

Meeting of the Board of Directors of the Neptune House Owners Association

March 8, 2019

The Board of Directors (the "Board") of the Neptune House Owners Association (the "Association") met telephonically by conference call at 7:30 a.m. on Friday, March 8, 2019. All members (Jeff Anliker, Douglas Carnahan, Cheryl Moore, Mark Morrissette and Phil Totino) were in attendance. Also in attendance were Secretary Chris Lindgren and Mike McManus of VRI Americas (VRI).

Administrative Items

Upon motion duly made and seconded, the Board voted to approve the minutes of its meeting on February 8, 2019, as circulated in advance to the Board members.

Resort Management

Mike McManus updated the Board regarding planned work for the recreational amenities project. He indicated that the contractor who will be installing the patio was on site recently to make preparations for the work. Mike assured the Board that the purchases of the firepit and furniture can be made within budget, resulting in no cost escalation needed to complete Phase II. He also stated that the net impact of new quotes for components of Phase III resulted in a slight increase in the total estimate to almost \$95K.

President Phil Totino reviewed the list of repair and maintenance and reserve projects scheduled to be completed in 2019. In addition to money for routine repairs and maintenance, \$24K is budgeted for upgrades to the living units, \$8K to replace the water heater in Building B, and \$20K to improve the parking area in front of Building B.

Sales and Marketing

Director Jeff Anliker reported on the activities of the Marketing Committee. The Committee is researching new advertising channels and exploring creative approaches to attracting people to the Neptune House. The Board discussed conducting a survey of shoulder season owners to identify potential marketing themes for Association-owned units. The Board also discussed the possibility of leasing Association-owned units for a three- to five-year term; Phil asked that Secretary Chris Lindgren and Treasurer Mark Morrissette review leasing-related issues and develop options for consideration by the Board at its April or May meeting.

Mike indicated that new pictures of the resort would be taken in the spring (after the patio has been installed) for posting on the Interval International and redweek websites.

Financial Management

Mike reviewed preliminary quotes received from broker The Armstrong Company for the April 1, 2019 renewal of the resort's insurance coverages. Mike indicated that the preliminary quotes would result in an annual premium increase of over \$13,000, which amount significantly exceeded the anticipated increase that had been budgeted. The Board noted that VRI would bind the coverages once the final premium amounts were determined.

Phil addressed the January 31, 2019 financial report as distributed in advance of the meeting. Mike then reviewed the variance report regarding revenues and expenses that he and Resort Manager Samantha Disotell had prepared. The report shows a favorable variance for the month.

Phil reported that, based on the December 31, 2018 financial statements, \$20,357 was available in the operating fund, and that – after leaving \$16,045 for completion in 2019 of a stairway between Buildings A and B near the tennis court and the walkway in front of Building B near the pool – \$4,312 remained that could be transferred to the reserve fund. Consequently, the Board, upon motion duly made and seconded, voted to transfer that \$4,312 amount to the reserve fund.

Phil reviewed payments to date, noting that 84.5% of 2019 fees had been paid by February 28, a slightly greater percentage than in 2017 or 2018. Phil also addressed collection activities and the float/fixed week ownership status. Phil observed that as of February 28 the resort owned 121 shares (including deedbacks in process) in the 30-week resort season, and that – when accounts placed with Attorney Rodio for collection are also taken into account – there were 123 non-performing shares at February 28 (the same number as at January 31). Phil noted that the comparable number of non-performing shares at the end of 2018 was 121.

Preparations for Annual Owners Meeting

Chris indicated that 53 owner ballots had been received so far for the Director election to be held at the March 30 Owners Meeting. He indicated that emails reminding owners to send in their ballots were scheduled to be sent out on March 11 and March 25.

Phil pointed out minor changes that had been made to the slides to be used by presenters at the March 30 Owners Meeting and to the newsletter to be mailed to owners shortly thereafter.

Strategic Planning Discussion

The Board had a lengthy discussion of the strategic direction for the resort over the next few years, including a review of scenarios for reserve plan spending on facility improvements that had been developed by Phil and Mark using Mark's Consolidated Planning Model. Phil noted that, when the Recreational Amenities Plan was developed three years ago, the Board had hoped to be able to bring total 2020 maintenance fees back to a level at or below the 2016 level (before the recreational amenities fee went into effect). However, that eventuality presumed annual sales of Association-owned shares that have fallen far short of expectations. Inflation also has an effect. While the Board wants to continue to make improvements to the facilities – both to the living units and to the exterior buildings and grounds, after considering the impacts on maintenance fees, the Board indicated its intent to limit spending on work to improve the living units and the resort's curb appeal, such that total maintenance fees stay approximately the same in 2020. Timing and spending on core reserve plan items for replacing roofs, boilers, control systems, etc. will remain unchanged.

Phil indicated that he would update the slides for the March 30 Owners Meeting, and the newsletter to be mailed to owners thereafter, to reflect the Board's discussion. He also indicated that he and Mark would develop further reserve plan scenarios for the Board's consideration in light of the discussion.

During its discussion, the Board asked that Mike review with Resort Manager Samantha Disotell renting Association-owned units through Airbnb, HomeAway and VRBO.

Agenda Items for Next Meeting

The Board indicated that at its next meeting -- to be held on April 12 -- it would approve the appointment of officers and establish its meeting schedule for the upcoming year, and would also assess the March 30 Owners Meeting, review comments received at that meeting and approve the minutes of that meeting, and set a time and place for the next owners meeting. The Board will also conduct its annual review of the resort's Rules & Regulations and review options for leasing Association-owned units, if that report is ready.

Executive Session

Mike McManus left the meeting. The Board members then met in executive session with Secretary Chris Lindgren present.

Following the executive session, the meeting was adjourned at 9:28 a.m.

Respectively submitted


Chris Lindgren, Secretary