

April 2024

MESSAGE FROM THE BOARD PRESIDENT Phil Totino, President

The Annual Meeting of the Neptune House Owners Association was held on March 30, 2024 via videoconference. 55 owners attended.

At the beginning of the meeting, Doug Carnahan was recognized for his six years of service on the Board. Of particular note, Doug was an active member of the Marketing Committee which created a presence for the resort on social media, re-designed the website, produced a series of one-minute videos, and developed effective advertising channels for spring and fall rentals. Doug decided not to run for re-election when his second term expired.

During introductory remarks, there was a summary of key accomplishments over the past year. These include installation of an automated pool cover; connection to the town's high-speed broadband internet service; and considerable work to upgrade the living units to a common standard of function, comfort, quality, and attractiveness.

Key challenges over the past year were also addressed. They include dramatically increased insurance premiums, increased energy costs, the cost to replace the sewer line from Building A to the town sewer line, and expenses to bring Buildings A and B into compliance with current fire safety building codes. The last two were large, costly projects that were unexpected and unfunded in our Reserve Plan.

To limit the effect of the increased costs, we deferred some long-term maintenance projects by making inexpensive, short-term repairs, and we cut back on the amount of spending on living unit interior upgrades over the next few years.

Some undesignated funds in the Reserve Fund were used to partially pay for the sewer line replacement and building code compliance projects. However, because the projects must be completed before May 1, the Board issued a special assessment of \$200 per share due May 31 to provide the balance of the necessary funds. A letter sent to owners in February explained the situation in detail.

It was also noted that the Board learned of two sources of unexpected revenue anticipated to be received by the end of this year. One is from an application for the Employee Retention Tax Credit (a federal program designed to help businesses that were able to retain their employees during the COVID-19 pandemic).

The other is reimbursement by our management company for certain charges that the Association has paid during the past several years. We are working together to determine the appropriate dollar amount. These funds will be used to help replenish the Reserve Fund.

In the rest of this newsletter, the results of the election of two Board members are reported, along with an update on strategic initiatives, a listing of improvements made to the facilities, an overview of the financial position of the resort, and a discussion of timeshare exchange opportunities available to owners.

The slides prepared for the Owners Meeting are available for viewing on the <u>Owners page</u> of the Neptune House website in the **Owners Meeting Material** section.

Inside this Issue: Election of Directors • Strategic Initiatives • Facilities Improvements Financial Update • Timeshare Exchanges • Public Online Presence • Communications Deedback Program • Contact Information

Election of Directors

Chris Lindgren, Secretary

Owners cast votes by proxy to elect two directors as follows:

Steven C. Smith 101 votes Monica Warek

93 votes

Steve's term is a 3-year term that will expire in March 2027. Monica's term is the remaining 2 years of the term of a Director who resigned; it will expire in March 2026.

Congratulations to Steve and Monica, and thanks for stepping forward. Owner interest in serving on the Board is vital to keep the Board responsive to owners' needs and to plan for the future. The resort benefits greatly from the skills and ideas of those owners who volunteer their time to lead the resort on the road to continuous improvement.

Strategic Initiatives Phil Totino, President

A year ago, the Board turned its long-term focus to two new initiatives:

- Upgrading unit interiors to a common standard of function, comfort, quality, and appearance 1.
- 2. Investigating the feasibility of installing solar panels

Unit Interiors

Last year, management identified work estimated to cost \$536,000 to bring the interiors of all units up to a common standard of function, comfort, quality, and appearance. Features include:

- Bedroom Alarm Clocks with Power Outlets, USB Ports, and Bluetooth Speakers
- Bedroom/Living Room Lamps with USB Ports
- Living Room Rugs •
- Up-To-Date Art on Walls
- Functional Up-To-Date Window Treatments
- **Up-To-Date Sliding Glass Doors**
- Framed-in Windows in place of some Sliding Glass Doors
- Up-To-Date Kitchen Cabinets, Countertops, and Appliances
- Up-To-Date Dining Room Sets
- Up-To-Date Living Room Furniture
- Appropriately Sized TVs
- Up-To-Date Bedroom Furniture and Comfortable Mattresses
- **Up-To-Date Bathroom Vanities**
- Non-Slip Tubs/Showers
- Functional, Attractive Flooring and Lighting

21% of the work has been completed, with work now estimated to cost \$424,000 remaining. This is an average of about \$18,400 per unit.

Strategic Initiatives Continued

Phil Totino, President

Units needing the least amount of work are Units 6, 10, 15, 3, and 7. Units needing the most amount of work are Units 21, 16, 4, 2, and 20. Funding comes from the Reserves portion of the Annual Maintenance Fees. Because of the unexpected, high costs of major, unplanned projects this year, the amount allocated in the 2024 budget for this work is only \$20,000. Similar amounts are planned for the next few years in order to keep annual maintenance fee increases in check.

<u>Solar Panels</u>

Late in 2022, the Board established the Solar Panel Initiative Committee to investigate the installation of solar panels. The Committee's efforts included looking at various incentive programs and funding arrangements (ownership, leasing, or a power purchase agreement), as the Board stipulated that a solar system should provide a financial benefit via lower annual electricity costs incurred by the Neptune House as compared to what the costs would be otherwise. Members of the committee were Phil Totino (Chair), Dave Cohen, and Samantha Disotell.

Factors that impact the financial viability of a solar system on Block Island include 1) the federal Investment Tax Credit, 2) the amount of funding from the Rhode Island Renewable Energy Fund, 3) the amount of funding from the Block Island Solar Initiative, and 4) the amount of credit that the Block island Power Company (BIPCo) grants for electricity produced by photovoltaic systems and fed into the power grid.

The Board received a proposal from a contractor in June 2023 for installation of a solar array on the roof of Building B that appeared favorable on its own merits as an individual project. The project would require a large initial investment that would pay back in the form of reduced electricity spending over time. However, given the resort's current financial situation due to the large increases in insurance and heating costs plus the costs of the other unexpected projects, there is no viable way to finance the solar project at this time. We hope to re-visit the situation at a more propitious time in the future.

Facility Improvements

Samantha Disotell, Resort Manager

Many improvements were made to the buildings and grounds over the past year. In-house staff performed some of the work, but contractors with special expertise were responsible for the vast majority of the work.

Work on units and common areas included:

- Replaced bedroom clock radios with alarm clocks that also have power outlets, USB ports and Bluetooth capability
- Replaced lamps in all units with lamps having power outlets and USB ports
- Purchased twelve rugs and installed where needed
- Replaced window treatments in Units 3, 6, 8, 9, 11, and 15
- Replaced refrigerators in Units 4 and 5
- Installed new cabinets and countertops in Units 3 and 23
- Installed new flooring in Unit 23 kitchen/dining area
- Replaced furniture in several units
 - o Unit 1 New sofa, coffee table, side tables, swivel chair

Facility Improvements Continued Samantha Disotell, Resort Manager

- o Unit 3 Twin bed frames and mattresses, dining table/chairs, master bedroom nightstands
- o Unit 8 queen mattress, coffee/side table, dining table/chairs
- o Unit 10 Night stands, coffee table/side table
- o Unit 14 Dining table/chairs, coffee table, end tables
- o Unit 20 End tables
- Resurfaced showers/tubs in Units 7, 10, and 15
- Completed painting of Bldg. A lobby
- Replaced water heater in Bldg. A
- Replaced coin-op washing machine in Bldg. A
- Replaced washing machine for housekeeping
- Addressed issues on the list of deficiencies found during routine inspection by State Fire Marshall. Major tasks included:
 - o Installing fire box radio
 - o Installing Emergency Access System box
 - o Installing Bldg. A audible alarm system
 - o Installing wiring for smoke and carbon monoxide detectors
 - o Replacing ten interior doors plus main entrance with fire doors in Bldg. A

Exterior maintenance work during the past year included:

- Replaced exterior casings of sliding glass doors in Units 8 and 9
- Replaced sliding glass door in Unit 8
- Replaced sliding glass doors in living rooms of Units 22, 23, and 24 with framed-in windows
- Installed automated pool cover
- Replaced rubber membrane on roof of Building A
- Made minor improvements to roof of Building B
- Connected to the island's new broadband cable network and upgraded Wi-Fi technology

Improvements planned during 2024 include:

- Replace Building A sewer Line
- Re-key doorknobs to problem units
- Install storm door in Unit 5
- Replace sleeper sofas in Units 2, 5, 7, 17, and 18
- Replace swivel chairs in Units 2, 4, 5, 8, 10, 17, and 18
- Replace a coffee table, chair and nightstands in Unit 15
- Replace dining room set in Unit 2
- Replace porch furniture in Units 3, 4, 9, 11, 15, 22, 23, and 24

We will continue to perform maintenance work throughout the resort season as needs arise.

Broadband Control Panel



Smoke and Carbon Monoxide Detectors



New Sewer Pipes

Carbon Mon

Financial Update Mark Morrissette, Treasurer

<u>Overview</u>

The 2023 financials show a modest loss in the Operating Fund (\$10,399) and a more significant loss in the Reserve Fund (\$101,855) for the full year. Collectively this was \$32,329 more than budgeted, which was largely attributable to the replacement of the boiler in Building A moving from 2022 into 2023 after the budget was set. As a result of funds being collected via a special assessment to address two large, unplanned projects, our multi-year financials are back in line with expectations.

Insurance Review

In 2023, we completed our annual insurance review, as required by our governing documents. The 2024 budget includes updated coverage and allowances for a 20% increase in premiums over 2023 levels, as a hedge against another large increase because of continuing losses by insurance companies due to catastrophic weather events.

Reserve Plan Review

The board has gone to considerable lengths to design a 25-year Reserve Plan to ensure the long-term viability of Neptune House, and to budget predictable maintenance fees and avoid special assessments. Unfortunately, the reserve plan did not meet these objectives this year.

Over the past year, we completed several projects contained in the Plan. These include installing an

automated pool cover, connecting to the island's highspeed broadband internet network, and completing the first phase to bring all living units up to a common standard of function, comfort, quality, and appearance.

However, in 2024, we had to adjust the Plan to accommodate two large unplanned, unexpected projects: work to bring our facilities up to current fire safety building codes, and replacement of the sewer line from Building A to the street. These projects cost approximately \$150,000 in total. \$50,000 of undesignated money in the Reserve Fund was used, but, unfortunately, a special assessment was required to fund the \$100,000 balance. In order to control the increases in maintenance fees that would be required in upcoming years, we deferred some longterm maintenance projects by making inexpensive, short-term repairs, and we cut back on the amount of spending planned for living unit interior upgrades over the next few years.

We plan to replenish the Reserve Fund and build up the excess over the amount required for planned projects to \$100,000 primarily by making use of unexpected revenues from the Employee Retention Tax Credit (\$30,000) and reimbursement from VRI for certain charges that the Association has paid during the past several years. We are working with VRI to determine the appropriate dollar amount of the charges, for which VRI has committed to reimburse the Association fully.

The funding allocated in the Reserve Fund over the next five years is shown in the chart below.

Reserve Plan Project	2024	2025	2026	2027	2028	Total
Living Unit Upgrades	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 15,000	\$ 95,000
Building Code Compliance Measures	\$ 101,800					\$ 101,800
Wi-Fi Technology Upgrade	\$ 13,197					\$ 13,197
Roof Bldg A - Rubber Membrane	\$ 8,700					\$ 8,700
Bldg A Sewer Line Replacement	\$ 50,000					\$ 50,000
Bldg A Brick Stairs Replacement		\$ 15,000				\$ 15,000
Parking Bldg. B			\$ 5,000			\$ 5,000
Exterior Doors Bldg A			\$ 9,381			\$ 9,381
Exterior Doors Bldg B			\$ 6,070			\$ 6,070
Decking Bldg A				\$107,161		\$ 107,161
Concrete Pad - Bldg B					\$ 22,046	\$ 22,046
Roof Bldg B - Architectural Composition					\$ 72,509	\$ 72,509
Common Area Bldg B					\$ 2,208	\$ 2,208
Van					\$ 35,395	\$ 35,395
Total	\$ 193,697	\$ 35,000	\$ 40,451	\$ 127,161	\$ 147,158	\$ 543,467

Financial Update Continued

Mark Morrissette, Treasurer

<u>Outlook</u>

Overall fees charged to owners since 2000 have increased by an average of 5.4% per year. The annual increases have varied greatly, but the trend has been consistent. The major causes are inflation on Block Island, the ongoing decline in individual ownership as people grow older or no longer use the Neptune House, and the need to maintain aging facilities. We continue working to control the rate of fee increases by striving to increase revenue from off-season rentals and by maintaining spending efficiencies.

Our goal is to keep annual maintenance fee increases in the 5% - 6% range. However, because of the uncertainty surrounding insurance costs due to continuing losses by insurance companies caused by catastrophic weather events, future increases may be higher than we would like. At this point, considering the uncertainties that we face, we could be looking at an increase of as much as 8% in 2025.

Timeshare Exchanges Justin Smith, VRI Americas

There are two exchange companies that Neptune House owners can take advantage of if they wish to vacation at a different resort in a given year: Trading Places International (TPI) and Interval International (II). The II exchange network comprises over 3,200 resorts in more than 90 countries and territories. The TPI exchange network encompasses hundreds of resorts, mostly in North America.

Trading Places International

This is an exchange company that is available to owners of all resorts managed by VRI at no fee for basic membership. Benefits include:

- BETTER VALUE
 - o No Membership Fees.
 - o No Deposit Fees.
 - o Low Exchange Fees.
- MORE VACATIONS
 - o Receive a Bonus Week with each deposit, turning each use week into 2 vacations.
- ENHANCED AVAILABILITY
 - o No restrictions on viewing availability based on the value of your Deposit.
- ULTIMATE FLEXIBILITY
 - o Upgrade to a larger room size and/or higher season.
- HOT DEALS
 - o Book an unlimited number of highly discounted 7-night vacation rentals sourced from Exchange & Rental inventory. Hot Deals include peak season and range from \$299 \$1,999 per week.

Membership and other fees are shown in the following chart:

MEMBERSHIP TYPE	CLASSIC	PRIME
ANNUAL MEMBERSHIP FEE	FREE	\$79/year
EXCHANGE FEE	\$169	\$144
UNIT SIZE UPGRADE	\$25 - \$500	\$40 Off
SEASON UPGRADE	\$100	\$50
GUEST CERTIFICATE	FREE	FREE
HOT DEALS (7-NIGHT RENTALS)	\$299 - \$1,999 per week	\$40 Off

More information can be found at 800-365-7617 | <u>TRADINGPLACES.COM</u> | Exchange@TradingPlaces.com

<u>Interval International</u>

This is an exchange company that has an affiliation with the Neptune House as well as with more than 3,200 other timeshare resorts worldwide. The company offers three memberships levels for owners interested in performing traditional exchanges. These levels have different annual fees and offer different benefits. II also offers a points-based service called Club Interval Gold.

Information about the traditional exchange memberships is presented first.

Interval International offers

- Full-week exchange
- Getaways (available for 7 nights or less)
- Cruise exchange (limited time only)
- Hotel discounts powered by Priceline Partner NetworkTM (up to 60% off)
- Interval Travel[®]
- Guest Certificates
- Intervalworld.com
- Interval International To Go app
- Interval World [®] digital magazine
- Digital Resort Directory
- Interval HD
- Community

Interval Gold offers all the benefits of Interval International plus

- ShortStay Exchange[®]
- ShortStay GetawaysSM from 1 6 nights
- Interval Options[®]
 - o Cruise exchange
 - o Tour exchange
 - o Golf exchange
 - o Spa exchange
 - o Interval Experiences exchange
- \$25 Getaways discount*
- Hotel discounts powered by Priceline Partner Network (up to 65% off)

- Hertz Gold Plus Rewards®
- Dining and Leisure Discounts Powered by Entertainment*
- VIP ConciergeSM
- Dining Connection
- Golf Connection
- City Guides

Interval Platinum offers all the benefits of Interval International and Interval Gold plus

- \$50 Getaways discount*
- Up to five free Guest Certificates per membership year
- Platinum Escapes
- Hotel discounts powered by Priceline Partner Network (up to 70% off)
- Priority PassTM airport lounge membership
- Priority Getaway viewing

* Minimum-night stay required

Membership and other fees are shown in the following charts:

Annual Membership Fees				
Interval Membership	\$99			
Interval Gold Membership	\$64			
Interval Platinum Membership	\$139			

Interval Options				
Cruise Exchange	\$199			
Hotel Exchange	\$159			
E-Plus				
\$89				
Guest Certificates				
	\$79			

Exchange				
Full-week exchange	\$229			
ShortStay Exchange				
1 night	\$149			
2 nights	\$159			
3 & 4 nights	\$169			
5 nights	\$179			
6 nights	\$189			

More information can be found at IntervalWorld.Com | CustomerService@intervalintl.com

Club Interval Gold offers a points-based exchange service designed exclusively for owners of traditional fixed- or floating-week timeshares. The program allows you to deposit a week at your home resort with Interval International in exchange for Club Interval Points. You can redeem your points across the entire Interval resort network.

You can use your points for Shortstay Exchanges or put your points towards the purchase of a cruise, hotel, tour, golf, or spa vacation or towards a unique Interval Experiences adventure. Dining, hotel, and Hertz car rental discounts are also available. Other perks include discounted membership in airport VIP lounges, emergency medical services, special pricing on preferred hotels, and special deals on magazine subscriptions.

For more information about the Club Interval Gold program, call 866-763-7570 or 305-925-3053.

Membership and other fees are shown in the following charts:

Club Interval Gold Membership Fees

	PRICE	DISCOUNT
Club Interval Gold® Membersh	ip*	
1 year	\$163	
2 years	\$326	
3 years	\$416	\$73 savings
5 years	\$652	\$163 savings
Interval Platinum® Membership	p*	
1 year	\$139	
2 years	\$278	
3 years	\$354	\$63 savings
5 years	\$556	\$139 savings

*Club Interval Gold and Interval Platinum memberships offer benefits and discounts in addition to your Interval International membership.

Club Interval Gold Exchange Fees

		PRICE	DISCOUNT
Exchange			
Full-v	week exchange	\$219	
ShortStay Exchange®			
	1 night	\$149	
	2 nights	\$159	
3	& 4 nights	\$169	
	5 nights	\$179	
6 nights	6 nights	\$189	
Interval Options®			
By phone	Cruise, tour, golf, or spa package, or a unique Interval Experiences adventure	\$199	
Online	Cruise exchange only	\$199	
	Hotel exchange only	\$159	

Club Interval Gold Other Fees

		PRICE	DISCOUNT	
OTHER	Deposit and Resort Accommodations Certificate Extensions			
	6 months	\$109		
	1 year	\$199		
	E-Plus®			
		\$89		
	Unit-Size Upgrade (Per Step)			
	Club Interval Gold Membership	\$79		
	Interval Platinum Membership	\$59		
	Guest Certificates			
		\$79	Up to five free per membership year for Interval Platinum members	

Public Online Presence

Website

The Neptune House website is the main portal for information about the resort. In line with our marketing strategy, it is geared primarily towards the rental market. The website contains videos, lots of pictures and descriptive information, a link to our blog, a convenient way to make rental reservations,

a collection of documents relevant to owners, and a link to pay maintenance fees online. Check it out on your computer, tablet, or handheld device at <u>NeptuneHouse.com</u>.

Facebook

The Neptune House Facebook page can be accessed by establishing a Facebook profile (<u>https://www.facebook.com/r.php</u>) and searching for **Neptune House** or @NeptuneHouseResort, or by going to <u>https://www.facebook.com/NeptuneHouseResort/</u> and then "following" the page.

Please click on the Facebook logo to be directed to our page or search for **Neptune House** on Facebook.

Instagram

The Neptune House Instagram account can be accessed by establishing an Instagram account (<u>https://www.instagram.com</u>) and searching for **Neptune House BI**, or by going to <u>https://www.instagram.com/neptunehousebi/</u> and then "following" the page.

Please click on the Instagram logo to be directed to our page or search for **Neptune House BI** on Instagram.

YouTube

The Neptune House now has its own <u>YouTube channel</u>. To sign into YouTube (<u>https://www.youtube.com/</u>), enter your Google Account email and password.

If you do not have a Google account, you can create one at <u>YouTube.com</u> by clicking on **Sign In** in the upper right corner. When signed into YouTube, enter **Neptune House Block Island** in the search bar and scroll down past the ads to the Neptune House channel. We invite you to Subscribe to our channel and to give a Thumbs Up to our videos.

Sponsorships

Each year, the Neptune House donates an off-season timeshare week to WCNY and to Connecticut's Beardsley Zoo for use in their online fundraising auctions. WCNY is central New York's public television station. Connecticut's Beardsley Zoo is the only zoo in that state. Both organizations provide us with wide exposure to potential future renters and owners.







Communications

Resort Documents

All documents pertaining to the resort are available from the Owners tab on the Neptune House website. These include the resort calendar, governance documents, policy documents, newsletters, financial reports, budgets, minutes of Board meetings and minutes of Annual Owners meetings along with the material presented at the Annual Owners meetings.

Owner Account

Each owner has an Owner ID that provides a way to access information about the shares owned, past and future occupancy dates, account balance, and more. You can make maintenance fee payments by credit card via this portal which can be accessed from the <u>Owners tab on</u> <u>the Neptune House website</u> by clicking on **Pay Maintenance Fees Online.**

Email Updates

Most communications from the resort are sent only by email. Making sure that your email address on file is up to date will ensure that you don't miss anything. You can update your email address by logging into your account with your Owner ID. Multiple email addresses can be listed.

Join the Private Facebook Group

A Facebook group restricted to owners is in place to facilitate communication among owners. Members of the group can share information about renting, selling, exchanging, participating in social activities, etc.

To join this group, search for **Neptune House Owners** on Facebook, or click on this link:

Neptune House Owners Private Group

Then submit a request to join the group. After your owner status has been verified, you will receive a notification of acceptance to the group.

Note that there are other Facebook groups with Neptune House in their names. Those groups have nothing to do with our resort. Be sure to request to join the group called **Neptune House Owners.**

Contact the Board of Directors

Questions, concerns, and comments may be sent to the Board via email addressed to:

board@neptunehouse.com

As fellow owners, we will strive to respond in a thoughtful and timely manner.



Deedback Program

If you have decided that it is time to move on from the Neptune House due to age, health, changing family circumstances, or any other reason, this program could be for you. It provides a simple, foolproof way to exit your timeshare obligation.

The Deedback Program describes the process for owners to deed their shares back to the Owners Association if certain conditions are met. One of the key conditions is that the owner must pay two years of maintenance fees in advance and relinquish ownership rights so that the Owners Association has time to sell, rent, or license the share without suffering a loss of revenue in the interim.

Details about the Deedback Program are contained in the Reseller's Handbook which is packed with helpful information to assist owners in moving on from the Neptune House, including information intended to aid owners in reselling their shares. It contains sections on Sales Channels, Lead Time, Setting Your Asking Price, Ad Copy, and Legal Matters – ideas that can help you sell your share. Additionally, there is a section about Interval International's Club Interval Gold program for consideration as an alternative to selling. The last section, Deedback Program, explains the mechanism for turning shares over to the Owners Association.

The Reseller's Handbook reflects sales data through 2023 and is available in the Policy Documents section of the Owners page of the Neptune House website.

Contact Information						
Neptune House Still Need Assistance?						
Resort Number	(401) 466-2100	VRI Corporate Services (949) 587-2299				
Fax	(401) 466-5445	(800) 999-7140				
Website: www.neptunehous	e.com	VRI Fax	(949) 315-3753			
Resort Manager Board of Directors						
Samantha Disotell (401) 466-2987 Email: board@neptunehou			tunehouse.com			
resortmanager@neptunehouse.com Phil Totino, President						
Billing, Payment Plans and Collections (949) 855-8004 Monday - Friday 11:00 a.m 8:00 p.m. EST Monday - Friday 11:00 a.m 8:00 p.m. EST						
Reservations, Maintenance Fee Payments, and Owner Care ServicesOther Officers Chris Lindgren, SecretaryMonday - Friday 9:00 a.m 8:00 p.m. ESTOther Officers Chris Lindgren, Secretary						
Website: www.vriresorts.com	Website: www.vriresorts.com Area Vice President, Resort Operations					
Exchange Information		Justin Sn	nith			
Exchange Information Interval International	(800) 828-8200	justin.smith@vria	mericas.com			
Trading Places	(800) 365-7617					
fracting fraces	(000) 505-7017					
Managed by VRI Americas						
Perfecting the Art of Hospitality						