

# Owners Association Meeting

March 28, 2020

**Neptune House**  
*Block Island, RI*

The logo for Neptune House features the text "Neptune House" in a bold, blue, serif font. Below it, "Block Island, RI" is written in a smaller, blue, cursive font. A horizontal blue line runs across the bottom of the text, ending in a blue trident symbol on the right side.

# Agenda

<b>9:30 – 10:00 a.m.</b>	<b>Continental Breakfast.....</b>	<b>All</b>
<b>10:00 – 10:15 a.m.</b>	<b>Welcome &amp; Opening Remarks.....</b>	<b>Phil Totino</b>
<b>10:15 – 10:20 a.m.</b>	<b>Election of Directors.....</b>	<b>Chris Lindgren</b>
<b>10:20 – 10:30 a.m.</b>	<b>Recreational Amenities Project.....</b>	<b>Cheryl Moore</b>
<b>10:30 – 10:40 a.m.</b>	<b>Facility Improvements.....</b>	<b>Samantha Disotell</b>
<b>10:40 – 10:55 a.m.</b>	<b>Financial Update.....</b>	<b>Mark Morrissette</b>
<b>10:55 – 11:10 a.m.</b>	<b>Sales &amp; Marketing.....</b>	<b>Phil Totino</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**



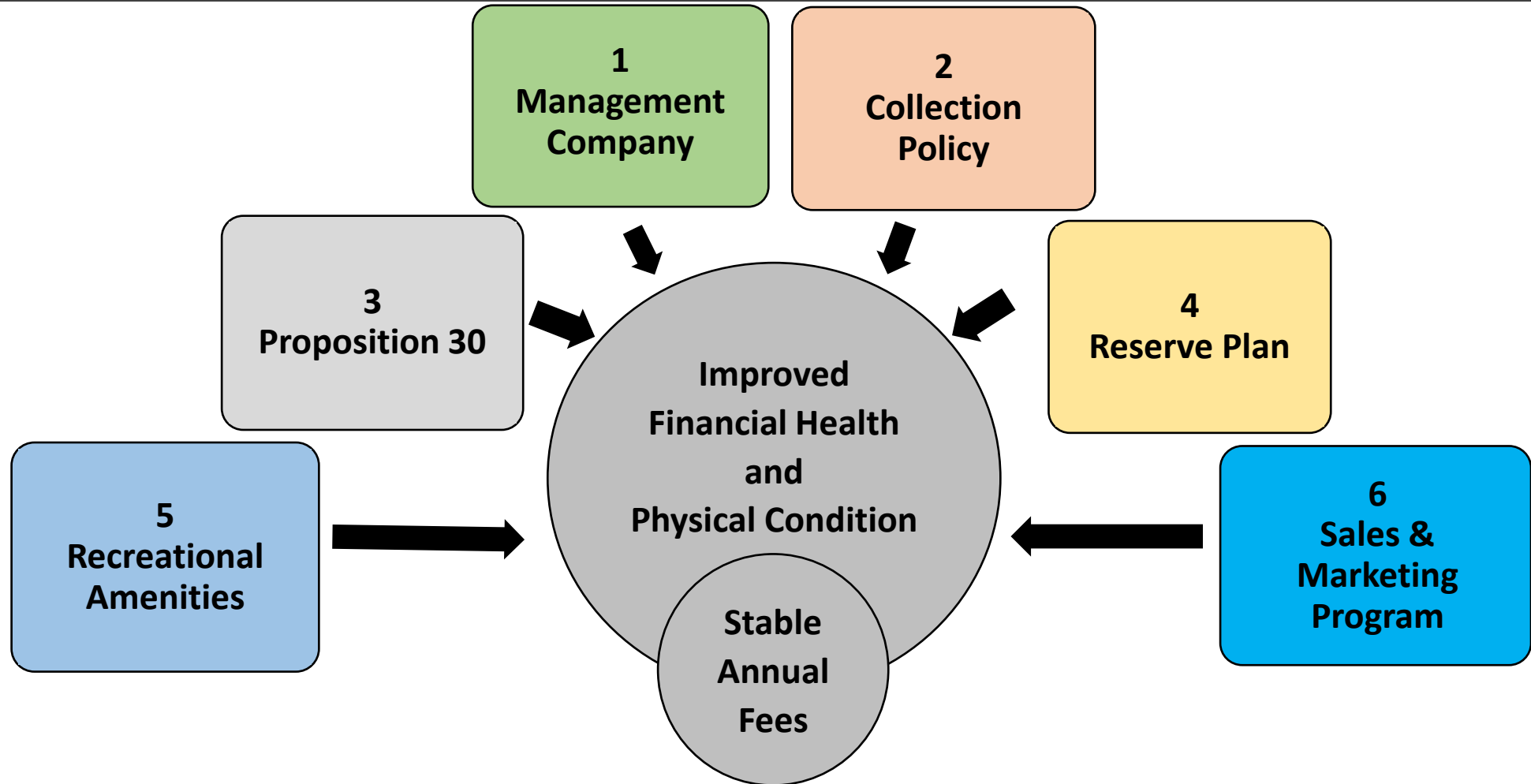
# Introductions

- **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 Americas

# 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 30, 2019 Annual Meeting**

# Turnaround Plan



# Progress on Turnaround Plan (1 of 2)

## 1. Management Company

- Contract with VRI goes thru 2021

## 2. Collection Policy

- \$80K+ recovered by law firm from owners subject to foreclosure actions in 2016 and 2018
- New defaults resolved in a timely manner

## 3. Proposition 30

- Implemented in 2016
  - 30-week season
  - Float week amnesty

## 4. Reserve Plan

- On Track (with some adjustments)





# Progress on Turnaround Plan (2 of 2)

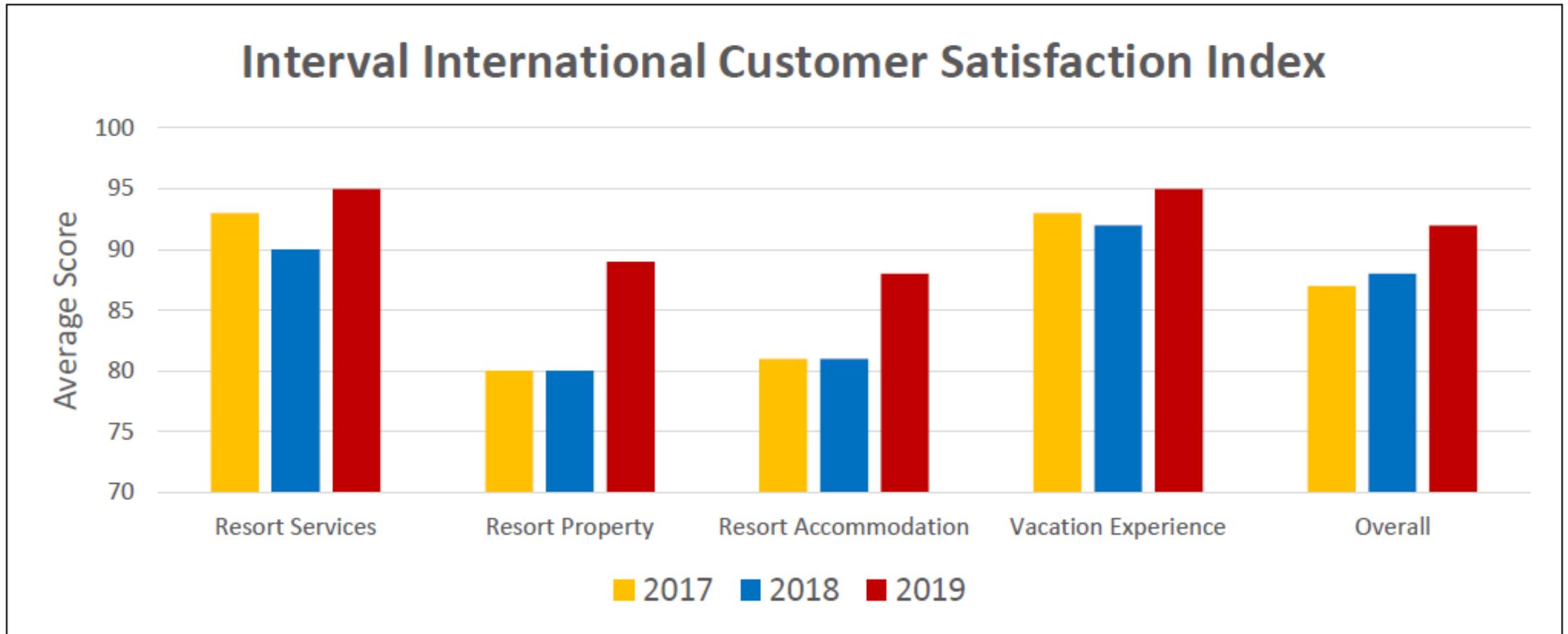
## **5. Recreational Amenities**

- **Phase 1 – Pool – August 2018**
- **Phase 2 – Patio & Fire Pits – June 2019**
- **Phase 3 – Demolition of one tennis court, resurfacing of the other tennis court, new fencing, new irrigated grass play area – June 2021 target date**

## **6. Sales & Marketing Program**

- **Limited results from sales firms over 3 years (2017-19)**
- **Focus now on renting and licensing**

# Customer Satisfaction



# Election of Directors

**Chris Lindgren**



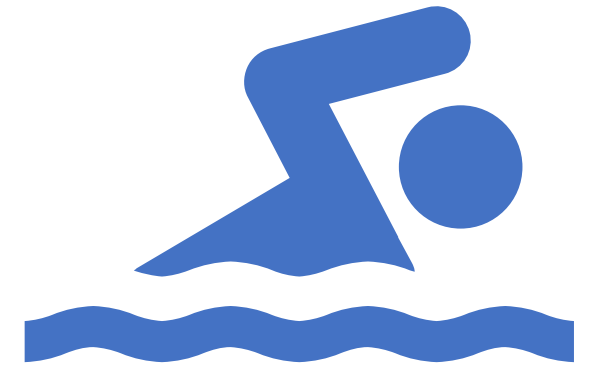
# Election of Directors

- **Two Director Positions**
- **Candidates**
  - **Jeff Anliker (incumbent)**
  - **E. Paul Cizek**
  - **Phil Totino (incumbent)**
- **Please hand in any ballots not yet submitted**



# Recreational Amenities Project

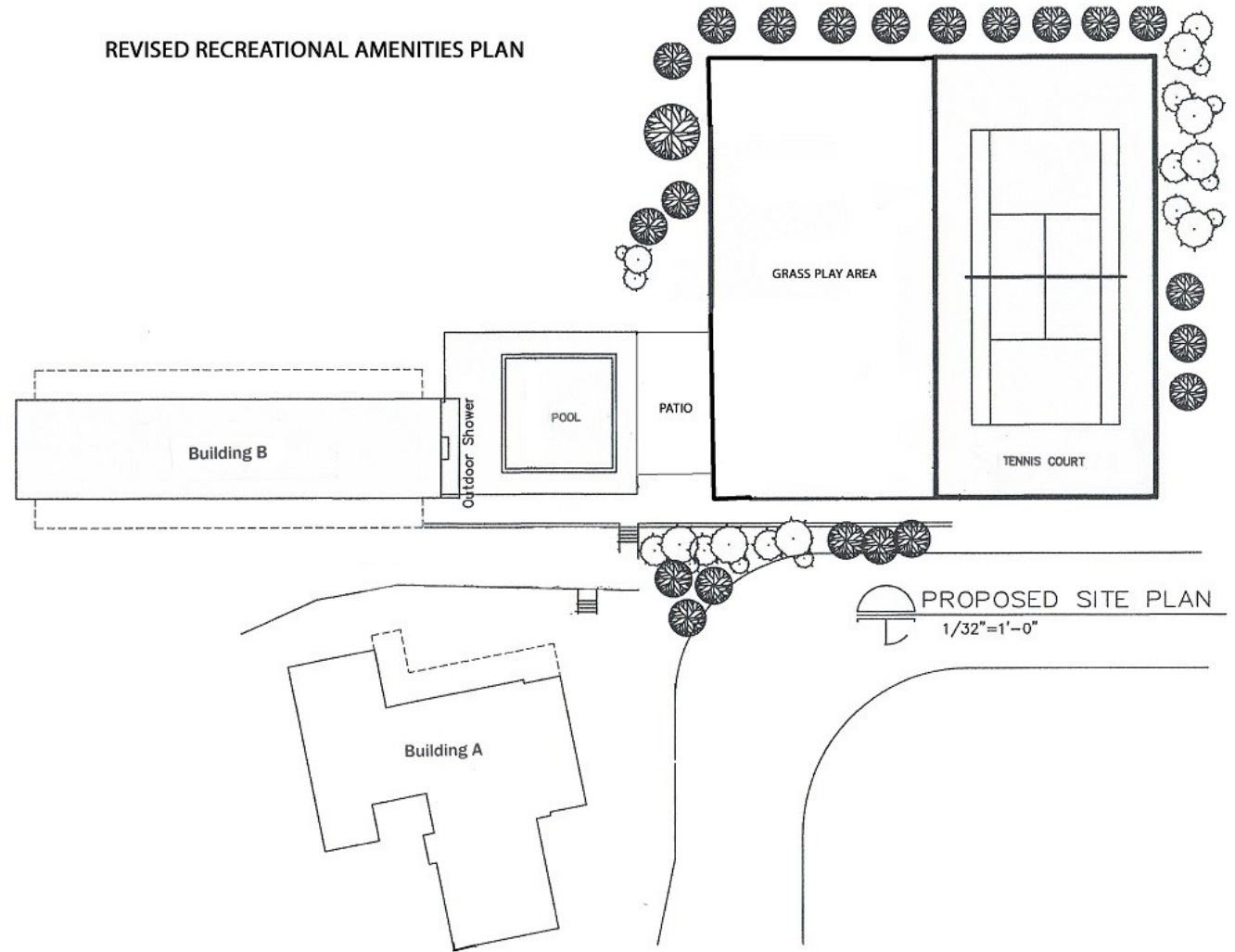
**Cheryl Moore**



# Recreational Amenities Plan

March 28, 2020

REVISED RECREATIONAL AMENITIES PLAN



# Rec Amenities Project Highlights in 2019

- **Phase 2**

- **Patio constructed in April 2019**
- **Fire Pits installed in May 2019**
- **New outdoor furniture set up in June 2019**

- **Phase 3**

- **Plans made for work in Fall 2020 - Spring 2021**

# Rec Amenities Work Completed To Date

- **Phase 1 – Completed August 2018**
  - Heated outdoor pool with handicap chairlift
  - Outdoor shower
  - New pool furniture
  - Fence with two gates accessible via keypad entry code
  - Walkway along the Building A side of the pool
- **Phase 2 – Completed June 2019**
  - Patio between the pool and tennis courts with third gate to pool
  - Portable fire pits and new outdoor furniture on the patio
  - Granite stairways with railings from patio up towards Building A & down to tennis courts



# Outdoor Heated Pool & Stairway Towards Bldg. A

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March 28, 2020





# Patio & Stairway to Tennis Courts

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March 28, 2020



NHOA Meeting

18



# Fire Pits

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March 28, 2020



NHOA Meeting

19

# Recreational Amenities Work Planned

- **Phase 3 – Target completion June 2021**
  - **Demolition of the tennis court near the patio**
  - **Installation of an irrigated turf field in place of the tennis court**
  - **Resurfacing of the remaining tennis court**
  - **Replacing the fence around the tennis court**
  - **Landscaping**





## Components

- **Grassy Play Area for**
  - **Kick ball**
  - **Wiffle ball**
  - **Cornhole**
  - **Lawn bowling**
  - **Other sports w/o special infrastructure**
- **Refurbished tennis court surface and new fence**
- **Landscaping**

# Phase 3 – Other Amenities

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# Facility Improvements

**Samantha Disotell**



# 2019 Improvements: Units and Common Areas (1 of 2)

- **Installed hairdryers in all bathrooms**
- **Painted all interior units**
- **Replaced hinges, doorknobs, shower curtain rods, etc. with new brushed nickel pieces**
- **Installed new entry doors for Units 5 and 16**
- **Stained first-floor deck, railings, and stairs on Building B**
- **Replaced some flashing and siding on back of Building B**
- **Remodeled kitchen cabinets in Units 11 and 18**
- **Replaced sliding glass doors in bedrooms of Units 18, 21, 22, and 24**
- **Replaced kitchen windows in Units 18, 21, and 24**





# 2019 Improvements: Units and Common Areas (2 of 2)

- **Painted kitchen cabinets in Units 20 and 21 and installed new hardware**
- **Remodeled twin bathrooms in Units 22, 23, and 24**
- **Remodeled check-in window in the main lobby**
- **Updated In-Room Guest Guidebooks**
- **Painted some furniture including coffee tables, dining tables/chairs, etc.**
- **Replaced furniture per budget guidelines**
- **Replaced appliances as needed**





# 2019 Improvements: Exterior Maintenance

- Installed new exterior light fixtures by stairwells of Building B (front and back)
- Reinforced fence by Units 4/5/6; installed stair railings; painted fence
- Removed diseased tree by Units 5/12
- Created stone pathway connecting the new granite stairway from the patio up towards Bldg. A to the wooden stairs that lead to the front of Bldg. A (picture on next slide)
- Re-installed walkway in front of Building B near pool
- Designed and planted new flower gardens
- Placed flower boxes and planters on the new patio
- Had ADA (Americans with Disabilities Act) study done to assess disability access issues



# Walkway Between Patio and Building A

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March 28, 2020



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# 2020 Improvements Planned (1 of 2)

- **Replace pool cover system with single roller and cover**
- **Refresh art on the walls of living units**
- **Enhance bathroom safety with no-slip tub surfaces and grab bars**
- **Complete staining of Building B decks, railings , and stairs**
- **Improve drainage around Building B**
- **Create defined parking area in front of Building B**
- **Replace water heater in Building B**
- **Replace boiler in Building B**



# 2020 Improvements Planned (2 of 2)

- **Make repairs to employee housing building**
- **Replace fire control panels in Buildings A and B**
- **Upgrade lobby in Building A**
- **Replace windows/roof/sidewalls/trim on porches of Units 4/5/6**
- **Remodel Unit 6 interior**
- **Repair/replace steps leading up to Units 7 and 8**
- **Replace sliding glass door in front of Unit 22**





# Building B Drainage Work in Process

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March 28, 2020



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# Financial Update

**Mark Morrissette**



# Financial Overview

- **2019 positive year for resort**
- **2020 budget consistent with overall 5-year plan**
- **2019 savings partially allocated to 2020 reserve projects**
- **2021 Assessment: anticipate small (+/- inflation) increase**

# Insurance Review

- **Completed annual review of hazard insurance, flood insurance and fidelity bond**
- **2020 Budget includes updated and adequate coverage**





# 2019 Operations vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 670	\$ 654	\$ 16
Operating Expenses	<u>646</u>	<u>655</u>	<u>9</u>
<b>Gain (Loss)</b>	<b>\$ 24</b>	<b>\$ (1)</b>	<b>\$ 25</b>

- **\$24,000 Operating Gain for the year**
- **Revenue ahead of plan due to unit sales and foreclosure income**
- **Expenses on-plan for the year**

# 2019 Reserves vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 151	\$ 148	\$ 3
Reserve Expenses	108	148	40
<b>Gain (Loss)</b>	<b>\$ 43</b>	<b>\$ -</b>	<b>\$ 43</b>

- Reserves spending includes interior and exterior improvements and major planned maintenance
- Several late-2019 projects were pushed into early 2020

# Consolidated Financials

	<u>Gain/Loss(\$000)</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Assessment	\$ 793	\$ 772	\$ 758
<i>Plus</i> Additional Revenue	<u>32</u>	<u>94</u>	<u>63</u>
Total Revenue	\$ 825	\$ 866	\$ 821
<i>Less</i> Expenses	<u>777</u>	<u>931</u>	<u>754</u>
<b>Gain (Loss)</b>	<b>\$ 48</b>	<b>\$ (65)</b>	<b>\$ 68</b>

- **2019 gains will be used for 2020 improvements**
- **Year-over-year declining assessment revenue is a concern**

*2019 Gain does not tie out due to rounding*

*2017 and 2018 audits completed; plan annual audits going forward*

# Summary Balance Sheets

## (December 31) (\$000)

<b>Assets</b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Cash	\$ 580	\$ 446	\$ 575
Assessments Receivable for Upcoming Year	379	367	348
Pre-Paid Expenses	<u>10</u>	<u>48</u>	<u>15</u>
<b>Total Assets</b>	<b>\$ 969</b>	<b>\$ 861</b>	<b>\$ 938</b>
<b>Liabilities</b>			
Accounts Payable (Bills to be paid)	\$ 12	\$ 3	\$ 17
Accrued Expenses	8	12	13
Deferred Revenue	<u>780</u>	<u>741</u>	<u>735</u>
<b>Total Liabilities</b>	<b>\$ 800</b>	<b>\$ 756</b>	<b>\$ 766</b>
<b>Fund Balance</b>	<b>\$ 169</b>	<b>\$ 105</b>	<b>\$ 173</b>

*2019 Total Liabilities does not tie out due to rounding*

# 2020 Budget

<b>Operating Expenses</b>	<b>\$ 696,447</b>
Other/Discretionary Reserves/Improvements	\$ <u>143,600</u>
<b>Total Budget</b>	<b>\$ 840,047</b>

- ***Maintenance Fees Decreased 1.7% from 2019 to 2020***
- ***Accumulated Reserve Funds to be used on major projects***

# Reserve Plan: Background

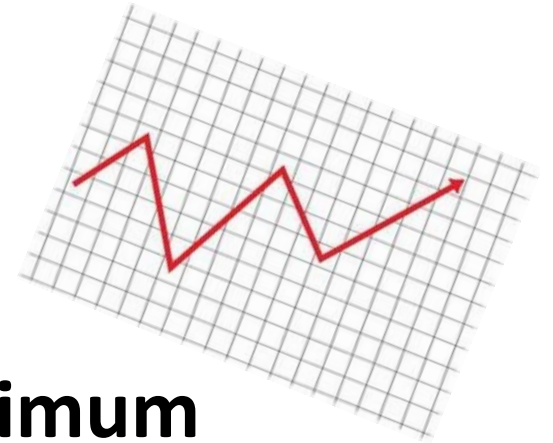
- Objectives:**
- **Ensure long-term viability of Neptune House**
  - **Maintain stable Maintenance Fees, without a need for Special Assessments**

- 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 up, but allocated**
  - Multiple late-2019 projects pushed to early 2020
  - Continuing regular maintenance plan
- **Reserve fees planned to ensure maintaining minimum balance over 5-year and 25-year planning horizons**
- **2020: Reserves on-plan**

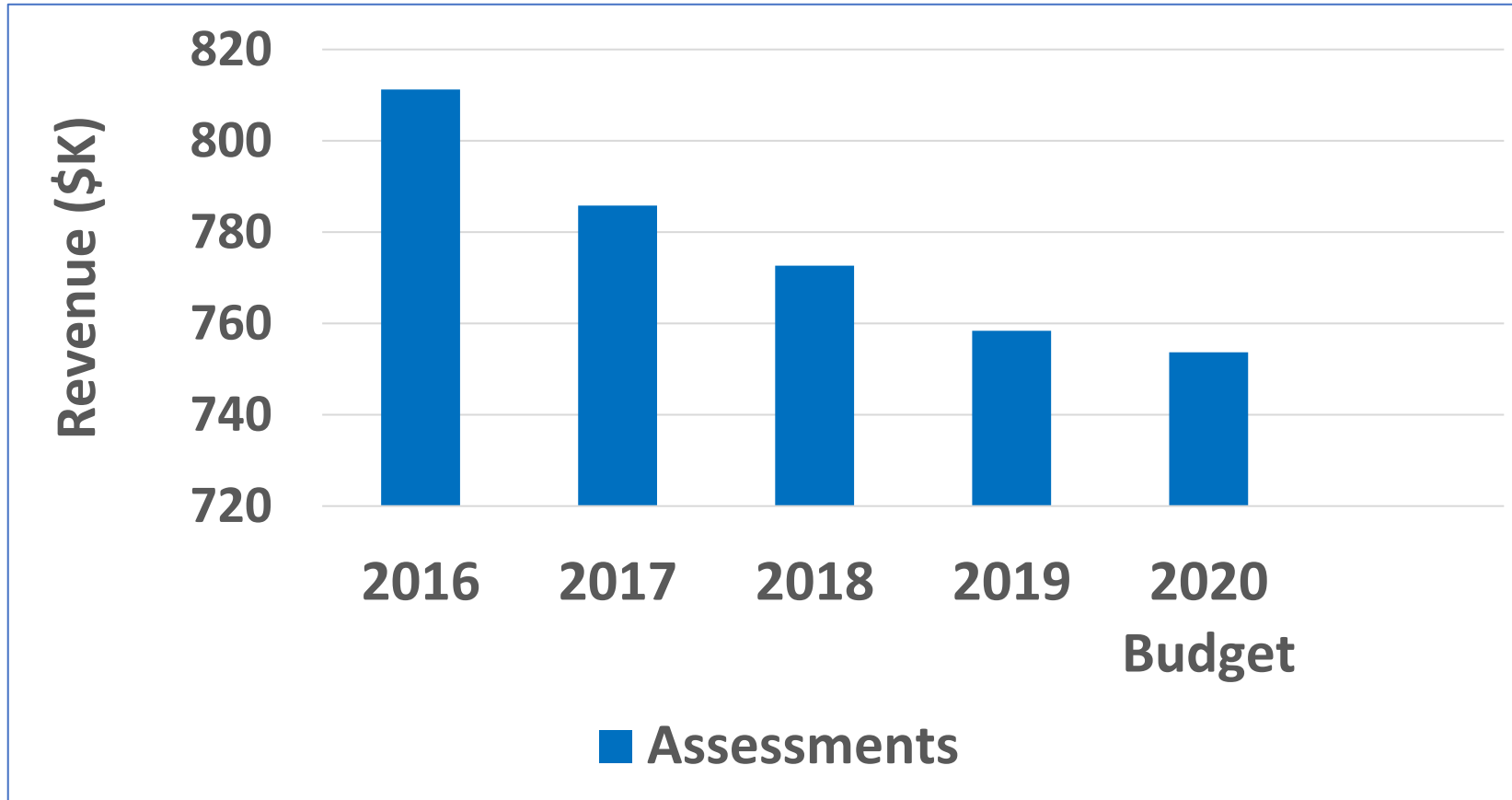


# 5-Year Property Improvement Plan

Property Improvement Spending						
Project	2020	2021	2022	2023	2024	Total
Living Unit Upgrades	\$30,000	\$30,750	\$31,519	\$32,307	\$33,114	\$157,690
Recreational Amenities Phase 3	\$50,000	\$50,000				\$100,000
Water Heater Bldg. B	\$8,000					\$8,000
Parking Bldg. B	\$20,000					\$20,000
Drainage Work around Bldg. B	\$4,000					\$4,000
Employee Housing Repairs	\$10,000					\$10,000
Bldg. A Common Area Upgrade	\$4,500					\$4,500
Fire Control Panel Bldg. A	\$8,000					\$8,000
Fire Control Panel Bldg. B	\$8,000					\$8,000
Boiler Bldg. B	\$50,000					\$50,000
Boiler Bldg. A			\$50,000			\$50,000
Oil Tank Bldg. A			\$12,000			\$12,000
Oil Tank Bldg. B			\$12,000			\$12,000
Roof Bldg. A - Rubber and Tab					\$20,000	\$20,000
Roof Bldg. B					\$60,000	\$60,000
Other/Contingency	\$20,000	\$20,000	\$20,000	\$11,461	\$20,000	\$91,461
<b>Total</b>	<b>\$212,500</b>	<b>\$100,750</b>	<b>\$125,519</b>	<b>\$43,768</b>	<b>\$133,114</b>	<b>\$615,651</b>

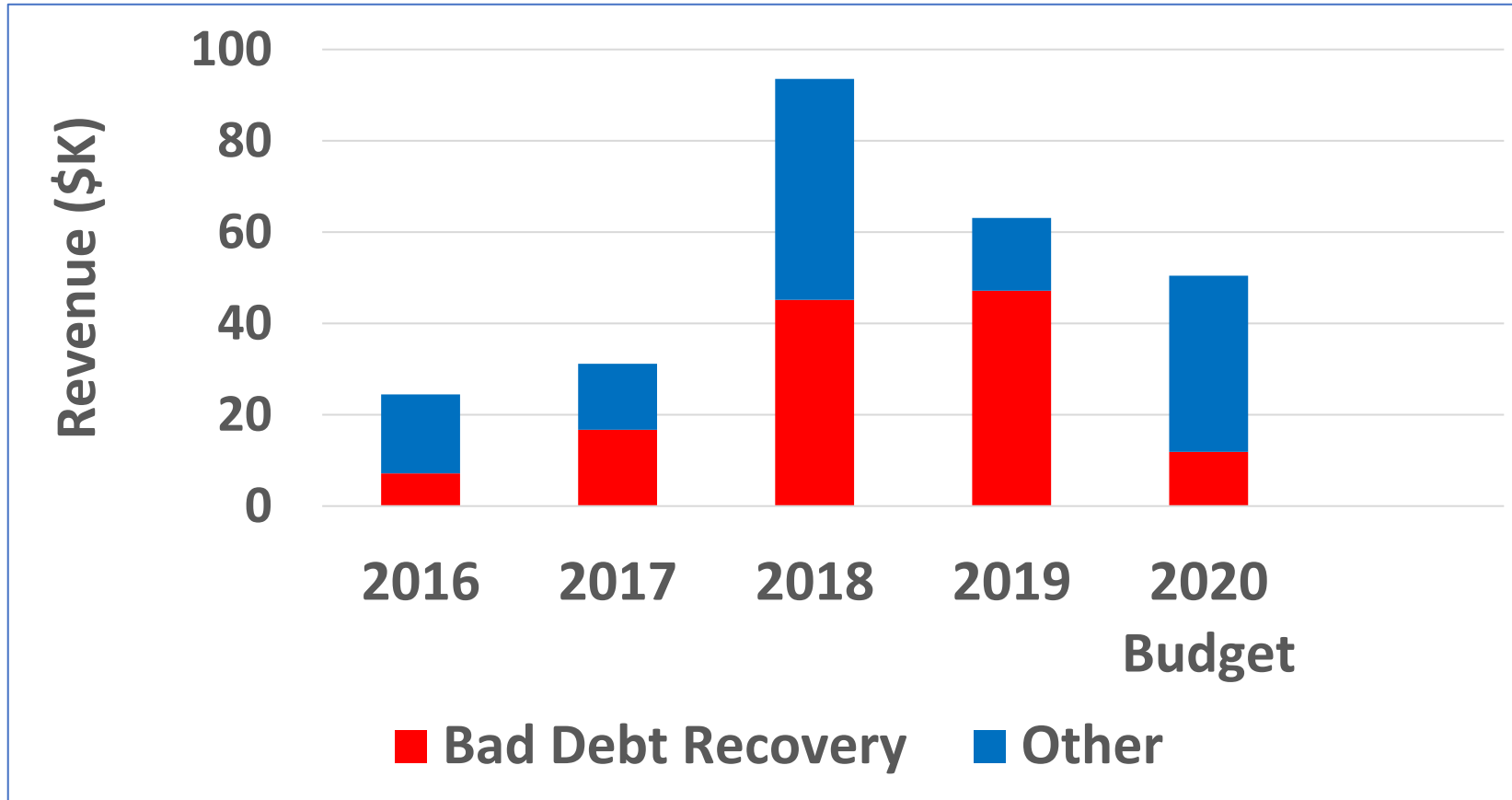


# Maintenance Fee Revenue



**Note: The values on this slide include deedback revenue**

# Non-Maintenance Fee Revenue



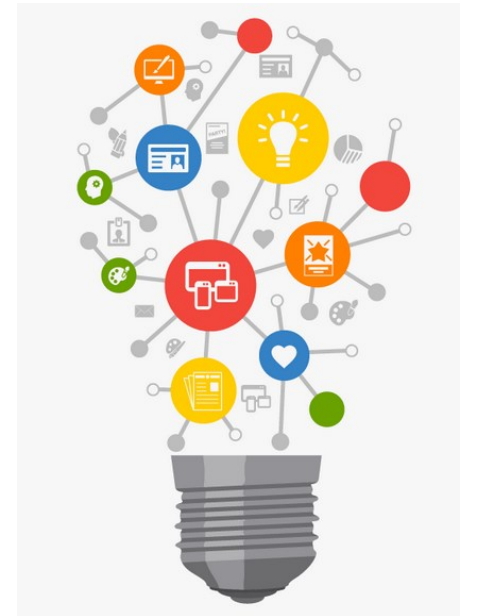
**Note: The values on this slide exclude deedback revenue**

# Outlook

- **Slow/steady decline in Assessment Revenue problematic**
  - Currently more than offset by foreclosure and sale income
  - But, that income is not long-term sustainable
  - Successful sales and rental plan for Neptune House critical to success
- ***Early guidance: Anticipate small increases (+/- inflation) 2020 and beyond***
- **Board exploring multiple ways to minimize fee increases and maintain health of resort**

# Sales & Marketing

Phil Totino



# Marketing Committee

- **Members**

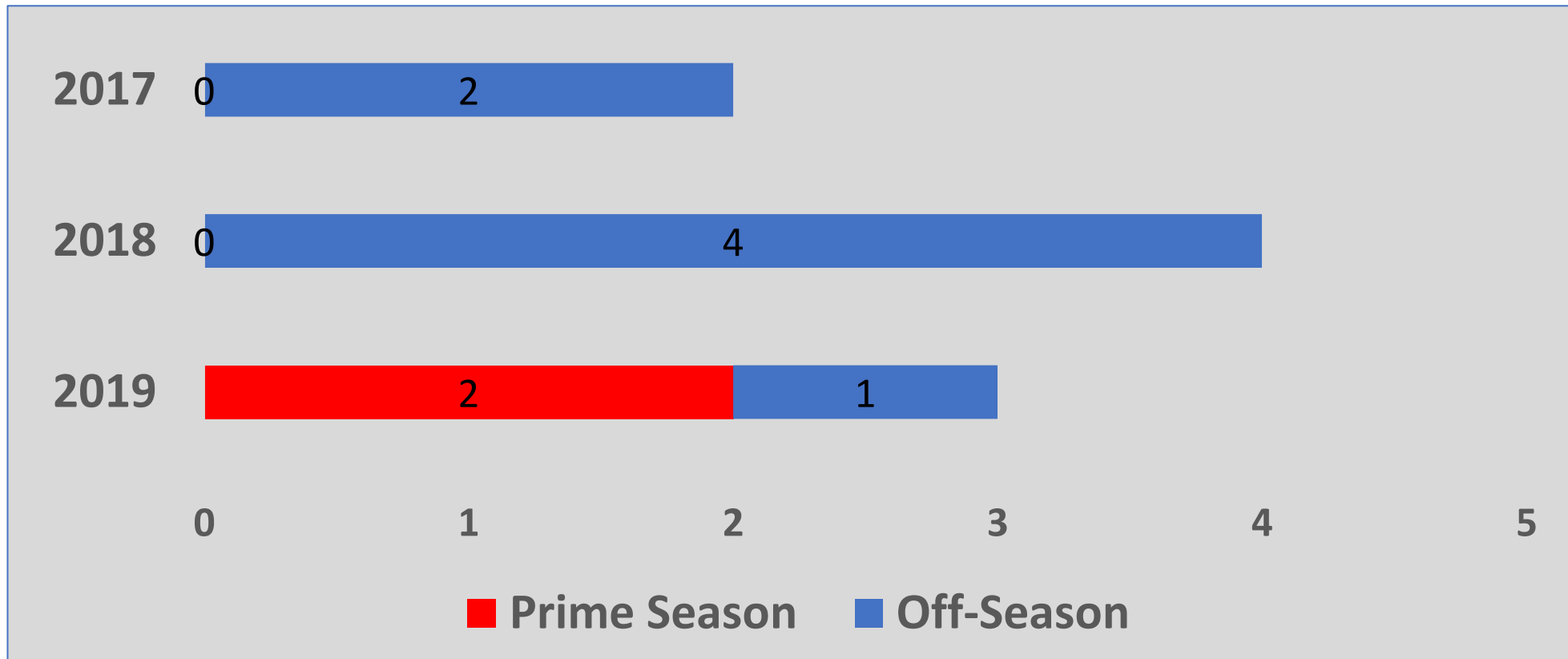
- **Jeff Anliker, Chairman**
- **Doug Carnahan**
- **Cheryl Moore**
- **Jillian Belanger \***
- **Paul Weiner \***
- **Samantha Disotell**
- **Michael McManus**

\* Stepped down in November



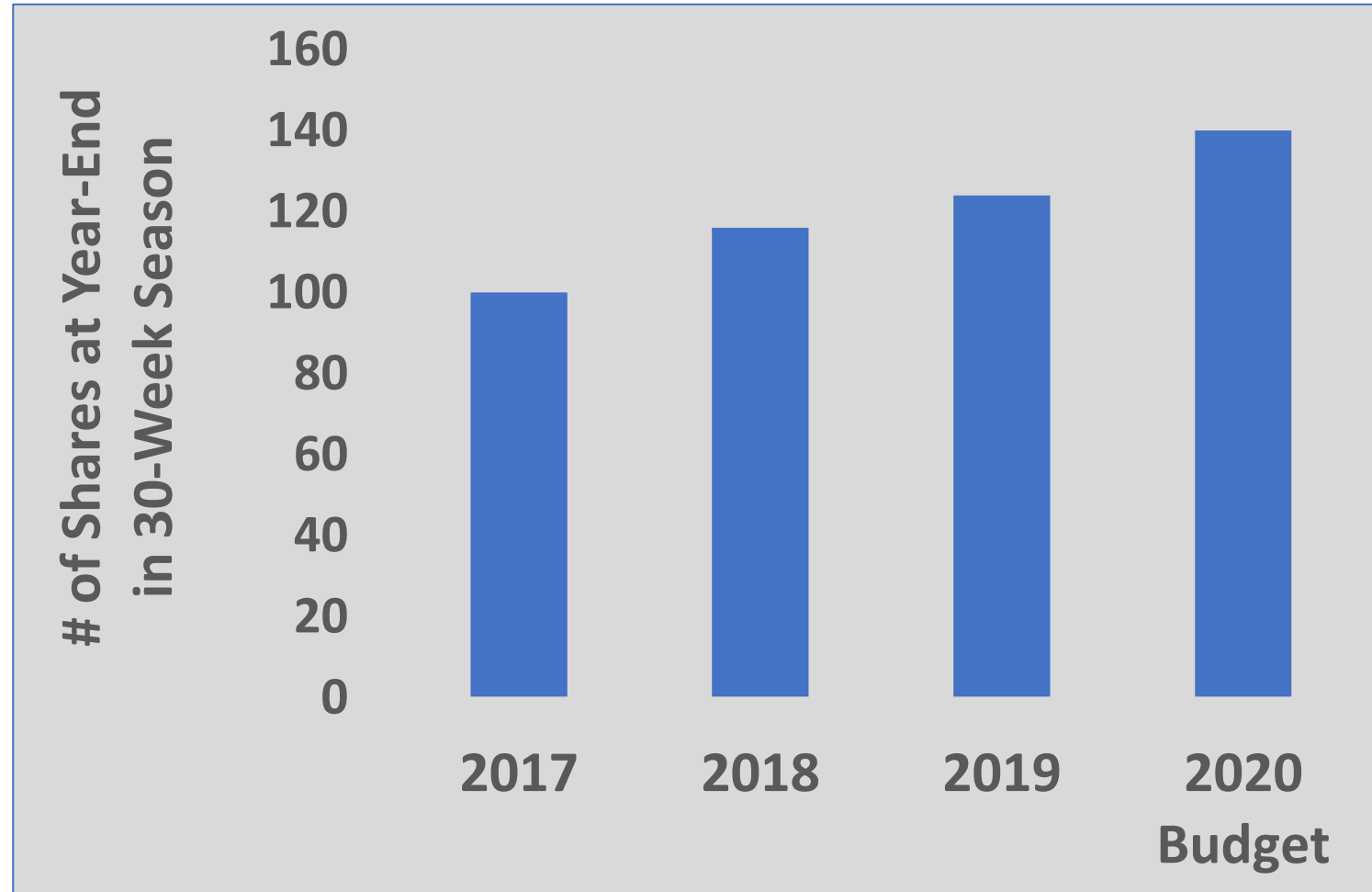
# Sales of Owners Association Shares 2017-2019

- **9 Shares sold by Sales Firms over 3 Years**



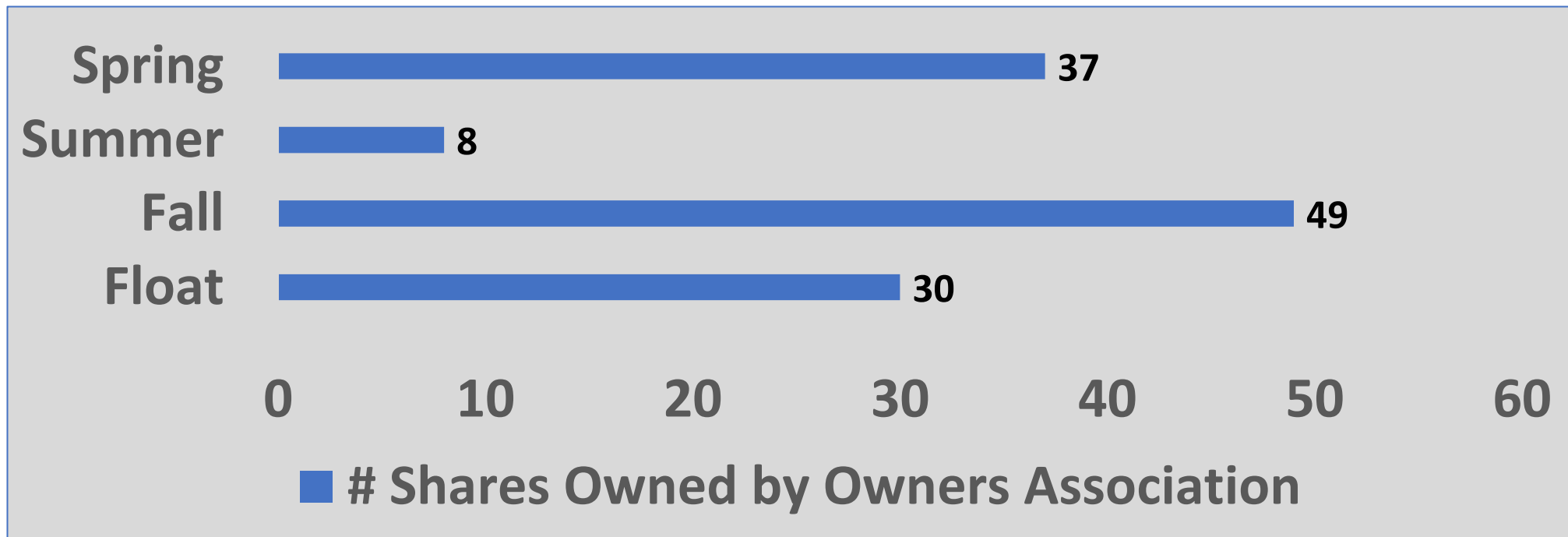


# Association-Owned Shares



# Owners Association Inventory

- **At end of 2019, Owners Association owned 124 shares in 30-week season (18% of 690 total shares)**



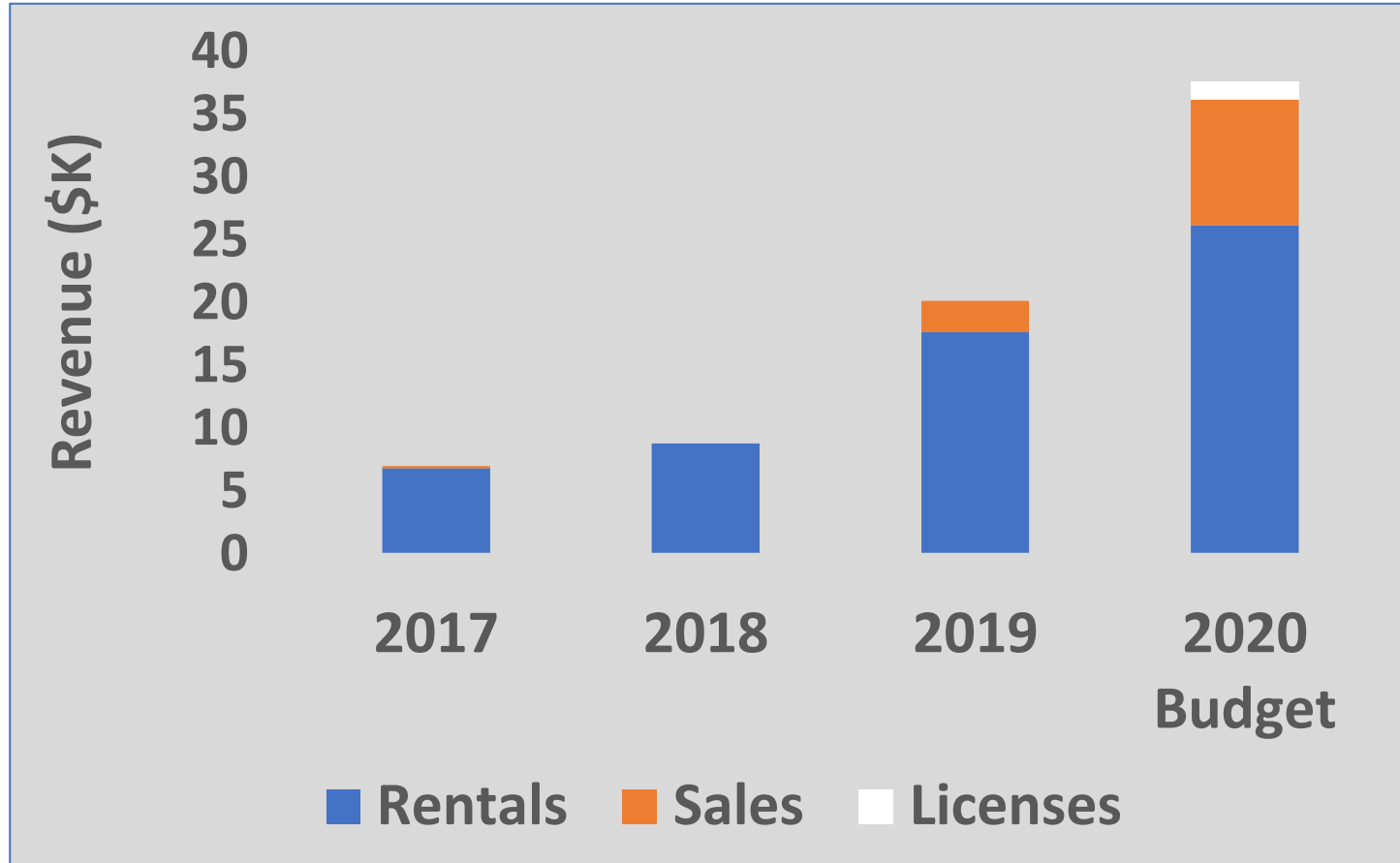
# Factors Limiting Sales

- **Industry Trends**
  - **Internet/smart phones/apps**
    - **Ease of finding accommodations**
    - **Price transparency**
  - **Desire for varied experiences**
  - **Poor reputation of timeshares**
- **Neptune House Constraints**
  - **Extra time and expense of travel to and from Block Island**
  - **Cool, variable weather in off-season**
  - **Fewer restaurants and shops open in off-season**
  - **Requirement for same maintenance fee in off-season as in summer**

# Marketing Direction

- **Sales → Rentals and Licenses re: off-season shares**
- **Goal**
  - Attract new people
  - Secure repeat guests
  - Eventually convert to buyers?
- **Attractions to Guests**
  - Rental rate in off-season < maintenance fee
  - Annual license fee < maintenance fee
- **Benefits to Neptune House**
  - Better than no revenue (if cleaning costs covered)
  - New people experience the resort

# Monetizing Association Inventory



**Note: Sales revenue excludes sales associated with foreclosure auctions**

# Sales Strategy

- **November 2019**

- Ended relationship with sales firm
- Sent email to owners about available prime season inventory
  - 2 shares sold

- **Future Plans**

- Make shares available for sale to
  - Renters
  - Current Owners
  - People whose email addresses are collected via our new website



# Licensing Program

- **For people who want to buy points to exchange through the II Club Interval Gold points program, rather than to stay at the Neptune House**
- **Worth a set number of points each year as determined by Interval International.**
- **Limited to shoulder season weeks (spring weeks 18 through 23 and fall weeks 38 through 43)**
- **Typically for five-year term**
- **Allows the Board to set the annual fee**

# Marketing Funnel

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March 28, 2020



# Marketing Plan - Parameters

- **Goal: Full occupancy during 30-week resort season**
- **Primary focus: Off-season rentals**
  - Spring weeks 15-23 (~April 15 – June 15)
  - Fall weeks 38-44 (~September 20 – November 10)
- **Target Audience: People in New England and New York**
  - Live within 4-hour drive of a ferry terminal
  - Meet at least one of these criteria:
    - Love outdoor activities
    - Want relaxation, regeneration, and downtime
    - Desire artistic, educational, or motivational experiences

An Island Resort  
Outdoor Adventure • Peaceful Charm

# Marketing Plan – Actions (1 of 3)

- 1. Assure that rental rates, discounts, and incentives are competitive**
- 2. Implement a new website with rental booking button, and keep it up to date**
- 3. Increase online presence with ads on Google, Facebook, Instagram, Groupon Getaways, Block Island Chamber of Commerce, and Block Island Tourism Council website**
- 4. Promote positive reviews on Google and TripAdvisor**

# Marketing Plan – Actions (2 of 3)

- 5. Participate in the WCNV Travel Auction**
- 6. Purchase space on the Block-opoly game developed by the Block Island Chamber of Commerce**
- 7. Develop relationships with organizations and groups with existing or potential affinities to Block Island**
- 8. Hire a marketing/sales consultant to solicit organization/group partnerships and place ads on selected websites and/or in organization newsletters**

# Marketing Plan – Actions (3 of 3)

**9. Develop a flyer/brochure/pamphlet for posting and distribution**

**10. Implement an email marketing system that:**

- Shows value of and/or educates subscribers about Neptune House **Awareness**
- Is helpful and provides additional information **Consideration**
- Highlights benefits of Neptune House & offers discounts/promotions **Conversion**
- Retains customers and instills loyalty **Loyalty**
- Turns customers into fans who promote the resort and refer friends **Advocacy**

# Accomplishments to Date

- **Established competitive rental rates and discounts**
- **Posted inventory on booking.com and KAYAK**
- **Deposited inventory in the RCI Rental program**
- **Implemented redesigned web site**
  - **Displays new pictures and a video**
  - **Makes it easier to book a rental**
  - **Works well on computers and handheld devices**
  - **Allows email capture to build a database of interested people**
    - **In future, send emails about special events or promotions**
- **Extended our social media presence**
  - **Facebook  and Instagram **
- **Purchased space on the Block-opoly game**
- **Developed a color brochure**
- **Publicized our new tagline**



# Sign with New Tagline

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March 28, 2020



# Neptune House

*Block Island, RI*

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An Island Resort  
Outdoor Adventure • Peaceful Charm

[www.NeptuneHouse.com](http://www.NeptuneHouse.com)  
401-466-2100

## *Welcome to Neptune House*

### An Island Resort Outdoor Adventure • Peaceful Charm

Our resort features distinctive, large units with full kitchens, a new heated outdoor pool, a patio with fire pits, two tennis courts, a game room, and so much more! The resort is within walking distance of the ferry terminal in Old Harbor where shops, restaurants, and a movie theater are located. Beaches, live entertainment, a grocery store, and the public library are also within walking distance.

An Activities Board in our lobby is updated daily with events and happenings on Block Island. Our friendly staff will help you plan your stay and make you feel at home.



# How To Help

- **Move more forcefully from Loyalty to Advocacy**
  - **Write reviews on TripAdvisor**
    - Current average score is 4 (Very good)
    - Want to get to 4.5 (Excellent)
    - **How: Write a few sentences about having a 5-star experience**
      - Call out the positives
      - Particularly need testimonials from people in the off-season
  - **“Like” posts on the Neptune House Facebook and Instagram pages**
  - **Tell your friends and neighbors**

# Election Results

**Chris Lindgren**



# Election Results

- **Newly-Elected Directors**
  - 3-year terms (expire March 2023)
- **Congratulations and Thanks for Serving**



# Q&A

