

Sea Cabins on The Ocean I

DBA Sea Side Villas I

Council of Co-Owners

Forty-Third Annual Meeting

March 25, 2023

1:00 pm at the Holiday Inn Express

- Registration and validation were conducted by Susan Sutton of Seacoast Property Management.
- Call to order was made by President Mona Kiessler.
- Susan Sutton confirmed a quorum of 66%
- The minutes of the Forty-Second annual meeting on March 19, 2022 were approved.
- Mona Kiessler introduced the Board of Directors and acknowledged their contributions. Present were the following members: President Mona Kiessler, Vice President Martin Sauer, Treasurer Pat Rositani, Secretary Coral Amspaugh-Topolski, Director David Luce, Director Scott Bailey and Director Rebecca Dumas. Gary Fons, Steve Heron and Susan Sutton of Seacoast Property Management were also in attendance.
- President's Address-2023 – Taken from Mona's Notes & Presentation

Financially:

We definitely took a huge hit in January with our insurance increase. I will try to

explain the insurance process and how it affected us a little later. Pat will be giving a full report.

The Board had kept our goal of not increasing regime fees for nine years until we had no choice. In April they will increase to \$495.00 per month, after remaining at \$350.00 per month since 2013. We need to continue to support our capital plan, providing money for repairs and enhancements. Our bulk cable contract remains the same at \$55.00 per month. Again, Pat will be giving a full financial report, but I felt the need to begin by addressing the elephant in the room.

The Board takes financial accounting of all our monies very seriously. Two of us became active and joined the Board years ago when we had our monies absconded by the existing Management Company at that time.

We specifically put procedures into place that something like that would never happen again. These steps include:

- Making sure that bank reconciliations are done monthly and is presented to the Board every month for review.
- A complete set of financial statements are done monthly and given to the Board.
- Making sure financial statements are made available to all owners.
- A Financial Review is done yearly by an outside independent CPA firm on Hilton Head Island and then presented to all the owners for their review.

We have presented a Financial Review every year for 15 years since the theft of our monies 17 years ago.

The current climate in the financial community of Hilton Head due to the historic increase in insurance has caused banks, management companies and CPA firms to all be busy resulting in delays trying to meet the needs of regimes on the island.

We will be conducting a Financial Review again for the year 2022, when the financial community catches up, which we hope to be in the next month.

We will continue to have a Financial Review for 2023 and further years in order to be fully transparent in how your and our monies are used in Sea Side Villas I.

Capital Projects and Maintenance:

- Maintaining our building structure and integrity is our top priority. Upon inspection late summer, it was found that our 44 year old building had a significant amount of rotten wood on the exterior. Some could be seen with the eye, but a large amount was found during discovery. The decision was made at the October Board Meeting to treat this as a major capital project and ensure all compromised wood was replaced. In the end two thirds of all the outside wood was replaced, several stair towers had major repairs and the interior stairwell walls and landings required repairs and replacement. Due to the amount of work needed, the building would require painting. The building was previously painted in 2012 when the tile was placed on the balconies.

A new updated modern color was chosen by Coral and approved by the Board, Forest Beach Association and the town.

The cost of replacing the wood and painting was drawn from our capital reserve. The monies are part of our life cycle plan of the building.

- Beach Gate:

In 2021, approximately \$2500. was spent to modify the existing beach gate after the shower re-location. For our newer owners, the old shower was on the beach walkway. Even though the beach walkway is a public easement per our Master Deed, it is on SSI land. When the walkway was replaced two years ago, the shower was re-located within our gates. Primarily to decrease our liability. We were sued twice by non- Sea Side I guests who slipped at the shower. The other reason, our owners were irritated and upset over sometimes waiting up to 20 minutes during peak season to use the shower, we were paying for.

The gate and lock modification did not meet our needs and became a huge source of frustration for Owners, Guests and Board Members. The decision was made to find a new solution and not spend money on trying to make the old gate serviceable. Martin will go into the details of this project shortly.

- Parking Spaces:
Six new parking spaces were added last summer after removing an area of

shrubs near the dumpster. The additional spots helped to relieve parking issues for owners and guests during the busy summer and holiday weekends. An additional area was designated for handicap spaces. Parking is still extremely tight, but without David's thinking outside the box, our parking would overflow beyond our gates.

- **Elevator Modernization:**
Our elevator received a comprehensive update, which consisted of a new car signal and operating panel installation, the controller was replaced, new hall fixtures installed at all the landings and all control wiring was replaced.
- **Security Cameras:**

Eight new monitored security cameras were installed late summer. Scott will be giving you a report on that project.

- **Lighting:**
New up-lighting was placed in the interior hallways and Coral will be sharing information on this project.
- **Insulation of Waterpipes:**
Last January, we had all of our exterior waterpipes wrapped with new insulation. This past December when temperatures were below freezing for 72 hours, Sea Side did not experience any issues.
- **Structural Evaluation:**
A structural evaluation of the building was performed by CPW Engineering last March. The majority of the concrete columns underneath the building were found to be concrete in good structural condition, but 83 columns needed minor repairs per the report. Repairs to the spalling were done on 111 columns exceeding the recommendations. The columns were painted with the exterior of the building.
- **Web Site:**
A new web site and platform was developed to enhance owner information and communication. Rebecca will be talking about the site.
- **By-Law Amendment Changes**
The By-Law Amendment changes voted on and approved at last year's

meeting were filed with the state. The changes consisted of shortening the time required to submit proxies from 15 days to 24 hours before the business meeting. A new section was included which outlines how an owner brings an issue to the Board's attention and request action. A new form was developed and posted on the web site to ensure an answer within 30 days. In summary, we have made some major capital improvements to our property!

The remainder of work completed this year was normal maintenance and repairs. Sea Coast Property Management does a good job managing and taking care of our property on a daily basis and we will be hearing from them shortly.

One area we need better control over are bikes. We are working on a solution to have owners label your bikes with your condo numbers. We find bikes are often abandoned when an owner sells, but without identification, it is difficult for us to follow-up. We are looking at stickers, but open to suggestions.

Insurance Process:

Each year for the last twelve to thirteen years, we begin to reach out to different brokers that we have had a business relationship with in late August and September to get a feel for the market before our October Budget Meeting.

Insurance costs are based on the previous two-to-three-year history. Past history does not catch up to the present until past claims are settled and then the insurance industry adjusts its rates based on recent experience.

Therefore, 2023 costs are a reflection of what was paid out by the carriers in 202, 2021 and influenced by 2022.

The insurance market has been hit very hard in the last few years due to many worldwide catastrophic events including the wildfires on the West Coast and the many hurricanes that have hit the United States and the Caribbean. Beginning in 2021 and again in 2022, insurance companies began to pull out of the East Coast marked due to the high risk.

We have included a spread sheet showing our cost for the past ten years.

When you compare our cost, NFP became our broker in 2018

Based on the guidance of NFP, we budgeted a 50% increase for 2023.

Our property coverage is up for renewal each January. No broker will give

you a written estimate until the month of your renewal. By mid-January each year, we have had verbal conversations with multiple brokers. We evaluate what we have been told verbally, choose whom we think can offer us the best option and then give our letter of agency. This past year due to the market conditions, after January other brokers would not quote without a letter of agency. Only one broker can have that letter of agency. NFP is our broker of record. The broker of record is the only party allowed to shop the carriers and present us with our perspective policy.

This year, we were told verbally by several of our sources in January to stay with NFP, as they didn't have different carriers to offer us. The capacity of the insurance market decreased between 50 to 80%. With global carriers pulling out January 1, 2023. Due to the losses incurred by their investors, they were no longer writing new policies. No one had any indication this was on the horizon late fall.

The few carriers left, have their stack of money from their investors. They want to invest the money in areas to give their stockholders the best return. They do not want to cover the east coast. All coastal areas are now viewed as catastrophic risk. If they can provide coverage to assets with less risk, that is what they want to spend their money on. They have decreased their percentage of higher risk investment. Hilton Head has had a much lower risk than Charleston and Myrtle Beach, but our risk factor designated by the companies is the same.

We have been told, Florida and from the east coast of Texas through the panhandle cannot get new coverage at all.

Appraisals on the building are generally done every 2 to 3 years, but we were told in October, it would need to be done again as that is now part of the insurance process. Ours came in at \$17.8 Million, in 2021 it was \$14.5 Million an increase of \$3.2 Million or 22%. The increase of 3.2 million in itself accounted for \$120,000 of our total insurance increase.

This year for the first time ever, no one will cover the entire cost of our building. Again each of the carriers want to lower their risk and stretch their pool of money for their investors. Coverage had to be layered or designated as primary, secondary and tertiary providers. NFP would receive quotes on day and the next day the quote was rescinded. The first layer or primary would only extend \$5 Million in coverage at a cost of \$352,556.00, so this was bound on January 30th.

On January 26th, I called our attorney for a legal interpretation of our Master Deed and By-Laws. Our Master Deed does not state we must be fully insured, but it does acknowledge if an owner's unit is held by a mortgage, the lender can reject the coverage. An owner would then be responsible for the full coverage on their individual unit, which would be impossible to find, which then could hold the regime responsible for liability. 41% of our owners have mortgages, therefore it put the regime at great risk.

It took until February 10th to be completely insured. The second \$5 Million layer came in at \$260,920.50. This one came with a financing option. We chose the option, in order to not break our CD's and help with cash flow in the event we need cash for some unforeseeable issue. We paid a down payment of \$89,258.92, with the remainder to be paid in 10 monthly payments or can be paid in a lump sum.

The third layer for \$7.8 Million had already been found, but could not be bound until after the second layer.

Effective date of the last two layers is 2-1-23, with the submission of a no know loss letter.

We are insured by a total of 7 insurance carriers.

Our deductible on each policy has increased to 5%. No carrier is writing a 1 or 2%. There was the option of a 10% deductible on the first layer, but it only decreased the cost by \$1500, so we stuck with the 5%. The 5% is a much higher deductible than we have ever experienced.

Our building is oceanfront, a frame built wooden structure and over 40 years old. We are considered a very high risk. Insurance companies do not want to insure these types of buildings.

We have been told not to expect our premium to decrease next year, at best to remain flat, unless carriers jump back in the market. We are continuing to monitor the market for any changes, but over the past month, we have not seen any new carriers or lowering of cost.

We used our long-term reserve to fund 2023's premium.

I can only compare this year to what we experienced in 2005. At that time, our renewal was in April, there were no carriers still writing policies. The state of South Carolina set up a wind and storm pool, in which we paid \$244,000 to enter and receive minimal coverage.

After that year, we slowly moved our renewal date up. The market stayed

elevated for several years, then carriers came back and cost decreased. Property coverage is for replacement of the building minus our 5% deductible.

- BOD Treasurer Pat Rositani presented the Treasurer's Report. Please see it posted on the Sea Side I website. We have cash of \$456,000., \$375,000. Of that is in CD's. Regime fees are at 97.7% current collected. We are at the point of finalizing a ten-year life cycle renovation budget. A handout gave the ten-year insurance breakdown.
- BOD Vice President Martin Sauer gave the update on the Beach Walk Gate. It is fabricated and once it is powder coated will be installed.
- Director Scott Bailey gave an up date on the Security Cameras & Monitoring. The system has been enhanced for security and damage assessment. This will enable us to save the expense of a security person during season. Additional cameras were installed and are being monitored by Coastal Security Company.
- BOD Secretary Coral Amspaugh-Topolski gave an update on lighting. Uplighting was installed in the hallways to brighten the space. It has made a huge difference to the ambiance of the hallways; they are more welcoming and lighter. The black ceiling mount lights were updated with Solus ceiling mount lights in white. All of the new fixtures are LED which have a longer life and are energy efficient.
- Director Rebecca Dumas reported on the updated Web site. After researching different platforms it was decided on HOA Express. It is user friendly, has the option of communication through email blasts, event calendar and FAQ's. Co-owner information is all in one place and there are many documents that co-owners can access on the website. Lori Bailey will be assuming responsibility of the website.
- David Luce Director gave his perspective as a Board Director: The following was taken from David's Notes:

I'd like to provide context on why I chose this topic. I wrote this several months ago before the insurance issue. In response to all the negative comments on social media about the BOD including we are archaic, antiquated, lack creativity and the BOD needs young people. These are my personal thoughts and the BOD is unaware of the content.

I have been an owner for 22 years & 15 years as a Board member; 1 year as President and 5 years as Vice President.

Sea Side was a tired and dated complex:

- The building needed painting inside & out

- The hallways were dark & dingy

 - Owners used bedsheets, shower curtains & even trash bags to cover the windows

 - Trashy items were often displayed in the windows

 - No flower beds, no celtic walls and no front entrance bed

 - Railroad ties lined the parking lot & shrub beds

 - There was a one arm entry gate which was often broken

 - People wandered thru the parking lot because there was no fencing down the common easement

 - Could cookout on a cheap \$20. Meco grill & enjoy the plastic swing, both didn't last 6 months

 - Small sun deck

 - No website, No FB presence

 - No Security

 - The balconies had every conceivable combination of windchimes, fans, shrubs, wall art, towels and paraphernalia you could imagine

 - No paying tenant in our office space

 - No P/P

 - & few rules and these rules were rarely enforced

 - Only 4 owner storage spaces

 - The board was mainly a social club

 - Owner meetings were held off island in Okatie where we had soda & cookies

 - You could rent a condo in the summer for \$350/week or \$600/month

 - Needless to say, SSVI wasn't in good shape

A significant event happened prior to me or Mona becoming board members or Vacation Time becoming our management company. D & M embezzled at least \$150,000.

Shortly after this Mona & I became board members of a complex that had no money and couldn't pay our bills for 3 months.

I became President and Mona became Vice President. Together we wrote all the current P/P and R/R and started enforcing them.

Most significant was the collection policy. At that time, we had \$100,000 dollars in uncollected debt meaning HOA fees weren't being paid

To correct all these problems, we started having 8-10 hour Board meetings and often had preplanning meetings the night before

As President I was working 15-20 hours per week and I know Mona is working much more than this

We went through 3 management companies before Vacation Time

During this time we built reserves, collected debt, watched expenses and made improvements to SSVI

We went from being broke to having 1.1 million in reserves, our bad debt went from \$100,000 to less than \$3,000, no assessment in 15 years, held HOA fees for 9 years. I don't know any regime that can make this claim. It was truly a remarkable turn around!

What have you gotten in the last 15 years?

New entrance gate

New 25 year hurricane rated roof

New balcony railing

Railroad ties replaced with roll up curbing

New Beach walkway

Balcony carpet replaced with tile. We budgeted for 6 balconies @ \$2000 per balcony, saving \$120,000 over 10 years

No Balcony repairs since tile was installed

Owners were replacing balcony carpet every 3 years at \$300.

Shower installed in pool area

Pool Deck has been resurfaced x 2

Parking Lot resurfaced x 2

Repaired garage pillars-Few contractors wanted the liability for this work. One contractor wanted \$150,000. Bob Baroni our consultant

did it for \$30,000.

Created 8 additional parking spaces

Created 3 additional short-, term spaces for FOB retrieval

Grilling area created

An O F Swing was installed

Doubled the size of the sun deck

Soon to have a FOB activated shower/beach gate

Rebuilt elevator electrical & some mechanics

Replaced the plastic easement fence with powder coated salt resistant metal fencing

Created an owner handbook

Enhanced the landscaping & uplighting

Rebuilt the pool stairwell. At Bob Baroni's suggestion we replaced, resecured and painted the stairwell instead of tearing them down spending \$20,000 instead of \$200,000.

Painted interior & exterior of building x 2

Built celtic wall at entrance and along elevator 4 other celtic walls which held flowers

New beach shower was moved from common walkway to its present location saving H2O expense & eliminate the inconvenience to owners & guests

New Cameras for security & damage assessment were installed

HOA website & FB Presence

Summer Security

Upgraded to LED lighting in the stairways, garage & hallway saving money on electricity & bulb replacement as well as reducing liability from poor lighting

Carpet on stairwell landing replaced with composite, eliminating carpet. Replacement for 12 years

I mentioned the dark dingy hallways, instead of just painting the hallways we followed the recommendation of a designer which included window shutter, ceiling fans, paint, carpet, laundry room tile & door knockers

We now have a paying tenant in our office space

30 owner storage spaces, which generate income

We had 30 year old cable wiring that was a constant problem, the

whole building and every condo has been rewired & upgraded cable. Owner meetings were brought back on island and became a weekend event. Including: community workday, meet the board sessions, Friday night social, villa walks, wine tasting events, nice dinners, seminars on marketing, selling and renovating your condo. Owner meetings became a special event.

The BOD had an active role in all of these projects & improvements. These things didn't happen without oversight by the BOD along with Vacation Time and especially Bob Baroni our building consultant.

I'm going to provide a few additional examples of Board involvement:

Martin handled the cable/internet project. At the time each owner was paying \$165/month for these services. Martin negotiated a \$55/month fee, saving each owner \$13,000 over 10 years. He also negotiated a \$15,000 cash rebate that went into our reserves.

A Board member suggested palm trees not affecting a view not be pruned, at \$25/tree for 3 times per year for 10 years has saved \$31,000.

Normal projects have a project manager that oversees the work. This person is reimbursed at 5% of the project cost. Example \$200,000. Project would be \$10,000. Instead, a board member acts as project with Bob's oversight. (Bob has been involved in 22 of the 28 projects)

Vacation Time (specifically Gary, Steve & Susan) have played an important role thru: onsite everyday property maintenance, vendor oversight, contractor/vendor quote, board advice, role in uncollected debt, budget preparation and 24/7 call for owner issues.

Now to the person we couldn't have survived our financial crisis without. He has been a steady and reliable partner from the beginning.

Bob Baroni our building & project consultant

His bids on our projects are consistently the lowest. If he doesn't do the work, he pressures the contractor for the best price.

Bob has saved SSVI over $\frac{3}{4}$ million dollars on projects thru his competitive bids. Example: \$180,000 on pool stairwell & \$120,000 on garage pillars. That's \$300,000. on two projects.

Bob's ideas, suggestions, contacts and workmanship are all over SSVI.

In addition: he has "gifted" us projects and sometimes lost money on a bided project.

We would not have this beautiful complex & community with Bob.

None of this would have been possible without an active & creative Board.

My biggest issue is the lack of appreciation and constant attacks from certain individuals.

While doing volunteer work at SSVI I have been threatened with: two law suits, sheriff called 3 times, been spit on, had way too many verbal threats & abuse in person and online. Most other Board members have had similar problems.

Board members & Vacation Time should not be subject to this abuse. It is a difficult and often thankless job.

We don't mind the long hours or constructive criticism but you must be respectful.

I added this 4 days ago due to all the recent complaints. Board members have spent hundreds & hundreds of hours on these projects. This owner weekend alone took 20 hours. How many owners have even spent 1 hour bettering the regime?

Within the last two weeks we have endured countless accusations of mismanagement, fraud and incompetence. The harassment and comments have been vicious and unwarranted. Dealing with this was not in our job description.

The Board, management and Bob have done an amazing job for you and our community over the last 15 years.

Let's get thru this difficult period and move forward knowing the Boards decisions are based on what is best for the community.

- Sea Coast Property Management Report was given by Gary Fons and Steve Herron.

The building is in very good condition with the wood replacement project, painting and updated elevator.

- Owners are allotted 10 fobs or cards for the gates.
- Owners are encouraged to replace hot water heaters that are ten or more years old. The first four numbers of the serial number on a hot water heater indicate its date of manufacture. Palmetto Electric offers programs that make it easy to replace you water heater and will add the cost to your monthly bill.
- Supply lines should be mesh to prevent cracking and leaking.
- Smoke Detectors are required by law to be replaced once they reach 10 years old.
- Owners planning renovations to their units must first check with Sea Coast Property Management. In addition to the approval process for renos put in place by the BOD, Sea Coast can answer questions about the units and recommend licensed professionals.
- Owners are encouraged to have HO6 Insurance coverage. It is a bit difficult to find carriers and Gary Fons can provide companies to contact for coverage.
- The Nomination of rectors was presided over by BOD Vice President Martin Sauer.
- Martin Sauer presented the following nominees Ramona Kiessler, Coral

Amspaugh-Topolski, Ryan Fitts and Derek Morgan.

- Martin Sauer asked for nominations from the floor three times. There were none.
- A motion to close the nominations by Ken Seaman and seconded by Lori Bailey.
- Volunteers were asked to help Susan Sutton with the ballot tally. Robin Lenderman, Christina Walker and Gina Barney volunteered.

- Ballot collection and tally votes was handled by Susan Sutton with Sea Coast Property Management.

- Co-Owner Comments and Questions
- An owner, (whom we did not hear the correct name) asked if all the CD's are insured with FDIC insurance. (Yes). He also inquired about additional maintenance needs? (Roof drains will be evaluated. Painting the doors and other projects are on hold)
- Carter Phillips of #334 representing his mother Jayne Phillips asked if a business license and short- term rental permit were required? (Yes) Carter also stated that his mother was in favor of FOB's for the shower and beach gate.
- Cindy Dennard of #340 commented that Sea Side II has their own shower and asked if SSII would put up a sign so that their owners/renters would use their shower instead of SSVI. (We have asked and SSVII has refused to put up a sign) Cindy also inquired if the \$400. Insurance assessment would continue next year. (We don't know at this time, it will depend on our premiums next year)
- Heidi Miller Youngdahl of #141 commented that as an owner in SSVII they are looking at other complexes that successfully use codes. (Sea Side is unique in that we have at least 10 other complexes that funnel through our beach walkway), Heidi also asked if our insurance premium goes down will that money be rebated back? (No, it will be used to replenish our reserve) Another question asked if we could re-write the insurance after a certain date? (35% obligated to pay on the premium needs to be taken into consideration before re-writing is an option). Since, we lost our ability to use the Players Club for fitness is there another location that we might be able to use? (Planet Fitness is going into the former Bi-Low location)

- Chad Donner of #106 asked what's the best beach FOB? (FOBS and credit card fobs are available) .Would it ever be considered to heat the pool? (Heated pool will raise HOA fees. It increases cleaning costs, equipment costs and electric bills)

Nancy Keebler of Unit 111 submitted the following questions which were read & answered by Mona & Pat.

What is our deductible for:

Named Storm :	5%	\$890,000
Wind :	1%	\$178,000
Flood		\$ 1,250

What was the rate increase if we increased the deductible to 10%? \$1.500
 Did you shop it around with other brokers? Yes, but all other brokers wanted a letter of agency. They would not provide a verbal or written quote after January 1st as they had done off the record in the past. It was suggested to stay with NFP.

When did you begin talking to other brokers? We began talking to brokers in the fall but no one gave any indication as to what took place after Jan. 1st

Are you planning on looking again in June? If we are able to find a different policy, it will be before May 31, 2023. Hurricane Season begins June 1.

When do you plan to begin? Started searching the market on March 15, 2023

What brokers? NFP and Correll Insurance Group pf HHI

Would you establish a committee to work on this project? No

How much cash do we have? As of a couple of days before the meeting we have \$456,000 which includes the CD's

What are the penalties on the CD's if we cash them in? With the 6month CD that matures in July it's a 90day penalty or \$1,294. With the 13 month CD it's a 180 day penalty of \$2,274. With the 29 month CD it's also 180 day penalty or \$2,032.

What % of the regime fees have been paid? Through the end of February, it's 97.7%

How does our collection compare to last year? It's the same % collected
97.7%

- BOD Vice President Martin Sauer announced the newly elected Directors. They are Mona Kiessler, Coral Amspaugh-Topolski and Derek Morgan.
- BOD convened to elect officers. They are as follows:
 - President: Mona Kiessler
 - Vice President: Martin Sauer
 - Secretary: Coral Amspaugh-Topolski
 - Treasurer: Pat Rositani
- The meeting adjourned at 3:15 p.m.