

Native Sun Resort
Minutes of 2024 Budget Meeting
Saturday – November 18, 2023 @ 9 AM

The annual Budget Meeting of the Board of Directors of The Native Sun Resort was held on Saturday, November 18, 2023 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 9:00 AM by Dave Rojohn President.

Roll Call. The following were present virtually on the call:

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

along with 40 owners either by Zoom or by phone-in calls, and two owners in the Native Sun office attended the meeting virtually.

Proof of Mailing. Anita Pearce verified that we have a Proof of Mailing of the Notice of Meeting to all owners on October 27, 2023, and the Notice of Meeting and Agenda was also posted at the resort on November 16, 2023 and posted on our website.

Introductory Remarks. Dave Rojohn thanked all of the owners that submitted budget questions prior to the meeting. Dave then gave a brief review of what is planned for 2024 as was stated in the proposed budget cover letter sent to all owners:

- Dave reported that we will continue with year 6 of the window replacement project, with installation of impact windows on the 1st and 2nd floor catwalks, west windows on the 2nd floor, as well as the west window in 109, and is estimated at \$59,500 based on this year's replacement costs. When completed, this project will provide hurricane protection to all the openings in the envelope of the building, and hopefully provide a decrease in our insurance premiums.
- Dave reported that in 2024, we will have a state-mandated reserve study and structural inspection estimated at \$2,500.
- Dave reported that we need to continue funding our reserves for the state-mandated 50-year recertification, and we are funding \$25,000 a year for this project which is another 8 years away.
- Dave reported that we plan on rebuilding the beach entrance and beach wash station that is becoming undermined for \$8,500 since the Board feels it is becoming a safety issue.

- Dave reported that we plan on replacing carpeting in five (5) first floor rooms with waterproof laminate flooring for \$10,500, as a continuation of a program that we have been working on for several years.

Dave went on to report about some of the budget issues that we received calls and correspondence about:

- Insurance – Dave reported that insurance is a huge issue, and it appears that insurance costs in Florida will only get worse before they get better. The Native Sun has a limited number of companies who can provide insurance for our building, and we are estimating another increase for next year’s renewal.
- Collections – Dave reported that the collection agency we selected charges the least for collection fees among those we researched, doing a job that neither the staff nor Board of Directors is equipped to do, including but not limited to reporting to the three major credit agencies. He added that they have collected on many delinquent accounts, as well as implemented payment plans on others who could not pay in full, and the Board plans on continuing with them next year.
- Rental Rates for 2024 – Dave reported that the Board researched other local resorts regarding their rental rates as well as their maintenance dues, finding our rental rates comparable and often less than others, and our proposed maintenance dues of \$946 are less than that of another local resort, Costa del Sol, where dues next year will be over \$1,200.
- Allowance for Bad Debt – Dave asked Ralph Marcus to speak on this subject. Ralph reported that historically our collection rate has been in the low to mid 90’s, so our Bad Debt Expense represented about 4-5% of dues we expected to be unpaid, and that worked for many years, providing us with sufficient funds to fund our reserves and keep operations going through the end of the year. Ralph reported that the 40-year recertification project, which came to about \$3.2 million, changed the dynamics of that, and the amount of collections dropped down to the low and mid-80’s, and this year, even with collections from prior years, we are still collecting in the low 80’s, which is not enough to support operations. He stated there is not enough cash coming in to address reserve funding, nor to provide cash for operations through the end of January when maintenance is due. He went on to state that we calculated what the bad debt will be if we perform the same in 2024 as we did in 2023, in the low to mid 80’s, and that number is what is represented on the budget as bad debt. Ralph went on to state that the Native Sun has acquired several units through foreclosure, representing about \$45,000 in lost maintenance income, though we do try to sell and/or rent those units to have some income. Notably, we did better this year in rentals than we projected, helping to offset the increased bad debt and lower the dues payment. Ralph summarized that while he hopes we do better than this in 2024, the increased bad debt expense is in line with the actuals we are experiencing.
- Reserves – Dave asked Nick Pappas to report on our Reserve funding. Nick reported that there are two lines for reserve funding in this year’s budget, one representing one-half (1/2) of the deficit from not being able to fund 2023 reserves (\$89,278), as well as the 2024 reserves (\$106,000). Ralph Marcus added that the approximate \$180K reserve deficit is the amount of the 2023 budget reserves of \$227,656 less the amount received and less the

amount spent on projects in 2023, with the other \$89,278 to be included in the 2025 Budget. Nick added that the state-mandated reserve study to be completed in 2024 will affect the 2025 budget with strict reserve categories to be funded at 100%, which will require recategorizing our reserves in 2025 with mandatory funding of an amount unknown at this time. Ralph Marcus added that we inherited a component-based reserve fund, which would have required a vote of the membership to change to a “pooled” reserve fund; however, pooling of reserves is no longer possible under the state-mandated SIRS program effective in 2025. Nick added that in 2024, per advice of our CPA, we will be funding the reserves on a monthly basis (within 30 days of receipt) to the appropriate reserve account.

Motion for Approval of 2024 Budget: Dave Rojohn asked for a Motion to approve the Proposed 2024 Budget with maintenance dues of \$946 per unit week. Ralph Marcus made a motion to approve the 2024 budget, and Peter Cohen seconded the motion.

Presentation of the 2024 Budget: Ralph Marcus reported that the 2024 Budget went through several reviews and revisions prior to finalization. He stated that the Board knew we were going to have a cashflow concern when insurance became an issue early on in 2023, with increased payments beginning in May of 2023. Our 2023 budget for insurance was \$155K, but the premiums came in at \$288K leaving us \$133K short at that time. In addition, the insurance assessment of \$94 was only for the 2023 shortfall, and did not cover the shortfall from 2022. He went on to say that this shortage also impacted our ability to fund our reserves in 2023. Ralph reminded everyone that our 2024 insurance has not been finalized and could in fact come in higher than the \$375K projected. Ralph reported that insurance alone accounts for 60% of this year’s increase, with another 25% going to the deficit funding for reserves and 5% for the increase to utilities. He reported that the Board made adjustments to the entire budget, and made cuts to operating expenses as is visible by all of the decreases in the budget change column, operating more cautiously where possible for this budget year and he went through several examples of the cuts made.

Discussion and Q&A: The meeting was opened up for discussion on the budget and Q&A

Marie Kinneary - Would like to see a breakdown of the Reserves Budget, with what is going to be done, and not just a total, and would like to see improvements made to the unit interiors. How many kitchens were done in 2023? Were any laminate floors done in 2023? Ralph said we will review her request, but there were no reserves funded last year to present. Ralph also directed her to the cover letter for the planned reserves breakdown for 2024. Ralph added that the Board agrees that the interiors do need upgrades, and we were unable to proceed with laminate floors since we limited all reserve spending this year due to lack of funding. Dave Rojohn responded that kitchens cost us \$13K-\$15K each, and in order to submit applications for permits in time, we need to know well in advance that we will be able to fund the work and have no time constraints with unit availability.

Tom Burtness - Questioning the allocation of the increase, not the \$206 increase amount. Rather than include it all in the maintenance budget, given that \$168 of the \$206 is for event-

based, non-maintenance items (Allowance for Bad Debt and Prior Year Deficit), he would rather see \$168 billed as a special assessment and \$38 added to the maintenance fee. Ralph Marcus responded that this Board did not want to levy another special assessment on the heels of 3 others in the past two years. He added that unfortunately, the Bad Debt expense is not going away, and concluded with the statement that if we see find a way to reduce maintenance fees in the future, he will be the first one to move for lower maintenance fees. Nick Pappas added that this is not a one-time adjustment, it is a makeup for underfunding from previous years, and to qualify as a special assessment it needs to be an emergency situation, to which Dave Rojohn agreed, adding that any non-emergency special assessment requires approval by a majority of unit owners.

David Schick – Has concerns with the rental process, has tried unsuccessfully to rent for two years, and has suggestions that he thinks will improve our rental experience. Ralph invites David to share his concerns and suggestions by email to the Board for further consideration. Dave Rojohn added that tourism has been down all summer, and likely has contributed to his experience,

Margaret Linden – Does not see how much was collected from the property insurance assessment this year. Also, have you looked at other insurance companies? This amount seems extremely high. Ralph Marcus responded that we use a national broker who goes out to market for us, and we compare the bids from several agencies. He added that there are components to the exterior of our building that put us into a special category of insurance, and that continues to drive some of our limitations for insurability in some markets. As for collections on the insurance assessment, we have collected to date \$133,869.34.

Kathy Blomker – This rate increase is extremely difficult for them, as it will be for most of the “not so rich” owners who vacation in the summer at Native Sun when they do, and she is concerned that it will drive up the amount of delinquencies even higher. How is the Board addressing a higher and higher number of foreclosures when no one can afford to go to the Native Sun any longer? Dave Rojohn said the Board understands that this is a risk/reward situation, with one of the options closing down the resort for November and December if we can no longer afford to operate. He added that everyone on the Board has multiple weeks as well, and as far as sales, some owners have listed their units too high, so encourages owners to take a close look at their sales prices.

Tom Jurcisin – Does the window replacement in 2024 conclude the project, or do we still have to do the office before we can qualify for lower insurance? What’s the status on the construction loan we took out for the 40-year recertification? Ralph Marcus responded that yes, the office, Lobby front and side, and Laundry Room will still be left to do in 2025. Dave Rojohn added there will still be a code issue to address when we do the Lobby doors, since the doors need to open “out” and we will likely need to ramp the existing step at the front door, a project that will cost a considerable amount of money. Ralph Marcus reported that the last loan payment would have been July 2024, however with our assessment collections, we will prepay that loan in full with our November 2023 payment, saving us about \$1,500 in interest.

Anthony & Diana Seubert – As owners of 2 weeks in the less desirable summer months, is it possible to waive the \$206 increase? They receive less rent but pay the same maintenance fees. If we need to close, perhaps we should close in the summer. Ralph stated that closing down at any time has a domino effect, with employees who may leave for other jobs, and ongoing expenses that will not stop even if we close, such as utilities. Our documents would need to be amended to change the amount of maintenance charged to units in less desirable weeks. Dave stated that every owner can rent their unit for any dollar amount they choose. Nick Pappas added that Native Sun units are not rented for lesser amounts than owners' units so as not to undercut the owners and enable them to rent their weeks.

Madeleine Galvin – Not surprised about the insurance increase, since she has seen it at other properties. Would like to see a Balance Sheet and Equity Statement published to the website every month. We need to change our reserves to “pooled” reserves. Ralph Marcus responded that beginning in 2025, everyone is required to have component-based reserves, and not pooled reserves. Nick Pappas added that we have a contingency account within our reserves, so if one component costs too much and you cannot borrow from another named component to complete the project, you have a contingency account for that.

Andrew Dow – Agreed with what Tom Burtness said about keeping the maintenance lower and have this additional \$168 treated as a special assessment again. Does not want to see maintenance go up, because once it does, it never comes back down. Nick Pappas responded that this is not a sudden, one-time thing. He explained that this year's budget is an attempt to quantify the amount and hopefully put a stop to it. He added that we hope not to have another increase like this in the future. Ralph Marcus referred Andrew back to the proposed budget and all the red bracketed numbers representing cuts that have been made, and re-stated that at least 3 board members have affirmed that they will move to lower the maintenance payments if costs go down in the future.

Motion to Amend – Nick Pappas made a motion to amend the Motion for Approval of the 2024 Budget: The Association shall allow the option for 2024 assessments to be paid in two (2) equal installments, at least three (3) months apart, the timing and details shall be determined by the President with consultation from the Board of Directors. Dave Rojohn entertained discussion on the motion. Nick elaborated that this is a big increase and a hardship for many people, and would like to give people the opportunity to split up the payment. Ralph Marcus added that he didn't second the motion because he's not sure that we are set up electronically to receive two payments, how we would assess late fees and interest, and feels it needs further research. Peter Cohen added that he would be concerned about our cash flow situation while waiting for the second payment to come in, as well as the other concerns raised by board members during previous discussions on this matter where the two-payment concept was tabled. Dave Rojohn added that it would not be fair to those owners who have unit weeks in the first three months of the year and are required to pay in full prior to occupancy. Michael Ohr added that cash flow might become a real issue if there's a large insurance premium due in May and funds are not available. The motion failed for lack of a second.

Dave Rojohn called the question on the motion on the floor, Motion for Approval of the 2024 Budget as proposed. Votes of the Board were

Nick Pappas	No
Michael Ohr	Yes
Peter Cohen	Yes
Ralph Marcus	Yes
Dave Rojohn	Yes

so the motion carried 4:1, and the proposed 2024 budget is adopted.

One further question was raised:

Dorothy DeCordova – Owns 2 weeks but cannot afford to pay \$946 for each week, and wants to know what she should do. Dave Rojohn asked her to email her question to the main office email address so the Board could address her question outside of this meeting.

There being no further business, and upon motion duly made and seconded, the meeting was adjourned at 10:26 AM.

Respectfully submitted,

Anita J. Pearce

Anita J. Pearce, General Manager
& Recording Secretary for the Meeting
Native Sun Condominium Assn., Inc.

(A complete video recording of this meeting is available for viewing on our website.)