



# Owners Association Meeting

March 24, 2018

# Agenda

<b>9:30 – 10:00 a.m.</b>	<b>Continental Breakfast.....</b>	<b>All</b>
<b>10:00 – 10:10 a.m.</b>	<b>Welcome &amp; Opening Remarks.....</b>	<b>Phil Totino</b>
<b>10:10 – 10:15 a.m.</b>	<b>Election of Director.....</b>	<b>Chris Lindgren</b>
<b>10:15 – 10:30 a.m.</b>	<b>Financial Update.....</b>	<b>Mark Morrissette</b>
<b>10:30 – 10:40 a.m.</b>	<b>Facility Improvements.....</b>	<b>Samantha Disotell</b>
<b>10:40 – 11:00 a.m.</b>	<b>Pool Project Status and Plans.....</b>	<b>Phil Totino &amp; Cheryl Moore</b>
<b>11:00 – 11:10 a.m.</b>	<b>Sales &amp; Marketing Efforts.....</b>	<b>Mike McManus</b>
<b>11:10 – 11:20 a.m.</b>	<b>Service Animal Policy.....</b>	<b>Jeff Anliker</b>
<b>11:20 – 11:25 a.m.</b>	<b>Election Results.....</b>	<b>Chris Lindgren</b>
<b>11:25 – 12:00 p.m.</b>	<b>Q&amp;A.....</b>	<b>All</b>
<b>12:00 p.m.</b>	<b>Adjournment</b>	

# Welcome & Opening Remarks

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**Phil Totino**

# Housekeeping

- **Emergency Exits**
- **Restrooms**
- **Cellphones**



# Introductions

- **Board of Directors**
  - Phil Totino – President
  - Mark Morrissette – Treasurer
  - Cheryl Moore – Vice President of Facilities Planning
  - Jeff Anliker
  - Dennis Palumbo
- **Other Officer**
  - Chris Lindgren – Secretary
- **Management Team**
  - Samantha Disotell – Resort Manager
  - Michael McManus – Director of Resort Operations/VRI

# Preliminary Matters

- **Proof of Notice of Meeting:**
  - **Vacation Resorts International (VRI) has provided proof that meeting announcements were sent to all owners eligible to vote**
- **Quorum:**
  - **The Secretary has certified that, including proxies received prior to the meeting, 25% quorum for meeting is met**
- **Vote to Approve Agenda**
- **Vote to Accept Minutes of March 18, 2017 Annual Meeting**

# Progress on Turnaround Plan (1 of 2)

- **2016 Initiatives**

- ✓ **Management Company**
- ✓ **Collection Policy**
- ✓ **Proposition 30**
- ✓ **Reserve Plan**



# Progress on Turnaround Plan (2 of 2)

- **2017 Initiatives**

- **Pool Project**

- **Behind Schedule & Over Budget**
    - **Recovery Plan in Place**

- **Sales & Marketing Program**

- **Individual Owner Resales**
      - **Reseller's Handbook in use for 1 year**
    - **Owners Association Inventory**
      - **Disappointing Results from working with Points Plus LLC**
      - **New Sales Company in 2018**



# Election of Director

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**Chris Lindgren**

# Election of Director

- **One Director Position**
- **Candidates**
  - **Douglas Carnahan**
  - **Dennis Palumbo (incumbent)**
  - **Aimee Sheridan**
- **Please hand in any ballots not yet submitted**



# Financial Update

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**Mark Morrissette**

# Financial Overview

- **2017 solid year for core Neptune House operations**
- **2018 budget consistent with overall 3-year plan**
- **Reserves are on-plan, but impacted by pool overages**

# 2017 Operations vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 666	\$ 632	\$ 34
Operating Expenses	<u>623</u>	<u>631</u>	<u>(8)</u>
<b>Gain (Loss)</b>	<b>\$ 43</b>	<b>\$ 1</b>	<b>\$ 42</b>

- **\$43,000 Operating Profit for the year**
- **Partly attributable to operational savings from lack-of-pool**
- **Offsetting higher revenue (rental and foreclosures) and higher operations expenses**

# 2017 Reserves vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 151	\$ 151	\$ 0
Reserve Expenses	<u>153</u>	<u>152</u>	<u>1</u>
<b>Gain (Loss)</b>	<b>\$ (2)</b>	<b>\$(1)</b>	<b>\$ (1)</b>

- Reserves spending includes pool/amenities project and planned maintenance
- Spending on pool project was under budget for 2017 due to delays
- Spending on units/upkeep over budget to meet maintenance needs

# Consolidated Financials

## Gain/Loss(\$000)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Assessment	\$ 705	\$ 811	\$786
<i>Plus</i> Additional Revenue		\$ 24	\$ 31
<i>Less</i> Expenses	\$ 691	\$ 708	\$777
<b>Gain (Loss)</b>	<b>\$ 14</b>	<b>\$ 127</b>	<b>\$40</b>

- Overall financials include operations and reserve income and expenses
- Challenging prior-year comparisons due to excess billings and offsetting bad debt

***First-ever audit of 2017 Financial Statements is underway.***

# Summary Balance Sheet

## December 31, 2016 & 2017 (\$000)

### Assets

Cash

2016

\$ 485

2017

\$ 580

Assessments Receivable for Upcoming Year

420

379

Pre-Paid Expenses

10

10

### Total Assets

**\$ 915**

**\$ 969**

### Liabilities

Accounts Payable (Bills to be paid)

\$ 1

\$ 19

Accrued Expenses

8

8

Deferred Revenue

784

780

### Total Liabilities

**\$ 793**

**\$ 807**

### *Fund Balance*

**\$ 122**

**\$ 162**



# 2018 Budget

<b>Operating Expenses</b>	<b>\$ 644,157</b>
Other/Discretionary	
Pool Phase II Construction	\$ 83,200
Reserves/Improvements	\$ <u>64,566</u>
<b>Total Other/Discretionary</b>	<b><u>\$ 147,766</u></b>
<b>Total Budget</b>	<b>\$ 791,923</b>

***Maintenance Fees Unchanged from 2017 to 2018***

# Foreclosure Review

- Objectives:**
- Clean up financials/balance sheet
  - Pursue delinquent owners
  - Establish consistent plan for future delinquencies

- Status:**
- 80 Accounts placed in foreclosure (\$874,178)
  - Recovered \$27,102 from 2016 auction
  - Recovered \$16,688 in 2017
  - Anticipate (not budgeted) some recovery in 2018



# Insurance Review

- **Completed annual review of hazard insurance, flood insurance and fidelity bond**
- **2018 Budget includes Insurance Appraisal Study to ensure adequate coverage**



# Reserve Plan: Background

- Objectives:**
- **Ensure long-term viability of Neptune House**
  - **Maintain stable Maintenance Fees, without a need for Special Assessments**

- Actions:**
- **Completed detailed review of all facilities (2016)**
  - **Built 25-year interior and exterior maintenance plan**
  - **Playing catch-up on some repairs**
  - **Budgeting preventive maintenance**



# Reserve Plan: Status

- ***Cash in the reserve account well ahead of plan...***
  - Completed first round of catch-up repairs in several units
  - Actual pool expenditures below budget due to delays
  - Contingency fund and operating performance add to cash
- ***...but, anticipated pool expenditures will exceed budget.***
  - Anticipated expenses delayed to 2018
  - And, overall costs exceed initial plans
- ***Forecast: Reserves on-plan despite pool overages***



# Reserve Plan: 2018 & Beyond

## **2018:**

- **Complete Pool Phase I**
- **Begin Pool Phase II**
- **Continue catch-up repairs in Units**
- **Potential concrete repairs**

## **Beyond:**

- **Complete Pool Phase II in 2019**
- **Gradual exterior and interior improvements in 2019-2020**
- **Last year of Amenities Construction Fee in 2019**
- **Annual Reserve Assessment to increase in 2020**
- **Should result in modest net-decrease in overall assessment by 2020**

# Facility Improvements

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**Samantha Disotell**

# 2017 Improvements: Units and Common Area (1 of 2)

- Replaced sink and vanities in bathrooms (Units 7,8,9,10,11 & 15)
- Covered front entranceway to Building A, repaired deck, and installed gutter
- Replaced front posts outside Unit 1
- Replaced Unit 10 deck
- Replaced/repared Unit 4 ceiling, and installed insulation
- Performed roof repairs to studio Unit 15
- Repaired Unit 8 deck (paint and stain)





# 2017 Improvements: Units and Common Area (2 of 2)

- Installed new subfloor and tile in Unit 3, and replaced toilet
- Replaced Unit 24 master bath vanity and made plumbing repairs
- Painted outdoor railings and decking on Building A
- Repaired and painted Unit 21 wall
- Installed new exterior lighting
- Installed new storm doors on Building A
- Replaced full exterior wall, patched roof, and rebuilt sill plate between Units 10 and 12



# 2017 Improvements: General Maintenance

- **Deep cleaned units**
- **Cleaned rugs**
- **Replaced bathroom exhaust fans (as needed)**
- **Replaced appliances (as needed)**
- **Updated In-Room Guest Guide Books**
- **Replaced furniture (as needed)**
- **Replaced queen mattresses (as needed)**



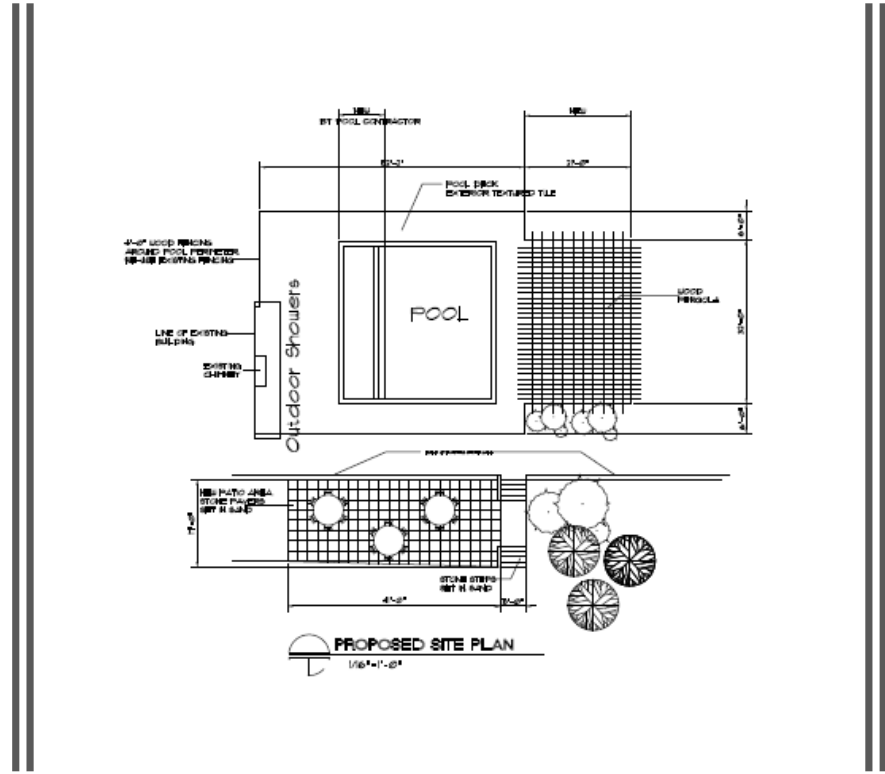
# 2018 Improvements Planned

- **In progress**
  - **Paint every unit**
  - **Replace kitchen windows in Units 18, 21, & 24**
  - **Replace bathroom vanities in Units 10, 12, 22, 23, & 24**
  - **Replace front doors in Units 5 and 16**
  - **Repair brick entranceway to Building A**
  - **Purchase new washer/dryer for housekeeping**
- **Later in the year**
  - **Replace sliders in Units 22 and 24**
  - **Repair concrete pad at Building B**

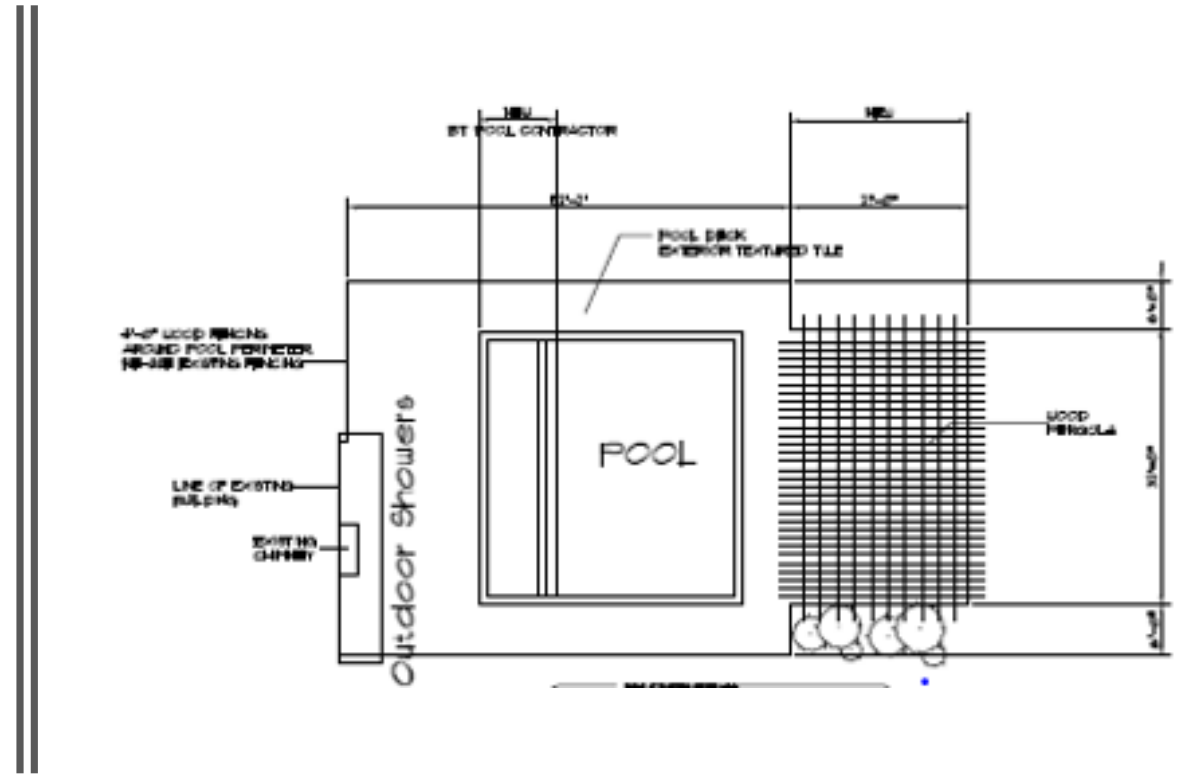
# Pool Project Status and Plans

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**Phil Totino & Cheryl Moore**

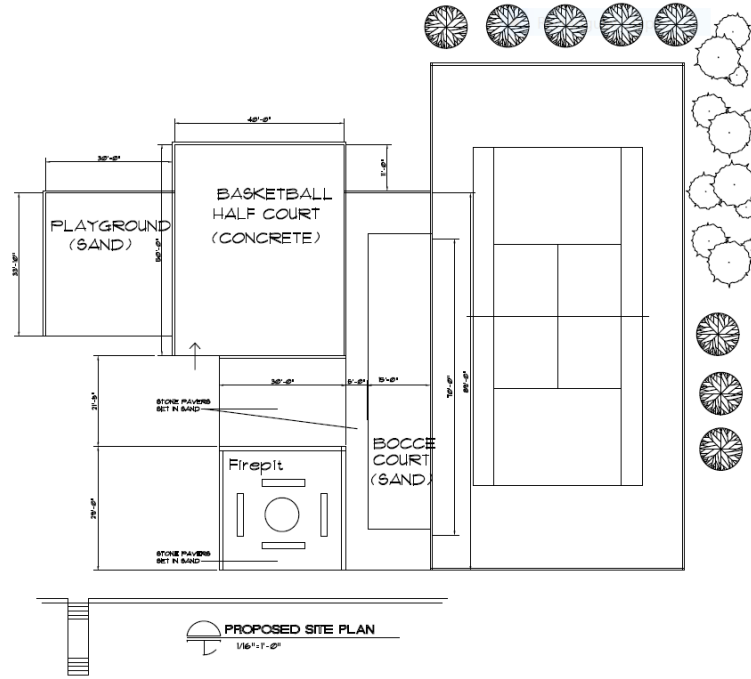


# Phase 1: Heated Outdoor Pool



# Phase 2: Pool Expansion Area





## Possible Amenities

- Fire Pit
- Playground
- Bocce Court
- Half Basketball Court
- Refurbished Tennis Court
- New Patio Area
- Others TBD

# Phase 3: Other Amenities

Not yet planned; contingent on selling more shares

# Pool Project Status

- **Phase 1 Behind Schedule by 11 Months / Over Budget by \$77K**
- **Root Causes**
  - **Underestimated Project Complexity**
    - The pool needed to be completely rebuilt – not just made bigger and shallower on one side
    - The deck had to be rebuilt; runoff/drainage required re-design
    - The restrooms had to be accessible from the pool area
    - The wooden stockade fence couldn't be re-used
  - **Felt Pressured to Hold Early Owner Vote**
    - This led to low early cost estimates for some tasks
  - **Underappreciated the Unique Business Practices on Block Island**
    - Coordination of contractors proved more difficult than expected
    - Weather conditions, ferry scheduling, & delivery issues had a notable impact



# Pool Phase 1 Milestones Completed

- ✓ **Contract with Pool Company** Jan 5, 2017
- ✓ **Initial State and Town Approvals** Apr 15, 2017
- ✓ **Demolition Work** May 1, 2017
- ✓ **Pool Structure/Utilities** Jun 1, 2017
- ✓ **Coping & Tile Work** Aug 1, 2017
- ✓ **Project Manager in Place** Sep 1, 2017
- ✓ **Final Town Permit** Oct 16, 2017
- ✓ **Removal of Upper Lobby Door** Mar 9, 2018



# Pool Phase 1 Milestones Remaining

- **Installation of New Upper Lobby Door** Apr 13, 2018
- **Outdoor Shower** Apr 20, 2018
- **Concrete Decking** Apr 27, 2018
- **Pool Interior Finishing** May 16, 2018
- **Pool Filled with Water** May 18, 2018
- **Handicap Chairlift/Ladder/Handrail** May 25, 2018
- **Fencing with Lockable Gates** May 25, 2018
- **Testing and Inspections** Jun 1, 2018
- **Target Date for Opening** Jun 1, 2018 \*

\* Subject to change based on weather conditions, ferry schedule changes, delivery of material, and availability of skilled labor

# Pool Phase 1 Cost

(\$000)

Pool Project	Budget	Actual/Forecast	Under/(Over)
Phase 1	177	254	(77)

Source of Funds	Pool Cost Overage
2017 Gain from Operations	40
2017 Reserve Fund Contingency	37
Total	77

➤ No additional owner fees will be needed



# Pool Phase 2

- **Major Tasks**

- **Town Approvals** **Spring 2018**
- **Retaining Wall for Expanded Deck** **Fall 2018 / Spring 2019**
- **Pool Deck Expansion** **Fall 2018 / Spring 2019**
- **Additional Fencing** **Fall 2018 / Spring 2019**
- **Pergola** **Fall 2018 / Spring 2019**
- **Pool Furniture** **Fall 2018 / Spring 2019**

- **Status**

- **In process of obtaining bids**
- **Costs likely to exceed budget**
- **Will make adjustments as needed to stay within available funds**

# Mistakes / Lessons Learned

- **Key Mistakes**

- Moved Too Quickly to Hold Vote
- No Project Manager at Start of Project
- Construction before Design Completion

- **Lessons Learned**

- Take Sufficient Time to Plan
- Hire a Project Manager at Initial Design Stage
  - Should live on Block Island and be familiar with local business practices
- Allow Extra Time due to Block Island Business Practices
- *Do so on all Future Big Projects*
  - *Recreational Amenities Phase 3*
  - *Reserve Plan projects*



# Sales & Marketing Efforts

Michael J. McManus

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# Sales of Shares

- **Two-Part Initiative**

- Generate Revenue for the Owners Association**

- **Sale of Association-Owned Inventory**
    - **Rent Association Inventory**

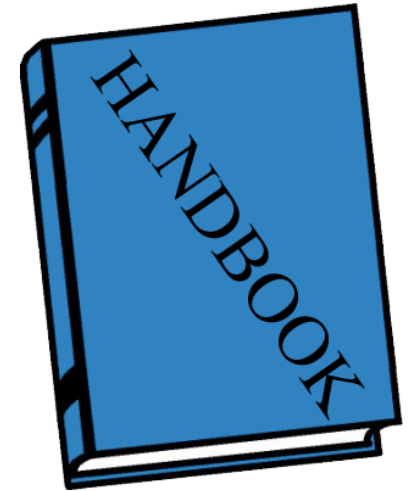
- Help Individual Owners with Resales**

- **Owner Resales**



# Individual Owner Resales

- **Reseller's Handbook**
  - **Published March 2017; updated February 2018**
  - **Ideas and resources for selling your timeshare**





# Sales of Owners Association Inventory 2017 Status

- **Disappointing results from Points Plus, LLC**
  - 8 owners converted to the Interval International Club Interval Gold program
  - 2 existing owners bought new shares
  - *No sales to new owners*
  - Total revenue to Owners Association in 2017: \$6,459
  - Total 3-year revenue expected: \$11,683
    - Set aside for new recreational amenities
- **Owners Association still owns 100 shares in 30-week season**

# Sales of Owners Association Inventory 2018 Plans

- **Work with new sales company**  
**Hello Vacay**  
**Club Interval Gold Points Program**



- **Increase rental revenue via VRI marketing and other channels**



# CLUB interval

**GOLD**

## Points Program



## Club Interval = Flexibility

- Use points across unit size and/or seasons
- Full week exchanges across Interval's entire network
- Interval Options allows members to apply points toward the purchase of a cruise, spa or golf vacation
- ShortStay exchanges allow members to use their points for day increments
- Facilitates multiple stays by providing "change back"
- Ability to combine points from multiple deposits and trade up to larger unit and/or higher season



# Service Animal Policy

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**Jeff Anliker**

# Service Animal Policy

- **Recent Issues**
  - **Violations of longstanding “No Pet” policy**
  - **People claiming that pets are service animals**
  - **Noise from barking when pets left unattended**
  - **Extra cleaning expenses**
- **Policy**
  - **Limits animals to those required by Americans with Disabilities Act**



# Service Animal Definition

- **Service Animal: A dog that is individually trained to do work or perform a task for a person with a disability**
  - Does not have to be licensed or certified
  - Welcome in all buildings on Neptune House property and may enter any room, meeting or other event
- **Emotional Support Animals**
  - Distinguishable from service animals because they are not trained to perform a specific task
  - Neptune House is not required to accommodate them
  - They may not be brought onto the Neptune House premises



# Requirements of Service Animal Owners

- **The owner or guest must be in full control of the animal at all times.**
- **The care and supervision of the animal is solely the responsibility of the owner or guest**
  - **Includes disposal of animal waste, feeding, grooming, and veterinary care**
- **The owner or guest is not entitled to leave a service animal in Neptune House rooms when the owner or guest is off the premises**
  - **Must keep the service animal under his or her control at all times**
- **The owner or guest may be requested to provide Neptune House staff with information as to what work or task the animal performs for the individual with a disability.**



# Requirements for Service Animals

- All animals need to be immunized against rabies and other diseases common to that type of animal. All vaccinations must be current.
- Animals must wear a rabies vaccination tag.
- All dogs must be licensed per state law.
- Service animals must wear an owner identification tag (which includes the name and phone number of the owner) at all times.
- Animals must be in good health.
- Animals must be on a leash, harness or other type of restraint at all times, unless the owner or guest is unable to retain an animal on leash due to a disability.



# Unruly Service Animals

- **If a service animal becomes aggressive and poses a direct threat to the health or safety of others, the owner or guest will be required immediately to remove the service animal from the property**
  - **This behavior includes excessive barking or growling/biting others**
- **If a service animal makes excessive noise near sleeping areas, the owner or guest will be required to remove the service animal from the premises until the inappropriate behavior can be brought under control**
- **Cleanliness of the service animal is mandatory. Consideration of others must be taken into account when providing maintenance and hygiene of service animals. The owner or guest is expected to clean and dispose of all animal waste.**

# Election Results

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**Chris Lindgren**

# Election Results

- **Newly-Elected Director**
  - 3-year term (expires March 2021)
- **Thanks to All Candidates**



# Q&A

March 24, 2018

NHOA Meeting

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