



# Owners Association Meeting

March 30, 2019

# 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 Directors.....</b>	<b>Chris Lindgren</b>
<b>10:15 – 10:25 a.m.</b>	<b>Recreational Amenities Project.....</b>	<b>Cheryl Moore</b>
<b>10:25 – 10:35 a.m.</b>	<b>Facility Improvements.....</b>	<b>Samantha Disotell</b>
<b>10:35 – 10:50 a.m.</b>	<b>Financial Update.....</b>	<b>Mark Morrissette</b>
<b>10:50 – 11:00 a.m.</b>	<b>Sales Efforts.....</b>	<b>Mike McManus</b>
<b>11:00 – 11:10 a.m.</b>	<b>Marketing Committee.....</b>	<b>Jeff Anliker</b>
<b>11:10 – 11:15 a.m.</b>	<b>Election Results.....</b>	<b>Chris Lindgren</b>
<b>11:15 – 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

**Phil Totino**



# Housekeeping

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



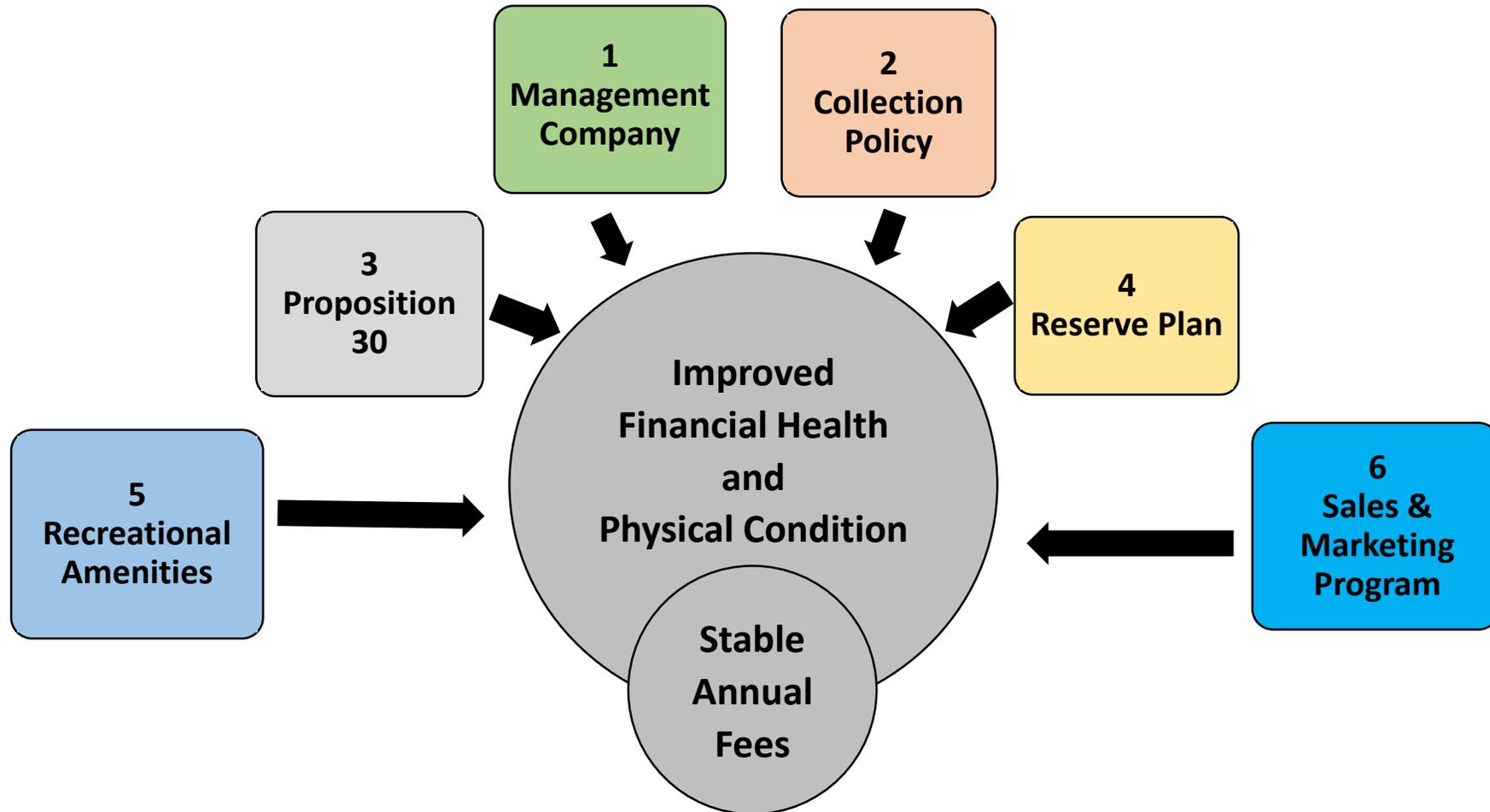
# Introductions

- **Board of Directors**
  - Phil Totino – President
  - Mark Morrissette – Treasurer
  - Cheryl Moore – Vice President of Facilities Planning
  - Jeff Anliker
  - Doug Carnahan
- **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 24, 2018 Annual Meeting**

# Turnaround Plan



# Progress on Turnaround Plan (1 of 2)

## 1. Management Company

- Extended Contract with VRI thru 2021

## 2. Collection Policy

- Good Results Collecting on Defaults from Foreclosure Auction in August 2016
- Successful Foreclosure Auction in November 2018

## 3. Proposition 30

- Implemented in 2016

## 4. Reserve Plan

- On Track



# Progress on Turnaround Plan (2 of 2)

## 5. Recreational Amenities

- **Opened Pool on August 15, 2018**
- **Scaled Back Phases 2 and 3**

## 6. Sales & Marketing Program

- **Individual Owner Resales**
  - **Reseller's Handbook in use for 2 years**
- **Owners Association Inventory**
  - **Extended Contract with Hello Vacay thru October 31, 2019**
- **Marketing Committee**



# Election of Directors

**Chris Lindgren**



# Election of Directors

- **Two Director Positions**
- **Candidates**
  - **Cheryl Moore (incumbent)**
  - **Mark Morrissette (incumbent)**
- **Please hand in any ballots not yet submitted**



# Recreational Amenities Project

**Cheryl Moore**



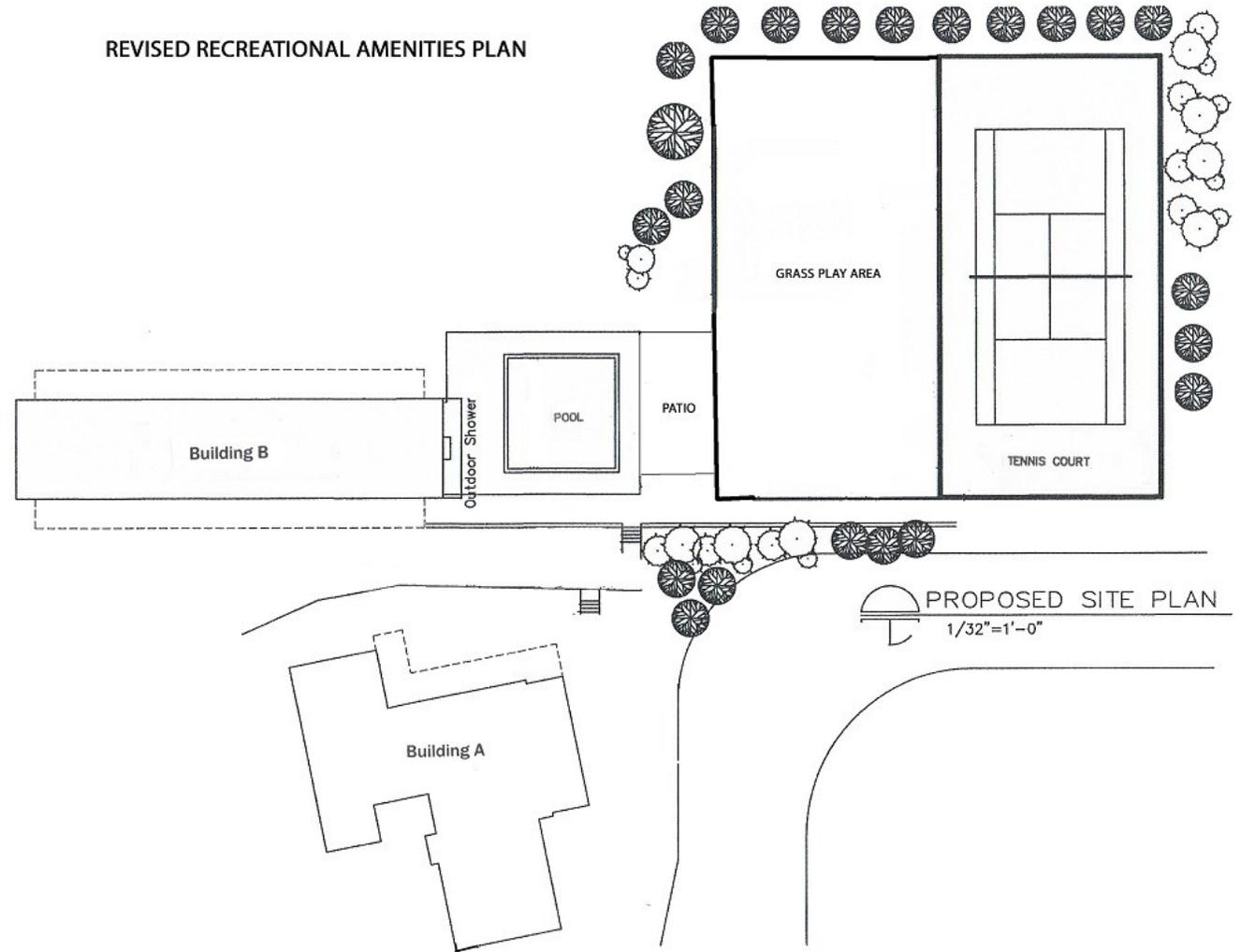
# Rec Amenities Project Highlights

- **Pool Construction Completed**
  - **Opened on August 15, 2018**
- **Rec Amenities Plan Revised**
  - **Scaled back Phases 2 and 3 due to**
    - **Unique business practices on Block Island**
    - **Funding constraints from**
      - **Phase 1 Cost Overruns**
      - **Limited New Sales**

# Recreational Amenities Plan (revised)

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## REVISED RECREATIONAL AMENITIES PLAN



# Recreational Amenities Plan (revised)

- **Phase 1 – Completed August 15, 2018**
  - Heated outdoor pool, handicap chairlift, outdoor shower, and new pool furniture
  - Fence with two gates accessible via keypad entry code
  - Walkway along the Building A side of the pool
- **Phase 2 – Scheduled for April/May, 2019**
  - Patio between the pool and the existing tennis courts
  - Portable fire pit and outdoor furniture on the patio
- **Phase 3 – 2020+ (depending on available funds)**
  - Demolition of the tennis court near the new patio
  - Installation of an irrigated turf field in place of the first tennis court
  - Resurfacing of the remaining tennis court
  - Refurbishing or replacing the fence around the tennis court
  - Landscaping

# Recreational Plan Components Removed

- **Components removed from the original plan**
  - Expansion of the *fenced-in concrete* pool deck
  - Pergola over part of the pool deck
  - Playground Equipment
  - Bocce Court
  - Half Basketball Court
  - Seating area between buildings A and B

# Phase 1 – Outdoor Heated Pool

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# Phase 1 – Pool Furniture

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# Phase 1 – Outdoor Shower

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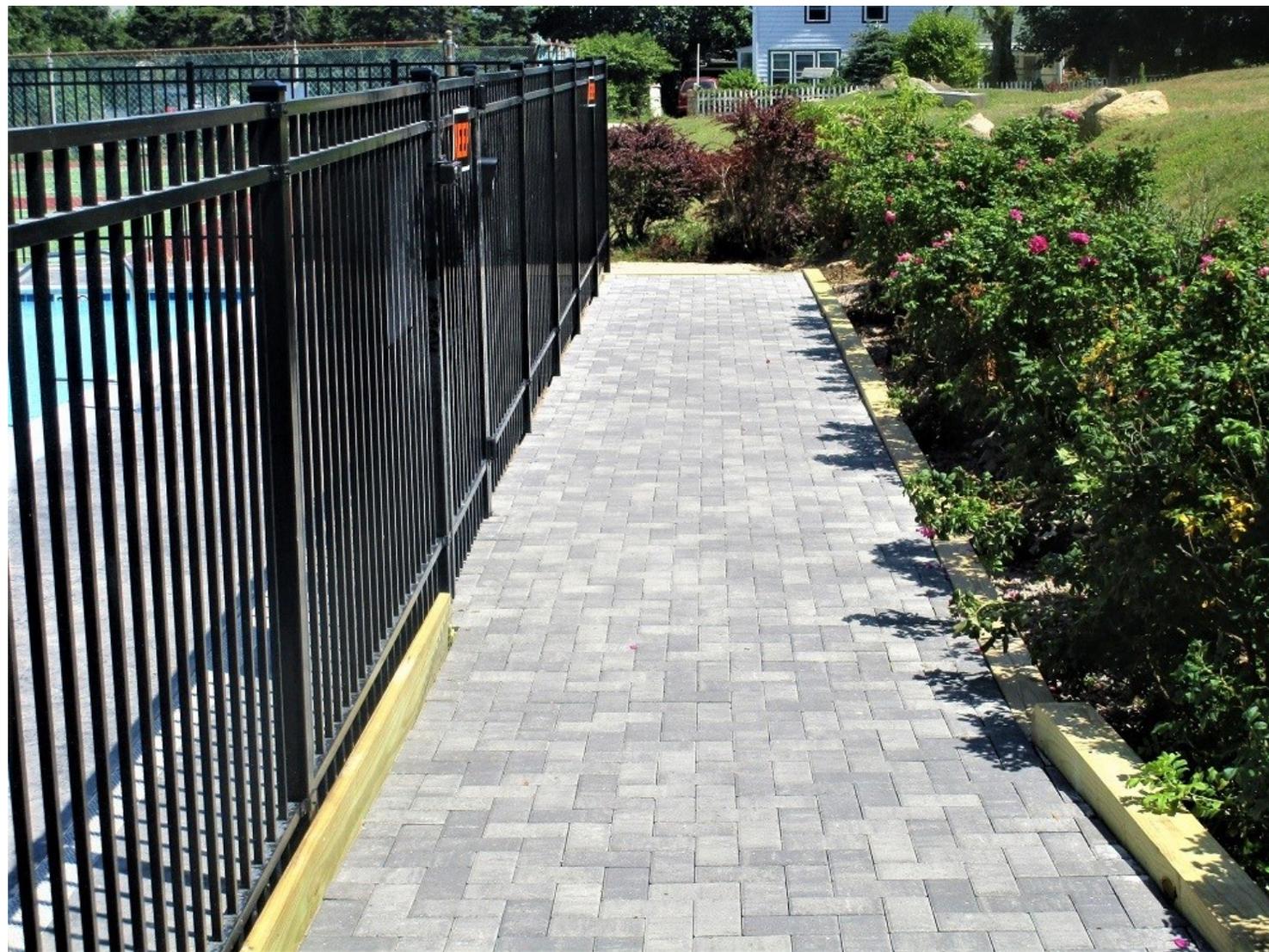
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# Phase 1 – Walkway

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- **Contract with off-island landscape/hardscape firm to construct by May 13:**
  - **Permeable patio pavers**
  - **Short retaining wall near tennis court**
  - **Step up to the pool deck**
- **Gate in fence onto the pool deck**
- **Self-contained propane gas firepit**
- **Outdoor furniture**

## Phase 2: Patio & Firepit

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## Components

- **Grassy Play Area for**
  - **Kick ball**
  - **Wiffle ball**
  - **Cornhole**
  - **Lawn bowling**
  - **Other sports w/o special infrastructure**
- **Refurbished Tennis Court surface and fence**

# Phase 3: Other Amenities

Not yet planned; contingent on availability of funding

# Facility Improvements

**Samantha Disotell**



# 2018 Improvements: Units and Common Areas (1 of 2)

- **Replaced concrete pad in back of Building B**
- **Repaved Building A driveway and parking areas**
- **Repaired retaining wall between Buildings A and B**
- **Created new flower gardens around the property**
- **Replaced fence behind Units 4/5/6 & included rail to unit 6**
- **Power washed decks, rails, and parts of Building B**
- **Stained wooden walkways on property**
- **Stained decks on Building B**



# 2018 Improvements: Units and Common Areas (2 of 2)

- **Stained bike racks in front of Building B**
- **Rebuilt access panel to Building A crawlspace**
- **Painted interior units in Building B**
- **Replaced door knobs, hinges, towel racks, and shower bars**
- **Installed new entry door for Unit 5**
- **Installed ceiling fans in vaulted stairwells of Units 8, 10, and 11**
- **Improved bathrooms in Units 10 and 12**



# 2018 Improvements: General Maintenance

- **Updated In-Room Guest Guide Books**
- **Deep cleaned units**
- **Replaced bathroom exhaust fans in 12 units**
- **Replaced appliances (as needed)**
- **Replaced furniture (as needed)**
- **Replaced washer/dryer in Building A**
- **Repaired building used for employee housing**



# Building B Rear Concrete Pad

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# Building A Driveway

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# Building A Driveway & Parking Area

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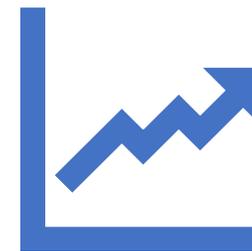
# 2019 Improvements Planned

- **Install stairs near tennis court going from Building A to new patio**
- **Re-install walkway in front of Building B near pool**
- **Create defined parking area in front of Building B**
- **Replace water heater in Building B**
- **Replace sliding glass doors in bedrooms of Units 18, 22, and 24**
- **Update kitchen cabinets in Units 11 and 18**
- **Replace kitchen windows in Units 18, 21, and 24**
- **Replace vanities in twin baths of Units 22, 23, and 24**
- **Install hairdryers in all bathrooms**
- **Perform additional exterior power washing and staining**



# Financial Update

**Mark Morrissette**



# Financial Overview

- **2018 strong year for core Neptune House operations**
- **2019 budget consistent with overall 3-year plan**
- **Reserves are on-plan, despite pool overages**
- **No assessment decrease for 2020; flat or small increase**

# Insurance Review

- **Completed annual review of hazard insurance, flood insurance and fidelity bond**
- **2019 Budget includes updated and adequate coverage**



# Foreclosure Review

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

- November Auction:**
- 21 shares available (13 summer shares)
  - 14 shares sold (12 summer shares)
  - \$37,700 total sales price; \$20,200 expenses
  - \$17,500 net
  - Plus \$19,950 in 2019 maintenance fees



# 2018 Operations vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 717	\$ 640	\$ 77
Operating Expenses	<u>640</u>	<u>641</u>	<u>1</u>
<b>Gain (Loss)</b>	<b>\$ 77</b>	<b>\$ (1)</b>	<b>\$ 78</b>

- **\$77,000 Operating Profit for the year**
- **Revenue ahead of plan due mostly to foreclosure and rental income**
- **Expenses on-plan for the year**

# 2018 Reserves vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 149	\$ 151	\$ (2)
Reserve Expenses	<u>291</u>	<u>148</u>	<u>(143)</u>
<b>Gain (Loss)</b>	<b>\$ (142)</b>	<b>\$ 3</b>	<b>\$ (145)</b>

- Reserves spending includes pool/amenities project and planned maintenance
- Spending on Phase I of pool project over budget (but completed)
- Opportunistically accelerated some planned 2019 maintenance into 2018

# Consolidated Financials

## Gain/Loss(\$000)

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Assessment	\$ 811	\$ 793	\$ 772
<i>Plus</i> Additional Revenue	24	32	94
<i>Less</i> Expenses	708	777	931
<b>Gain (Loss)</b>	<b>\$ 127</b>	<b>\$ 48</b>	<b>\$ (65)</b>

- **Gains from prior years covered 2018 losses (pool overages)**
- **Year-over-year declining assessment revenue is a concern**

***First-ever audit (2017) completed; plan annual audits going forward***

# Summary Balance Sheet

## December 31, 2017 & 2018 (\$000)

### Assets

Cash

2017  
\$ 580

2018  
\$ 446

Assessments Receivable for Upcoming Year

379

367

Pre-Paid Expenses

10

48

### Total Assets

**\$ 969**

**\$ 861**

### Liabilities

Accounts Payable (Bills to be paid)

\$ 12

\$ 3

Accrued Expenses

8

12

Deferred Revenue

780

741

### Total Liabilities

**\$ 800**

**\$ 756**

### *Fund Balance*

**\$ 169**

**\$ 105**

# 2019 Budget

<b>Operating Expenses</b>	<b>\$ 656,526</b>
Other/Discretionary	
Rec Amenities Phase II Construction	\$ 83,200
Reserves/Improvements	\$ <u>62,904</u>
<b>Total Other/Discretionary</b>	<b><u>\$ 146,104</u></b>
<b>Total Budget</b>	<b>\$ 802,630</b>

***Maintenance Fees Unchanged from 2018 to 2019***

# Rec Amenities Phases 1 & 2 Cost

**(\$000)**

	<b>Budget</b>	<b>Actual/Estimated</b>	<b>Under/(Over)</b>
<b>Phases 1 &amp; 2 (est.)</b>	<b>260</b>	<b>399</b>	<b>(139)</b>

- **Prior-year positive income and savings offset higher costs**
- **No additional owner fees needed**

# 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**
  - **Budgeting preventive maintenance**
  - **Long-term budgeting and planning**



# Reserve Plan: Status

- **Cash in the reserve account down, but expected**
  - Major pool expenses behind us
  - Phase II expenses mostly under contract
  - Continuing regular maintenance plan
- **Continuing prudent reserves requires increase in reserve fee**
  - Coincides with drop-off of Amenities Construction Fee in 2020
- **2019: Reserves on-plan despite pool overages**



# Outlook

- ***Slow/steady decline in Assessment Revenue problematic***
  - Currently more than offset by foreclosure and rental income
  - But, that income is not long-term sustainable
  - Successful sales plan for Neptune House critical to success
- ***Early guidance: Anticipate overall flat assessment or small increase in 2020***
  - Drop-off of Amenities Construction Fee
  - Increase in Reserve Fee
  - Additional operating income needed to offset declining ownership
- ***Board exploring multiple ways to minimize 2020 fees***

# Sales Efforts

Michael J. McManus



# Sales of Shares

- **Two-Part Initiative**

- Generate Revenue for the Owners Association**

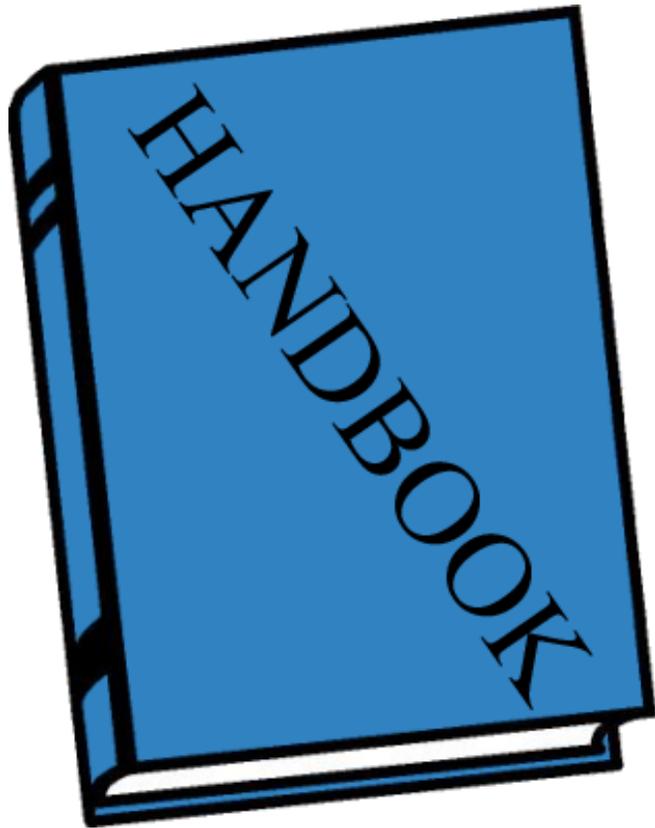
- **Sale of Association-Owned Inventory**
    - **Rent Association Inventory**

- Help Individual Owners with Resales**

- **Owner Resales**

- Search for Bulk Sale of Offseason Inventory**





# Individual Owner Resales

- **Reseller's Handbook**
  - **Published March 2017; updated January 2019**
  - **Ideas and resources for selling your timeshare**

# Sales of Owners Association Inventory 2018 Status

- **Modest results from Hello Vacay**
  - **4 existing owners bought new shares**
  - **No new owners**
  - **Total 3-year revenue expected: \$16,847**
    - **Earmarked for Phase 3 recreational amenities**
- **Owners Association still owns 100+ shares in 30-week season**

# Sales of Owners Association Inventory 2019 Plans

- **Continue work with sales company**
  - Hello Vacay**
  - Club Interval Gold Points Program**
  - Market to Renters and Exchangers**



- **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



# Marketing Plans

**Jeff Anliker**



# Marketing Committee

- **Charge**
  - **Develop a marketing strategy to increase ownership and rentals of shoulder weeks by October 31, 2019**

- **Members**

- **Jeff Anliker, Chairman**
- **Doug Carnahan**
- **Cheryl Moore**
- **Paul Weiner**



# NEXT VACATION PLANS OF TIMESHARE OWNERS

With 86% of timeshare owners spending just as much or more time on vacations in 2018, and 84% of owners spending just as much or more money on those vacations, it is critical to meet their changing demands to keep them coming back...well into the future!



**71%** plan on vacationing with their spouse, partner or significant other

**32%** plan on bringing children under age 18



**47%** want help with the 'booking' aspects of vacation planning particularly booking reservations, flights, and car rentals.

Travel information from the 2018 Owner Study, produced by the ARDA International Foundation (AIF). Learn more about timeshare at [www.arda.org](http://www.arda.org).



**79%**  
will most likely  
take their next  
timeshare vacation  
in the U.S.

Flight	Destination	Gate	Time
AB	FLORIDA	E 2	09:20
HD	CARIBBEAN	C 3	09:45
DE	MEXICO	A 1	10:05
OP	CANADA	B 2	10:30

Florida (26%) is the most popular U.S. state destination for the next vacation among total owners. When traveling out of the country, owners plan to go to The Caribbean (7%), Mexico (6%) and Canada (3%).

Owners will be traveling over 1,000 miles one way to their next vacation destination in the U.S., and nearly twice as far if going outside of the U.S.



**42%**  
plan to vacation at their  
'home' resort by using  
weeks

**20%**  
plan to vacation at their  
'home' resort or vacation  
club by using points

Among those going on vacation in 2018, May, June and July look to be the most popular months to take their next timeshare vacation.



Travel information from the 2018 Owner Study, produced by the ARDA International Foundation (AIF). Learn more about timeshare at [www.arda.org](http://www.arda.org).



## Distribution of NHOA Fixed Inventory by Month

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Monthly Distribution of NHOA Fixed Inventory					
MONTH	STU	1BD	2BD	Total	%
MAY	1	14	15	30	37%
JUN	1	3	0	4	5%
JUL	0	0	0	0	0%
AUG	0	0	0	0	0%
SEP	3	4	2	9	11%
OCT	5	20	13	38	47%
TOTAL	10	41	30	81	100%
	12%	51%	37%	100%	



# Shoulder Season Challenges and Opportunities

- **Challenges**

- Extra time and expense of travel to and from the Island
- Fewer restaurants and shops are open and Island events scheduled
- Cooler weather may reduce the attraction of beaches and pool usage
- The reality of school-age children reduces the ability of parents to come to the Island

- **Opportunities**

- Most outdoor recreation activities are fully accessible and less crowded
- The Island and resort atmosphere are more conducive to relaxation and reflection
- Resort staff has more time to fulfill the needs of resort guests

# Key Audience & Demographics of First-Time Timeshare Owners

- **Millennials/Generation X (age 25-55)**
- **Married with kids**
- **Higher Income**
- **Within 3-4-hour drive**
- **Looking for good trading power for exchanges**



# Marketing Activities Update

- **Signed Agreement with Social Synergy Services (Tania Picard, Owner) to:**
  - **Manage and maintain Neptune House Facebook page**
  - **Post and monitor Facebook page almost daily**
  - **Create, manage and maintain a Neptune House Instagram account**
- **Reviewing proposals for website improvements**

# Social Media Access

- Neptune House Facebook page can be accessed by:



- Establishing a Facebook profile (<https://www.facebook.com/r.php>) and searching for Neptune House or @NeptuneHouseResort
- Or going to <https://www.facebook.com/NeptuneHouseResort/>, and then “following” the page

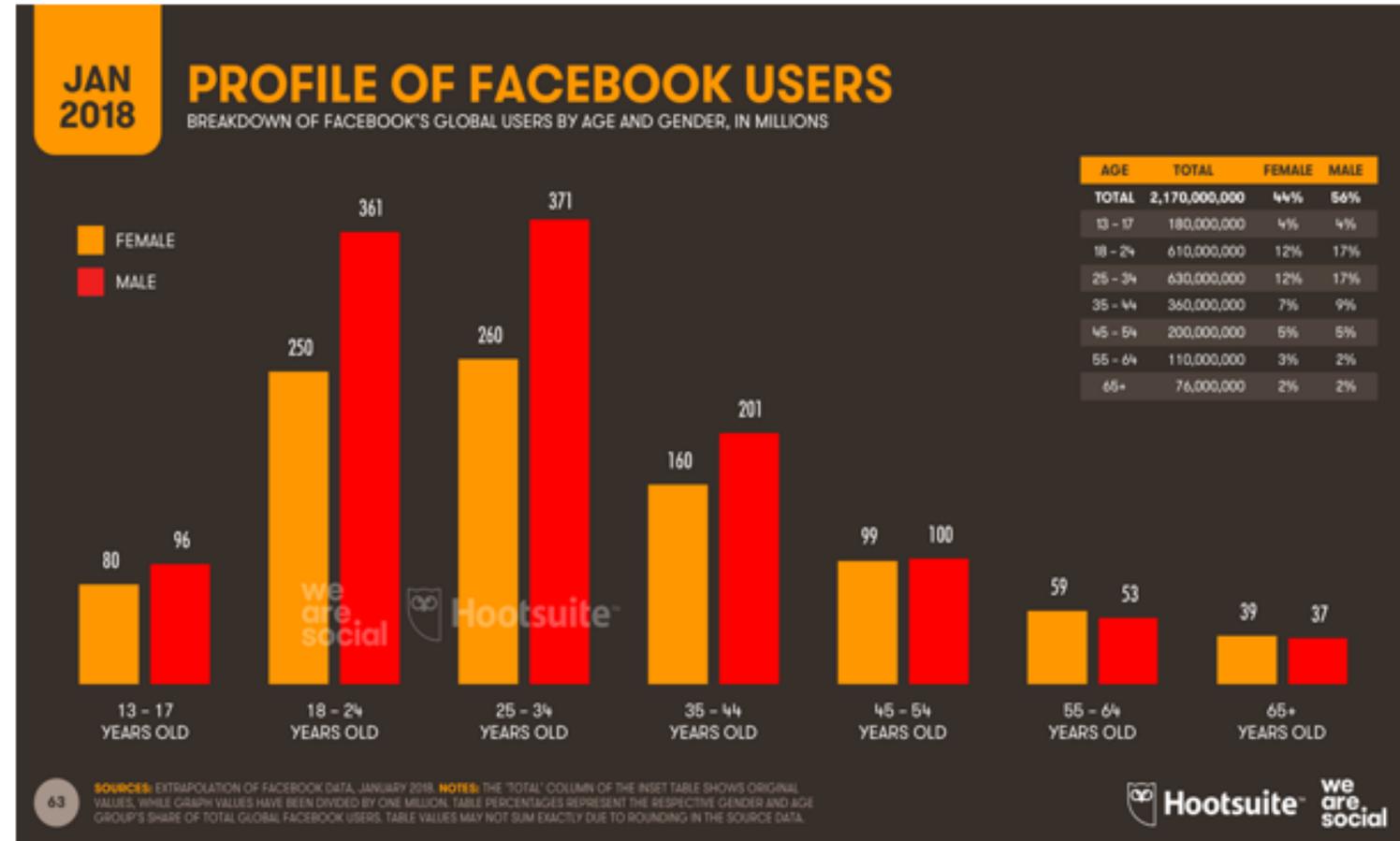
- Neptune House Instagram account can be accessed by:



- Establishing an Instagram account (<https://www.instagram.com>) and searching for neptunehousebi
- Or going to <https://www.instagram.com/neptunehousebi/>, and then “following” the page

# Global Data about Facebook Users

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# Possible Future Marketing Activities

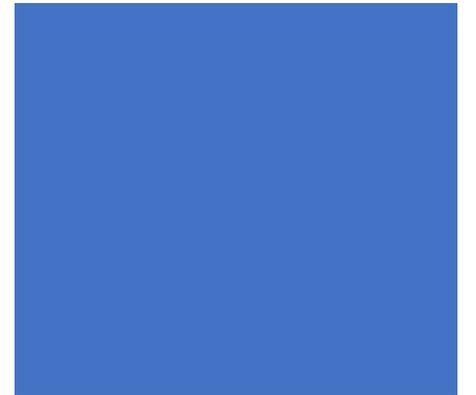
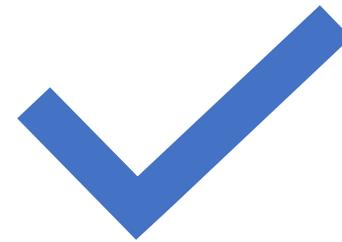
- **Format website for phone/tablet**
- **Increase Social Media footprint**
  - 
- **Develop and maintain a contact/email data base**
- **Purchase targeted advertising**

# Other Suggestions?

- **For additional information or to provide feedback**
  - **Contact Jeff Anliker at [jeff.anliker@outlook.com](mailto:jeff.anliker@outlook.com)**
  - **Call Jeff Anliker at 413-323-9988**

# Election Results

**Chris Lindgren**



# Election Results

- **Newly-Elected Directors**
  - 3-year terms (expire March 2022)
- **Congratulations and Thanks for Serving**



# Q&A

March 30, 2019

NHOA Meeting



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