

Native Sun Resort
Minutes of 2023 Budget Meeting
Saturday – November 12, 2022 @ 9 AM

The annual Budget Meeting of the Board of Directors of The Native Sun Resort was held on Saturday, November 12, 2022 in person at the Native Sun Resort, 1950 S. Ocean Blvd., Lauderdale-By-The-Sea, FL and via Zoom Conference Call.

Call to Order. The meeting was called to order at 9:01 AM by Michael Ohr, President.

Roll Call. The following were present on the call:

- Michael Ohr, President
- Peter Cohen, Secretary
- Ralph Marcus, Treasurer
- Tom Jurcisin, Vice-President
- Dave Rojohn, Assistant Secretary
- Anita Pearce, General Manager

along with 30 owners either by Zoom or by phone-in calls.

Proof of Mailing. Anita Pearce verified that we have a Proof of Mailing of the Notice of Meeting to all owners on October 17, 2022. Michael Ohr added that the Notice of Meeting was also posted at the resort on November 9, 2022.

Introductory Remarks. Michael Ohr stated that this year's budget was very tough. He said that the Board did not increase the budget last year because everyone was already faced with two assessments, and we could make it through this year with less expenditures. He added that we were still able to accomplish items that were planned, i.e., the 4th Floor sliding glass doors, five kitchens and replacement of HVAC systems. Mike said the Board feels the 2023 budget is fair and we will accomplish all that has been planned, i.e., balcony furniture, additional HVAC replacements and replacement of four tiki huts. He added that we will also start the 3-year window replacement project in 2023.

Mike explained that we have had problems with the replacement of the 4th Floor sliding glass doors; despite preparing in advance with engineers and with the contractors, they encountered issues and basically had to start all over again. He added that we also had issues with the kitchens this year with respect to product availability for the quartz countertops, which extended the work beyond the two maintenance weeks. Mike added that while we have had the pool resurfaced, we will have to close the pool again shortly for about a week to make a change required by the inspector. Mike concluded by stating that despite the issues we encounter with contractors in South Florida, we do not have a staffing problem at the resort and we have a good, hard-working staff.

Presentation of the 2023 Budget. Ralph Marcus said there is a fairly formal process that goes into preparing our budget, beginning with Anita who reconciles the activity from 2022,

determining which expenses are recurring and which are non-recurring, and the recurring expenses are categorized in the various accounts and all are reconciled with the applicable bank statements. He added that we then project income and expense, accounting for the needs of the physical structure as well as future plans for improvements.

Ralph reported that the budget being presented today calls for an increase in the annual maintenance dues of \$95 per unit week per year. He added that the increase is, in large measure, due to increases in a few categories, plus other inflationary impacts:

- Insurance – Ralph reported that the Florida insurance market has been affected by the increased cost of building materials and hurricanes that have impacted Florida, in addition to national supply chain issues, as well as by inflation rates of 7% to 8%. Ralph explained that all of these factors, as well as the collapse of a South Florida condominium and recent evacuation of two others, have caused insurance carriers to protect themselves by raising premiums and/or leaving the South Florida beachfront insurance market. He continued that as a result of all of these factors, our insurance premiums in 2022 doubled; however, we first learned of the increase after the budget was in place causing us to go on a payment plan for a good part of 2022 to pay the premium, and causing us to be way over budget for insurance and to budget for those higher premiums in 2023. He reported that our insurance premiums represent about \$35 of the \$95 increase.
- Debt Collections – Ralph explained that in response to owners who expressed their desire for us to begin collecting from delinquent owners, we did retain the services of a collection agency in 2022. He added that through the end of October, the collection agency collected about \$155,000 from delinquent owners under their agreement with the Native Sun that they would receive 30% of everything they collected, leaving us with about \$109,000. He reported that the \$109,000 represents both unpaid special assessments and unpaid maintenance and taxes, and we are budgeting for them to continue in 2023 with their collection efforts which represents about \$22 of the \$95 increase.
- Landscape Improvements – Ralph explained that the Seagrape trees that along the south side of our building are all diseased and need to be removed; however, they are a protected species and their removal needs to be approved by the city who will only issue a permit for their removal if they are replaced 1:1 with another suitable tree (on the property, but not necessarily in the same location). He further explained that we needed to budget \$20K for the proper removal and replacement of these Seagrape trees, which represents about \$11 of the \$95 increase.

Ralph summarized that without the above three expenses that total about \$68 of the \$95 increase, we are proposing an increase of \$27 per unit per year for everything else in our budget, or roughly a 4.2% increase (half of the current inflation rate). He then summarized each expense category in the budget, discussing the highest components of each and explained how our income categories offset those expenses and how the Board arrived at the need for \$740 per unit week maintenance fee for 2023. Ralph added that we periodically check and find that we still have one of the lowest, if not the lowest, annual timeshare dues in this area.

Ralph then summarized the 40-year project loan for \$211K to pay the contractor. He reported that we have recorded all expenses related to the 40-year project, which came to \$3,202,069.38, and all contractors have been paid. He added that as of the end of October, we have set aside \$117,818.35 in the 40-year bank account for future monthly loan payments of \$9,228.11 per month. He explained that means we already have roughly 13 more months of loan payments in the bank, in addition to the 3 payments that have already been made, requiring us to make up 8 more monthly payments from future collections. Ralph assured everyone that special assessment money being collected from those who did not pay will finish off those final 8 months of loan payments, and no owner is paying their assessment more than once.

Ralph concluded with a discussion about the Reserves. He reported that we started off 2022 with \$397K, and at the end of this year the Native Sun anticipates having about \$430K in reserves. He reported that in order to fund all of the reserves by the end of the year, we need to continue with our collection efforts. Ralph said for the year 2023, we would begin with \$430 and add another \$227K (some of which are earmarked for improvements), including:

- An annual amount for the 50-year certification which is coming up
- Engineering for structural repairs needed in the Maintenance Area (behind the fish pond on south side of office)
- Continuation of window replacement program
- Renovation of four (4) kitchens
- Replacement of aging HVAC systems
- Replacement of side gate by laundry room
- Replacement of four tiki hut umbrellas
- Renovations to 212
- Sealcoat and stripe parking lot
- Upgrade of computer systems, upgrading the operating systems and some hardware
- Upgrade of phone system (all long distance calling and other components have failed)
- Continuation of plank flooring installation in unit interiors
- Replace balcony furniture (Year 1 of 2)
- Replace five (5) entrance doors
- Replace bi-fold closet doors and tracks (Year 1 of 2)

Ralph reported that all of the above items are scheduled to cost \$368K, and we look to have about \$300K in the reserve account. The focus going forward will be to make unit interior improvements and upgrades, so the budget for 2024 will be focused in on interior items. Ralph summarized that an incredible amount of work goes into preparation of our budget, and he thanked Anita and her staff for their hard work in presenting the numbers to the Board, and added that he continues to closely monitor our bank accounts and provides continuous oversight.

Q&A Pertaining to the 2023 Budget. The meeting was opened up to the owners for questions.

Jens Justesen – *Why can't the repairs to the pool wait until next year's maintenance weeks?* Mike Ohr responded that the pool contractor should have repaired the step in our pool when he did the resurfacing, but it was missed and we failed our State inspection with corrections to be made by the end of November. He added that the step configuration has not changed in 40 years, but the Code has changed and now we are required to meet Code changes when resurfacing which is something the contractor should have caught but didn't so the contractor will repair the step at his cost. *Since we are private property, why can't we decide what kind of trees we want on our property?* Mike said we would like to cut down the trees and replant something on our own, but because the trees are a protected species, the City and County enforce if they can be removed and what they will be replaced with. *Have we paid and approved for the painting around the windows, because it does not look like a good job?* Ralph thanked Jens for his comments, and responded that maintenance issues should be handled in the business office and outside of this budget meeting.

Bruce McGrath – *Will invoices be sent out for the new maintenance?* Ralph responded that everyone will receive an invoice in the weeks ahead.

Kirk Mark – *What is the overall percentage increase in the budget?* Ralph responded it represents a 14.73% increase in total for all categories.

Nick Pappas – *Where is the income reflected in the budget for debt collection efforts?* Ralph responded that they are collecting funds that are included in the maintenance dues line item, including prior years, so the income flows into the appropriate maintenance line item. *How much is still outstanding for debt collection?* Peter Cohen said he will address that issue when he presents his report later in the meeting. Ralph added that on the administrative side, Line 5017 is the bad debt component of \$55,000, helping to balance this budget. *Why do we have our own servers and why do we need to replace them?* Ralph responded that we are replacing workstations, updating computer software programs with licensing renewals, and converting our system to cloud-based with everything backed up to the cloud. We still need a server because our programs are being accessed by multiple people in a network, with one of them acting as a server. *What kind of effort is being made in response to those owners who post rentals on Facebook? Is the staff responding to them in an effort to capture rental income?* Ralph responded that the Board has decided to stop posting on Facebook and not respond to postings since previous responses by us were met with some unpolite discourse. *Since landlines are being eliminated in the next five years or so, is a new phone system a wise expenditure since most people use cellphones?* Ralph responded that while it's true that there is discussion about eliminating landlines in the future, it is a \$7K expense to replace our system which no longer allows long-distance calling. He added that owners/guests from outside of the country find it very expensive to purchase phone packages when traveling and the Board feels we should provide our owners/guests with the ability to make and receive calls during their stay.

Martine – *Will it be possible to pay the maintenance fees by credit card?* Ralph responded yes. *Are improvements being made to the WiFi system – there is not good reception in unit 102?*

Ralph said we will look into it, and perhaps one of our access points was damaged during last week's storm.

[Ralph Marcus interjected that he recalled a point he forgot to mention during his budget presentation, and that was to discuss our 5-year plan. He said this report covers the past five years and contains projections for the next 5 years. He added that we are finalizing this very detailed report which will be posted on our website as soon as it's available.]

Marie Kinneary. *I hope the bathrooms next to the pool are still in the five-year plan?*

Ralph Marcus responded that yes, the bathrooms are included in a future year projection. *Since our website is our main method of advertising, we should update our photos with better ones showing more modern bedspreads, etc.* Anita responded that we have changed some of the postings on the website to ensure that our photos match the rooms, and we are continuing to update the site, but is unsure if those new photos show updated bedspreads, etc. Anita added that we have updated the bedding in the oceanfront units this year, and will be continuing to update other bedroom linens as the budget permits.

Dave Walsh - *If we advertise available rentals on Facebook we would create interest that would otherwise not be there. We need to aggressively pursue our rentals, since we don't get a lot of walk-ins. We should raise our rentals up at least \$100 as we increase our maintenance fees.* Mike Ohr responded that we did increase our rental rates by \$100 just recently. He added that we have also added brochures and rates outside the front door to capture those who walk by after hours.

Ron Hovanec - *What havoc do timeshare exit companies cause to the Board? Is there anything that could be provided to the owners to be aware of before going to a free dinner to learn about exiting timeshares?* Mike Ohr responded that the younger generation does not have the interest in timeshares that their parents had, and they don't want to use timeshares. He cautioned anyone that receives correspondence about giving back your timeshare to read it carefully since our Board does not want to take units back, and we aren't required to take back units since these are deeded weeks.

Patti - *Can we put boosters on our WiFi?* Ralph responded that we have already done so. Anita suggested that our recent storm may have affected our access points and we will look at the system. Ralph reported that we did move away from the system that had repeaters strapped to the building, and we now have access points on the perimeter of the property which now splash at the building, as well as adding an updated router and amplifiers. *How many weeks does the Native Sun own that the owners need to pay the maintenance for?* Ralph responded it is in the low 40's, and Mike added that we try to rent out those units if possible, reiterating that it's difficult when owners list their units on Facebook and deprive the Native Sun of a 20% rental fee. *How does the collection company get paid?* Ralph responded that we book up the total amount received as income and offset it by the 30% fee charged by the collection company and they provide us with a

check net of their fees. ***Will there be another auction?*** Ralph responded that our last auction yielded no sales, and it doesn't seem to work well given the amount of work required to hold an auction.

Keith & Vicky Williamson – ***We are getting older and cannot come any longer to the Native Sun, and our rental income (of only 3 days this year) is not matching up with our expenses. Our children are not interested, and we are wondering if we can gift our weeks to the Native Sun?*** Mike Ohr asked Vicky to email the information on the units they own to Anita and we will see what, if anything, we can do.

Peter Charboneau – ***We want to transfer our units to our children, can you assist us with who we should contact?*** Anita responded that we have a title company here in Florida that we use frequently, and suggested he contact the office for us to give him the information.

Board Vote on Approval of 2023 Budget. Ralph Marcus made a motion to approve the proposed budget for 2023 with maintenance fees set at \$740 and adopt the printed budget. Dave Rojohn seconded the motion and it passed unanimously.

Old Business. Dave Rojohn reported that our \$3.2 million certification project mandated by the county as a 40-year inspection has been completed much to the delight of owners reoccupying their units after a longer than expected closure. He stated that we have heard good things about the exterior appearance of the building, but that he is especially satisfied with the condition of the structure that is hidden from view and has been made safe, particularly the balconies and catwalks. He explained that included with that effort were many ancillary items, such as rewiring several systems, re-piping, lighting, railings, roofing, and gutters that will remain as a long-term improvement. He continued that a recertification will be required in 10 years, and we have included annual funds in the budget to be allocated to this reserve item. Dave reported that although many of you were put out by this effort, he reminds you of the Champlain collapse in Miami, a recent evacuation near the Champlain due to structural defects discovered at the Port Royale, and a temporary evacuation of the nearby Crane Crest due to an electrical issue, adding that we caught our deficiencies early enough to take care of them before we had major problems.

Dave reported that unrelated to the 40-year certification is the new state bill, SB-4D, that mandates a status report submittal in January, a different and separate inspection by the end of 2024, repairs by end of 2025, and reinspection at another 10-year cycle. Due to the work already done, Dave expects this effort to go smoothly with most of the financial obligation to be spent on a required reserve study by a qualified entity separate from our budget expert Ralph. He added that this will also be covered within our reserves, and added anyone interested can look at FS553 or google SB-4D for details.

Dave continued that (as Anita can attest to) any and all efforts to accomplish our improvement goals are being tested by several factors that make progress crawl at a pace slower than expected, especially by board members who are not used to the current Florida industry conditions. Dave reported that we have been getting a lack of responses from engineering firms and construction companies on our bid lists, and that this condition will be exacerbated by SB-4D and Ian recovery by shrinking the pool of available professionals for timely performance. He added that there is the nationwide shortage of materials and labor and rising inflation rates on same, and there have been increased delays in obtaining local permits for planned work, as well as changing codes that add

to some of the tasks. He summarized that all of this means higher prices and us getting less bang for our buck.

Dave reinforced that this Board is staying atop of the requirements and is dedicated to not getting to a point where we need another Special Assessment due to negligence in budget planning. He expects that is good news to you that counteracts any of the bad news from this presentation. Dave said he wanted to paint the right picture that captures both sides.

New Business.

State of the Resort. Anita Pearce introduced herself as General Manager of the resort for nearly five years, and holder of the Florida CAM license for the Native Sun Resort. She stated it has been her privilege to work with such a forward-thinking and proactive Board of Directors who listens to ideas and gauges their responses to safety-first answers. She reported that we have completed some unplanned projects this past year, such as re-painting of the spa, re-setting and/or replacement of dislodged pavers from construction, purchase of a very large pool umbrella, and replacement of flooring with laminate plank flooring in rooms that received construction and/or water damage. She also reported that, contrary to current issues being reported in unit 102, we have upgraded our WiFi system after it was damaged and/or removed from the building during the 40-year construction. She stated that those are just returning for the first time should notice the new wall sign on the front of our building, which is a beautiful addition. She concluded by stating that we will continue to make the Native Sun a happy, friendly, family-oriented place for years to come.

Discussion and Vote on Resolution Pertaining to Abandoned and Delinquent Units.

Peter Cohen started by going back to some comments made by Nick Pappas earlier in the meeting, which dovetail to this resolution. Peter stated that when he and Mike came on the Board almost five years ago, they were both shocked to see the amount of bad debt on the books, coupled with the fact that such a large portion is unrecoverable since it is over five years old and barred from collection by the Florida Statutes. Specifically in response to Nick's question, Peter reported that we currently have \$2.15 Million in total debt from all sources, which includes "active" owners (those we have contact information for and are actively collecting from) with about \$850K of debt, as well as "inactive" owners (those we have NO contact information for) with about \$1.3 Million in debt who, for whatever reason have not paid for years and years. Peter explained that due to a combination of Florida Statute language and a deficiency in our ByLaws, we have been unable to rent those units.

Peter continued to state that passage of the Resolution he will be reading, drafted by our attorney, will give the Native Sun the right to rent the units addressed by this Resolution, which represents 120 unit weeks, representing 90 different owners, 40 of whom are deceased.

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BOARD RESOLUTION

NATIVE SUN CONDOMINIUM ASSOCIATION, INC.

WHEREAS, the Board of Directors of Native Sun Condominium Association, Inc. (the “Association”) has a fiduciary duty to its constituents to act in the best interests of the Native Sun community; and

WHEREAS, the Board of Directors has determined it to be necessary to take this action in the best interests of the persons and property located within the Native Sun community; and

WHEREAS, the Board of Directors has met to address the situation with delinquent and likely abandoned unit/weeks, heretofore defined as “eligible unit/weeks”.

NOW THEREFORE, for the good of the Native Sun community, the Board hereby resolves as follows:

1. For the purposes of this resolution, eligible unit/weeks must meet the following requirements:
 - a. The owner of the unit/week must be at least three years delinquent in the payment of regular maintenance; and
 - b. The Association does not have a current mailing address or valid email address for the unit owner; and
 - c. The unit/week owner does not have a tax ID number on file with the Association.

2. Eligible unit weeks may be rented out by the Association in the normal course of business and if the owner resurfaces, such owner would be credited with the rental income as an offset to the unit/week’s delinquent balance.

This Resolution was adopted by the Board of Directors on the 12th day of November, 2022 and is effective upon adoption.

There are a total of five (5) Board members. Five (5) Board members voted in favor of this Resolution; zero (0) Board members voted against. The vote of each Director is reflected in the minutes of the meeting at which this Resolution was adopted.

**NATIVE SUN CONDOMINIUM
ASSOCIATION, INC.**

Peter stated that in some of these cases, the debt is so great that it would be impossible for the owners to collect anything from any rental over and above what the Native Sun receives. He added that this will allow the Native Sun to once again recoup some funds through the use of rentals, eventual foreclosures and hopefully resales, mitigating some of the expenses and dues of our owners.

Kirk Mark – *Has this Resolution been reviewed by Legal?* Peter responded that it was prepared by our attorney. *And was this Resolution mailed out to the membership?* Peter responded that Notice of the Resolution was mailed out.

Jens Justesen – *What article in our documents will be changed as a result of this Resolution?* Peter responded that all legal requirements have been met and that no changes in our ByLaws are required, or will occur. Ralph Marcus clarified that this Resolution gives the Board of Directors the authority, upon itself, to rent these abandoned units out. He added that this is not an amendment to our declarations and covenants, nor would it be. Ralph stated that our attorneys gave us the Resolution to pass so that we can operate by renting out these abandoned units.

Ron Hovanec – *I appreciate the Board going after all unpaid fees, but what happens if someone dies, no one wants it, and there's no estate? Is this a process to get the timeshare back in the hands of the Native Sun?* Peter said the objective is to keep the deed “clean” because it is too expensive and time-consuming to take back units with a cloud on the title. Peter suggested that all owners undertake due diligence to keep the title to these units clean, even though it is not so easy or simple for the Native Sun to take these units back.

Madeleine Galvin - *You need to have that chat with your family regarding the passage of title to these units after you pass.* Peter agreed and thanked Madeleine for her comment.

Peter Cohen called for a vote on the Resolution just read labeled for reference, “Resolution for Abandoned Units”. Dave Rojohn seconded the motion and it passed unanimously.

There being no further business, and upon motion duly made and seconded, the meeting was adjourned at 10:50 AM.

Respectfully submitted,

Anita J. Pearce

Anita J. Pearce, General Manager
Native Sun Condominium Assn., Inc.

