2018 Reserve Study and Special Assessment voted in September 2018 by the board

A Special Assessment of \$2,000 was voted by the board in the September 2018 meeting for the purpose of replenishing the reserve account. As background to the special assessment Mike Coggin explained that Spanish Key recently completed the Florida Statute required reserve study. Capital items were examined and life remaining estimated for pool, decking, roof, and all common elements. In total the reserve projects \$ 2 million dollars. In 2015 Cornerstone Engineering provided the reserve estimates. The Cornerstone report does not have the sophistication and in depth knowledge of SK that BECI brings to the study. In May of this year the association used BECI again and comparison of the two studies shows a difference of 200,000 that is twofold. The report notes a reduced lifespan of some items, for example, lobby elevators and recoating the building. Part of the difference in reserve study has to do with decrease in life expectancy and moving forward of projection of costs. Sherman has talked to C Sharpe and the expectation for recoating the building will be less than projected by BECI, but more than previous study. The association needs to put more in the reserves. BECI recommended adding \$ 250 to unit dues monthly to replenish reserves. Instead will have each owner contribute \$ 2,000 in a special assessment to increase reserves that way. The assessment will bring the association reserves back to \$ 650,000. When the building is recoated, projected in 2020, the association will experience another low point in the reserves which will likely lead to another assessment of a similar amount. In the discussion period, Tom Meziere, 204, asked for clarification as to how insurance proceeds would be dispersed in the event of the building being fully destroyed. The answer is each unit would receive one 75th of the proceeds. Mike Coggin explained that changing the condo documents would take an 80% vote. End units and the eighth floor have more than 20% of votes and those owners are not likely to vote for the corresponding change to pay additional monthly dues and/or to contribute more to insurance costs. Louis Crumbley, 108, added that the three brothers who were developers took units initially, and one of the brothers did not want to pay more for his unit dues and insurance assessment so the condo documents were written to distribute all costs and proceeds on an equal basis with no regard to unit space.

Results of election were read by Mike Coggin, introducing the new board:

Seven board members were elected to the 2018/19 board, beginning today. The new board has a meeting scheduled to follow the association meeting. Unit owners are invited to attend the board meeting. Elected were John Campbell, Read Diket, Jim Driesse, Rex Hiatt, Cindy Kessler, Steve Rozich, and Sam Schreiber to serve in the next association year.

Current Maintenance Projects:

There was a discussion of current Maintenance projects that have been completed are found on pages 24 and 25 of the meeting booklet. Steve Rozich noted that the plan was formalized in the May walkthrough and plans included work continuing late in the year. Staff has completed a lot of work jobs. Cathi Oursler presented pictures and explanations of the completed jobs was narrated by Sherman Hopkins. Unit hvac lines on roof have been reinsulated. Unit dryer events were cleaned out for the year. Water detection devices (3 in each unit), were placed behind refrigerators and under tub and wet bar ice maker. That precaution has already paid off, device under AC unit alerted staff to a leak. Running toilets might be a concern with the buildings water usage (asked Sally Stanfill, 110), and Sherman

Hopkins noted that devices are available at Home Depot and Lowe's to detect problems. The association has lost a Private Property sign, removed by some individual. Big projects included replacing the access walkway to Old River parking. Fire alarms in central area of building looked bad, thus 33 replaced. The list continues with some owner conveniences such as the kayak racks installed on Old River by the association pier. In progress, is a major overhaul of the Gulf walkway. A major upgrade of internet and cable is underway. Units will not need personal wireless routers. A company is coming to repair and then maintain the outdoor Jacuzzi heater. In 2019 the association is replacing carpet in meeting and fitness area.

Unexpected expenses, such as the water main leak happened under the asphalt in summer peak season on Friday, had to be addressed immediately to get building back up and running. Good news is that three occasions have likely taken care of problem. East elevator water intrusion from tropical weather system Gordon was an unexpected expense. Order for replacement of damaged parts has been placed but the arrival of hurricane Michael slowed things down. Sherman explained the other expenses that were unplanned expenses.

A member question about internet modem from members concerned the ability to personalize access to the internet. Everyone will have personalized capability in unit. Cox initially will set up generically, but Sherman will personalize as needed. Can leave information with association office so Sherman can take care of individual code. Mike noted that members are grateful to Sherman for everything he does.

The main security gate will be completely replaced with aluminum and motherboard replaced, thus gating will be starting fresh. Sam asked how many times has trash company has hit doors. Sherman explained that we go back on vendor. In response to a question, condo documents specify that individual owners are responsible for peeling railings on balcony. Owners were reminded that the lines supplying water to unit were embedded in the concrete floors of units, over period of time the copper lines will erupt due to proximity to concrete. No longer able use copper in those situations. Some units have been already been rerouted overhead, and some were already overhead from construction. In total a third have been redone, and it was noted that upon pipe eruption damage costs more money than preventive measures. Cost will be \$ 2000 or less if scheduled before an event. Best time to do this in non peak season, and owners are encouraged to schedule now.

Vote to roll over: Sam Schreiber motioned to roll over association funds into the coming year, Larry Greer seconded, no discussion, and vote was affirmed by all votes to roll into 2019, the new year.

Approval to fund reserve account at the current amount was motioned by Sam Schreiber, who noted that reserves are currently at the amount of \$ 425000. A short discussion followed the motion. The association will likely need a future assessment to move closer to target reserve account amount. Some risk in being not funded at 100%, but Mike explained procedures are in place when have to have funds. **Dennis DeMarco, 702, seconded motion. With no further discussion, the motion passed, with two dissenting votes (proxy group).**

Steve Rozich was asked about covered parking, but the project is tabled, awaiting final drawings which have been ordered. Work thus far on renderings and engineering study informs a projected cost of about \$ 20,000 dollars for parking places which are to be presold. About 8 units have indicated interest in purchasing a space. On another common grounds issue, Marilyn DeMarco asked about cutting oleanders in Y of beach walk back to below the seating planks.

Mike Coggin adjourned annual meeting. He invited members to board meeting to follow in five minutes.

Respectfully submitted,

Read Diket, Spanish Key Condo Association secretary