

Owners Association Meeting

March 27, 2021



Welcome & Opening Remarks

Phil Totino



Meeting Logistics

- **Zoom Videoconferencing Software**
 - **Muting**
 - **How to Raise Your Hand during the Q&A Session**
 - Click *Reactions* at bottom of Zoom window
 - Then click *Raise Hand*
 - **Calling in via Telephone**

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:**
 - **VRI Americas has provided proof that meeting announcements were sent to all owners eligible to vote**

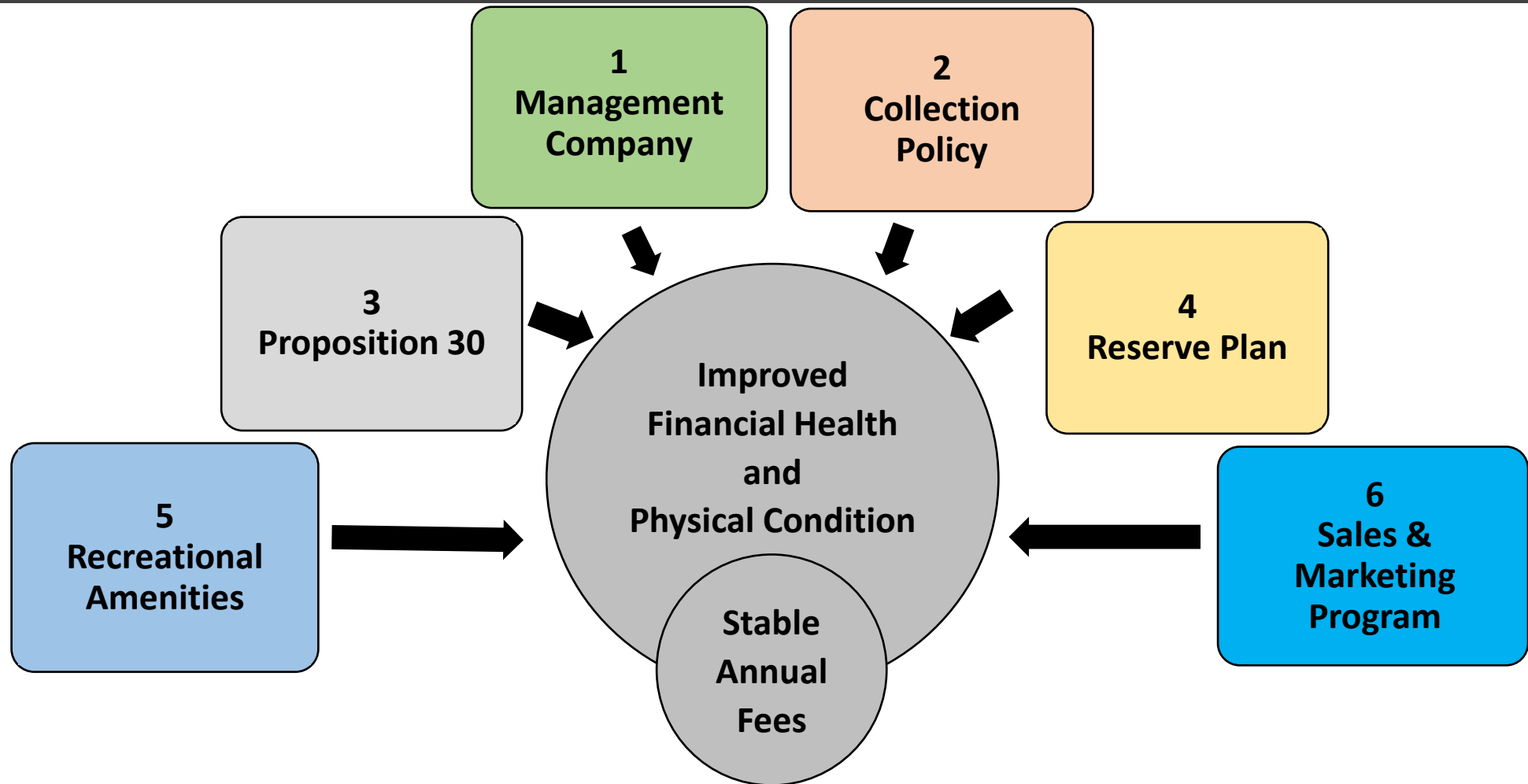
Agenda

- 10:00 – 10:20 a.m. Welcome & Opening Remarks..... Phil Totino**
- 10:20 – 10:30 a.m. Recreational Amenities Project..... Cheryl Moore**
- 10:30 – 10:40 a.m. Facility Improvements..... Samantha Disotell**
- 10:40 – 10:55 a.m. Financial Update..... Mark Morrissette**
- 10:55 – 11:10 a.m. Marketing Update..... Jeff Anliker**
- 11:10 – 11:15 a.m. Election Result..... Chris Lindgren**
- 11:15 – 12:00 p.m. Q&A..... All**
- 12:00 p.m. Adjournment**

COVID-19 Impacts

- **New protocols for staff and guests**
 - **Minimal Contact at Check-in and Check-out**
 - **Enhanced Sanitation Procedures**
 - **Masks, Social Distancing**
 - **Restricted Access to Amenities**
- **Occupancy in 2020 delayed; rescheduled when possible**
 - **Otherwise, Credits against 2021 Maintenance Fees**
- **Paycheck Protection Program**
 - **\$34,835 Loan - Completely Forgiven**
- **Expect to be Open for Entire Season in 2021**
 - **State of Rhode Island and CDC Guidelines to be Followed**

Turnaround Plan



Progress on Turnaround Plan (1 of 4)

1. Management Company

- Contract with VRI goes thru 2021

2. Collection Policy

- \$90K+ 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



Progress on Turnaround Plan (2 of 4)

4. Reserve Plan

- **Study by Advanced Reserve Solutions in 2016**
- **25-Year Plan Approved in 2017**
- **On Track (with some adjustments)**

5. Recreational Amenities

- **Phase 1 – Pool – August 2018**
- **Phase 2 – Patio & Fire Pits – June 2019**
- **Phase 3 – Demolition of tennis courts, rebuilding of one tennis court, new fencing, new grass play area, landscaping**

Progress on Turnaround Plan (3 of 4)

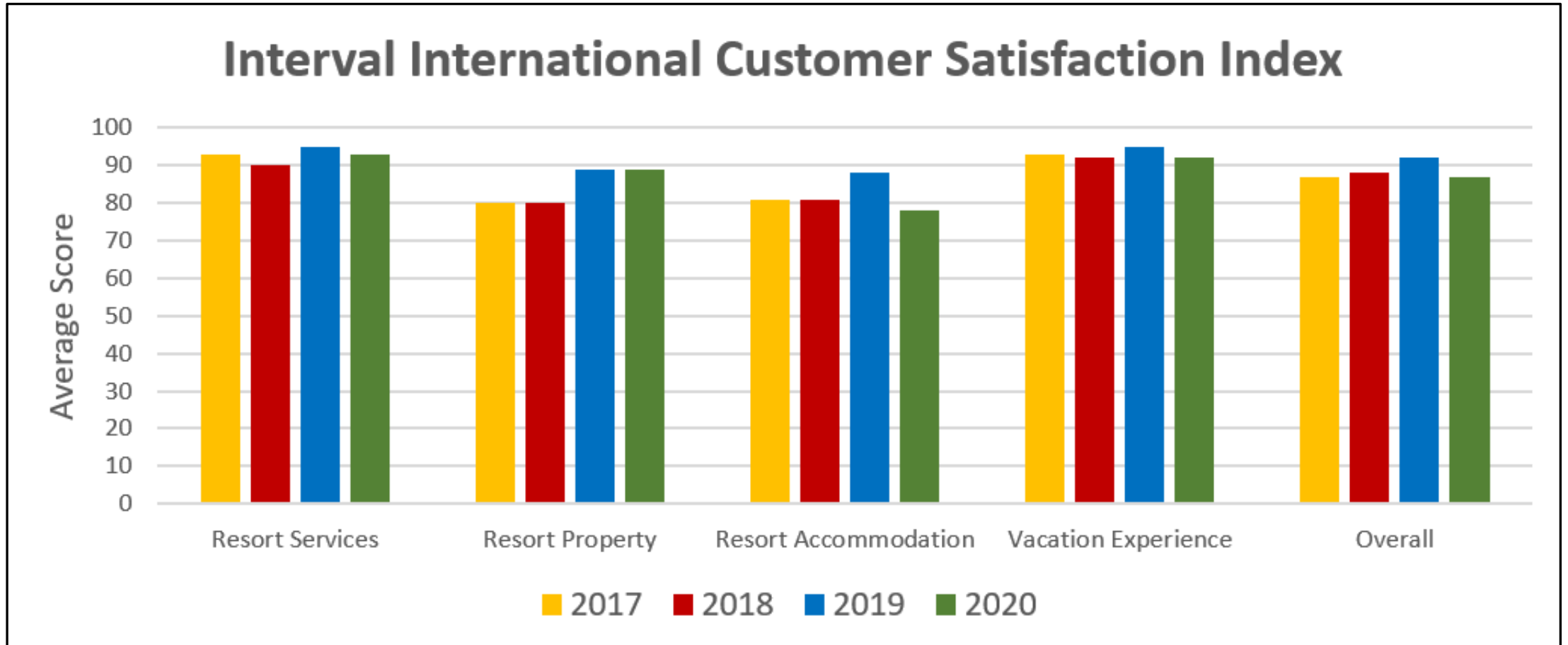
6. Sales & Marketing Program

- **Monetizing Owners Association Inventory**
 - Sales
 - Rentals
 - Licenses
- **Marketing Focus**
 - Rental Income from Off-Season Shares

Progress on Turnaround Plan (4 of 4)

- **Sales**
 - **Had Limited Success using Sales Firms 2017-2019**
 - **Use Email Blasts and Social Media**
 - **100% Sold Out in Summer (Weeks 24-37)**
- **Rentals**
 - **Utilizing NeptuneHouse.com and booking.com**
 - **Compiling Neptune House Interest List**
 - **Social Media**
 - **“Block island” Public Group on Facebook**
 - **Targeted Online Advertising**
- **Licenses**
 - **Providing Limited Program to License Interval International Points**
 - **Investigating Ideas for the Future**

Customer Satisfaction



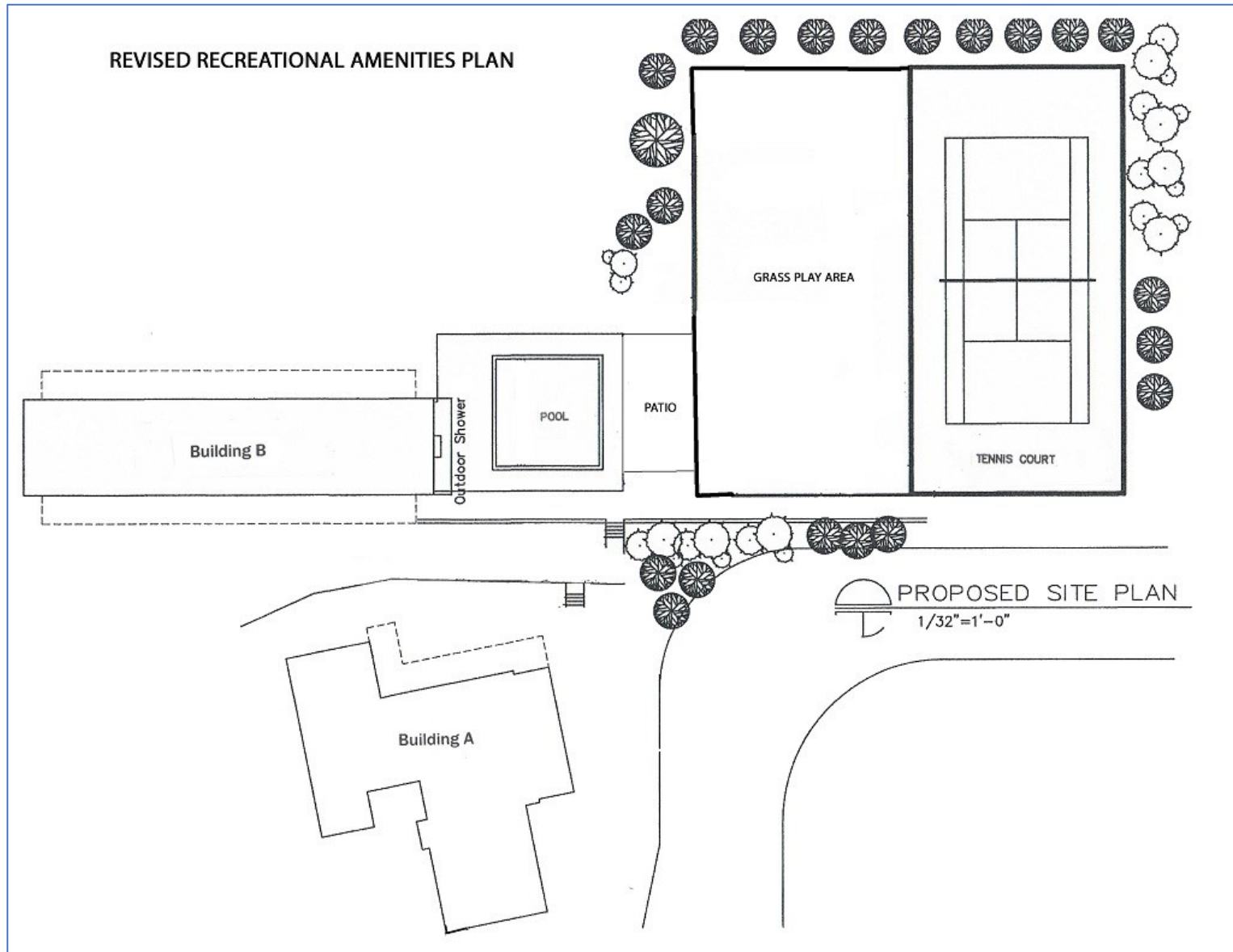
Recreational Amenities Project

Cheryl Moore



Recreational Amenities Plan

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Phase 1: Outdoor Heated Pool

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Phase 2: Patio & Fire Pits

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- **One rebuilt tennis court**
- **New fence**
- **Grass Play Area for**
 - **Kickball**
 - **Wiffle Ball**
 - **Cornhole**
 - **Other sports w/o special infrastructure**
- **Landscaping**

Phase 3: Other Amenities

Recreational Amenities Project Status

- **No Progress in 2020**
 - **COVID-19**
 - **Contractor Unavailability**
- **Project To Go Forward This Year**
 - **Contract in place for Demolition, Rebuilding One Tennis Court, and Installing New Fence in the Fall**
 - **Timing of New Lawn and Landscaping TBD**

Facility Improvements

Samantha Disotell



2020 Improvements: Units and Common Areas (1 of 2)

- **Painted interior units as needed**
- **Refreshed art hung in rooms**
- **Replaced bathroom fans and fixtures (towel bars and shower curtain rods) as needed**
- **Made plumbing repairs in several units including new stems, valves, and shut-offs**
- **Replaced four refrigerators**



2020 Improvements: Units and Common Areas (2 of 2)

- Replaced living room furniture as needed
- Shampooed and cleaned carpets in Units 22 and 23
- Remodeled Unit 6 kitchen and made other improvements
- Replaced sliders, worked on windows and roof, and replaced sidewalls and trim on Units 4, 5, and 6
- Painted entire lower lobby of Building B



2020 Improvements: Exterior Maintenance (1 of 3)

- **Added weather strip to exterior doors**
- **Power-washed decks, scraped and stained decks and exterior trim by Units 3, 4, 9, 11, and 15**
- **Stained deck and railings on the second floor of Building B**
- **Replaced joist hangers on decks**
- **Improved ease of parking in front of Building B**



2020 Improvements: Exterior Maintenance (2 of 3)

- **Added smoking area for guests in front of Building B**
- **Painted storage garage in parking lot of Building A**
- **Improved drainage around Building B**
- **Repaired/replaced some gutters and downspouts**
- **Repaired and painted steps leading to outside decks of Units 7 & 8**



2020 Improvements: Exterior Maintenance (3 of 3)

- **Power-washed employee housing building**
- **Made repairs to employee housing building and roof**
- **Repaired pool chair lift and replaced battery per the Board of Health**
- **Installed new fire alarm control system with all new devices (smoke , heat, and pull stations) in Buildings A and B**
- **Replaced/installed Neptune House main sign**



2021 Improvements Planned (1 of 2)

- **Improve artwork in units**
- **Update guest books per COVID-19 guidelines**
- **Replace or paint furniture as needed to freshen up the units**
- **Enhance bathroom safety and replace shower curtain rods, towel bars, and fans as needed**
- **Replace some outside furniture on unit patios**
- **Improve common area and upgrade lobby floor in Building A**
- **Replace exterior decks of Units 7 and 14**



2021 Improvements Planned (2 of 2)

- **Replace water heater and boiler in Building B**
- **Replace two sliding glass doors on fourth floor in Bldg. B**
- **Replace pool cover with automatic cover system**
- **Create enhanced parking area in front of Building B**
- **Design and plant new flower gardens**
- **Fill flower boxes and planters on fire pit patio**
- **Connect to the island's new fiber-optic cable network**



Financial Update

Mark Morrissette



Financial Overview

- **Despite pandemic challenges, positive financial results for 2020**
- **2021 budget consistent with five-year plan, but many uncertainties**
- **Many 2020 reserves projects pushed into 2021**
- **2022 Assessment: anticipate modest increase**

Required Insurance Review

- **Completed annual review of hazard insurance and fidelity bond**
- **2021 Budget includes updated coverage**



2020 Operations vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 639	\$ 694	\$ (55)
Operating Expenses	<u>624</u>	<u>694</u>	<u>70</u>
Gain (Loss)	\$ 15	\$ -	\$ 15

- **\$14,941 Operating Gain for the year**
- **Revenue behind plan due to lower rental, debt recovery, and other income**
- **Expenses below plan due to lower staffing and cleaning costs**

2020 Reserves vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 112	\$ 110	\$ 2
Reserve Expenses	68	138	70
Gain (Loss)	\$ 44	\$ (28)	\$ 72

- Reserves spending includes interior and exterior improvements and major planned maintenance
- Several uncompleted projects pushed into 2021 due to pandemic

Consolidated Financials

	<u>Gain/Loss(\$000)</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Assessment	\$ 772	\$ 758	\$ 739
<i>Plus</i> Additional Revenue	<u>94</u>	<u>63</u>	<u>12</u>
Total Revenue	\$ 866	\$ 821	\$ 751
<i>Less</i> Expenses	<u>931</u>	<u>754</u>	<u>692</u>
Gain (Loss)	\$ (65)	\$ 68	\$ 59

- **2020 and 2019 gains will be used for 2021 reserve projects**
- **Year-over-year declining assessment revenue is a concern**
- **Low 2020 expenses were pandemic-specific**

Summary Balance Sheets

(December 31) (\$000)

Assets	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Cash	\$ 446	\$ 575	\$ 718	
Assessments Receivable for Upcoming Year	367	348	301	
Pre-Paid Expenses	<u>48</u>	<u>15</u>	<u>13</u>	
Total Assets	\$ 861	\$ 938	\$ 1,032	
Liabilities				
Accounts Payable (Bills to be paid)	\$ 3	\$ 17	\$ 6	
Accrued Expenses	12	13	11	
Deferred Revenue	741	735	748	
PPP Loan	<u>-</u>	<u>-</u>	<u>35</u>	<i>PPP Loan forgiven in early 2021</i>
Total Liabilities	\$ 756	\$ 766	\$ 800	
<i>Fund Balance</i>	\$ 105	\$ 173	\$ 231	

COVID-19 Fee Credit

- **Resort closed for 10 weeks in the spring**
 - 90 shares effected
 - Excludes II exchanges, deedbacks, and defaults
- **Attempted to move all impacted to the fall season**
- **Offered maintenance fee credit for those unable to move**
- **Credit based on financial analysis of actual variable resort costs**
- **38 owners changed weeks; 52 springtime shares received fee credit (\$12,000 impact)**

2021 Budget

Operating Expenses	\$ 719,517
Other/Discretionary Reserves/Improvements	\$ <u>105,250</u>
Total Budget	\$ 824,767

- **Maintenance Fees Increased 1.7% from 2020 to 2021**
- **Reserves *budget* does not include projects pushed from late 2020 into 2021**

Reserve Plan: Background

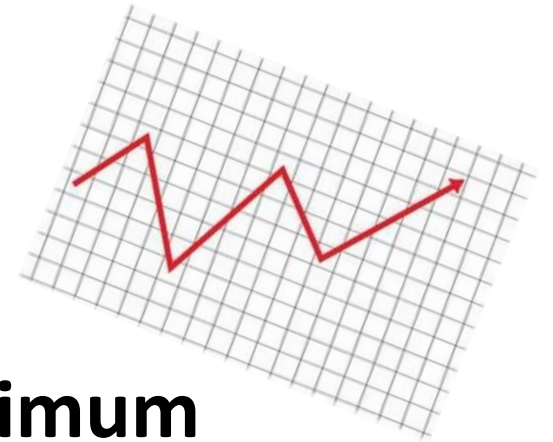
- Objectives:**
- **Ensure long-term viability of Neptune House**
 - **Maintain stable Maintenance Fees, without a need for Special Assessments**

- 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

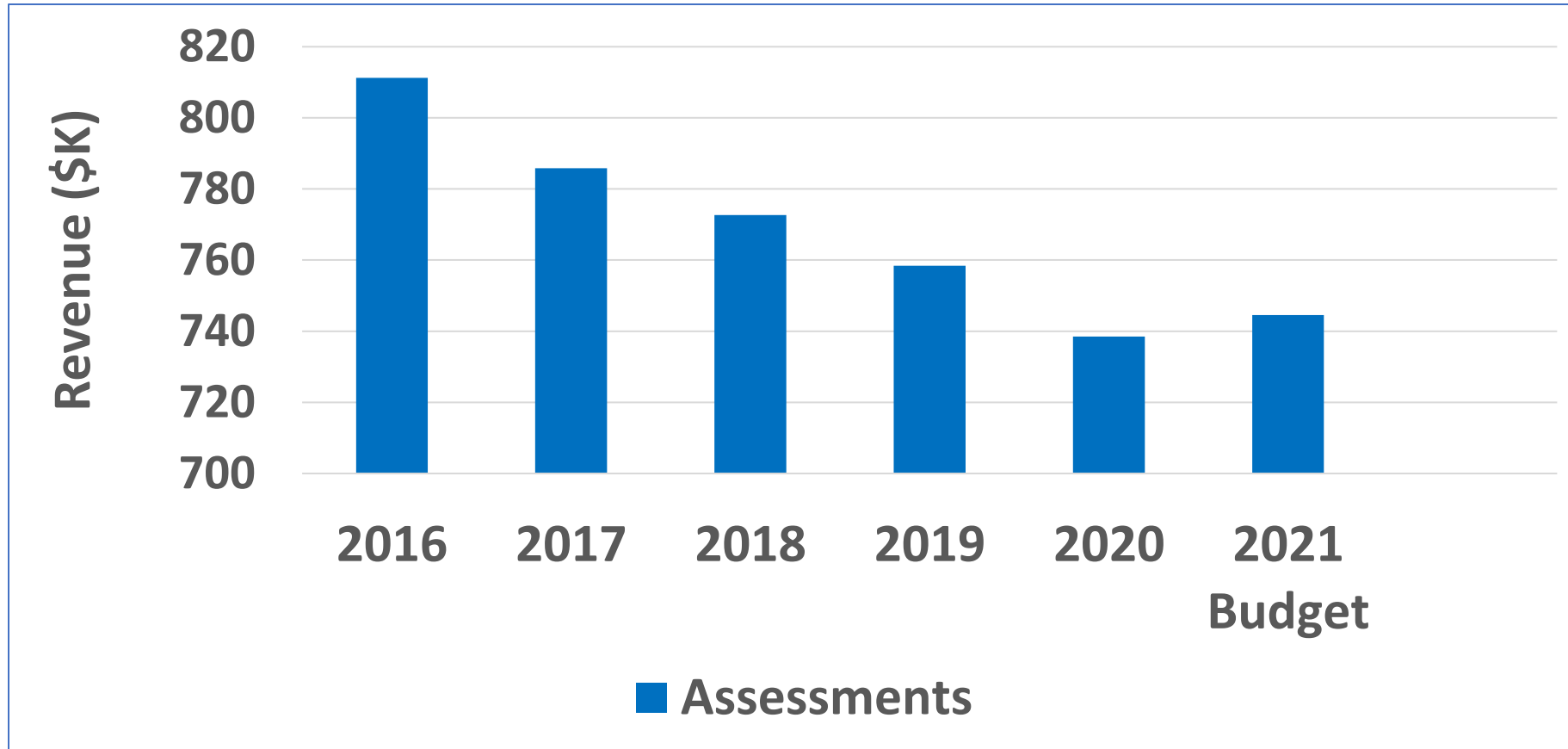
- **Cash in the reserve account up, but allocated**
 - Multiple 2020 projects pushed to 2021
 - Continuing regular maintenance plan
- **Reserve fees planned to ensure maintaining minimum balance over 5-year planning horizon**
- **2021: Expect declining reserves balance, but on plan**



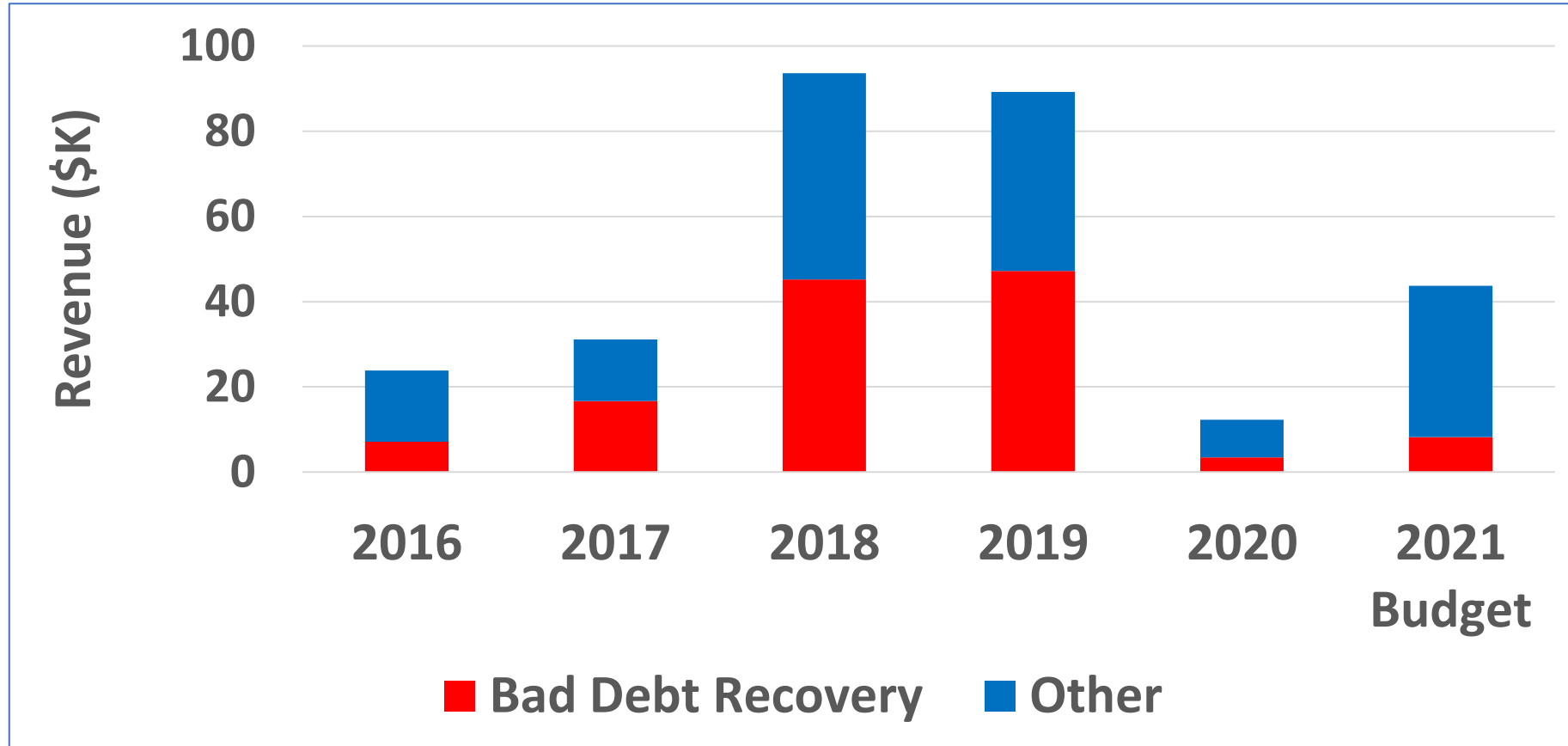
5-Year Property Improvement Plan

Property Improvement Spending Plan						
Project	2021	2022	2023	2024	2025	Total
Living Unit Upgrades	\$31,900	\$31,519	\$32,307	\$33,114	\$33,942	\$162,782
Recreational Amenities Phase 3	\$137,490					\$137,490
Parking Bldg. B	\$20,000					\$20,000
Automated Pool Cover	\$25,438					\$25,438
Bldg. A Common Area Upgrade	\$6,450					\$6,450
Boiler & Water Heater Bldg. B	\$45,000					\$45,000
Boiler Bldg. A		\$45,000				\$45,000
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	\$7,123	\$15,078	\$4,846	\$16,967	\$5,091	\$49,105
Total	\$273,401	\$115,597	\$37,153	\$130,082	\$39,034	\$595,265

Maintenance Fee Revenue

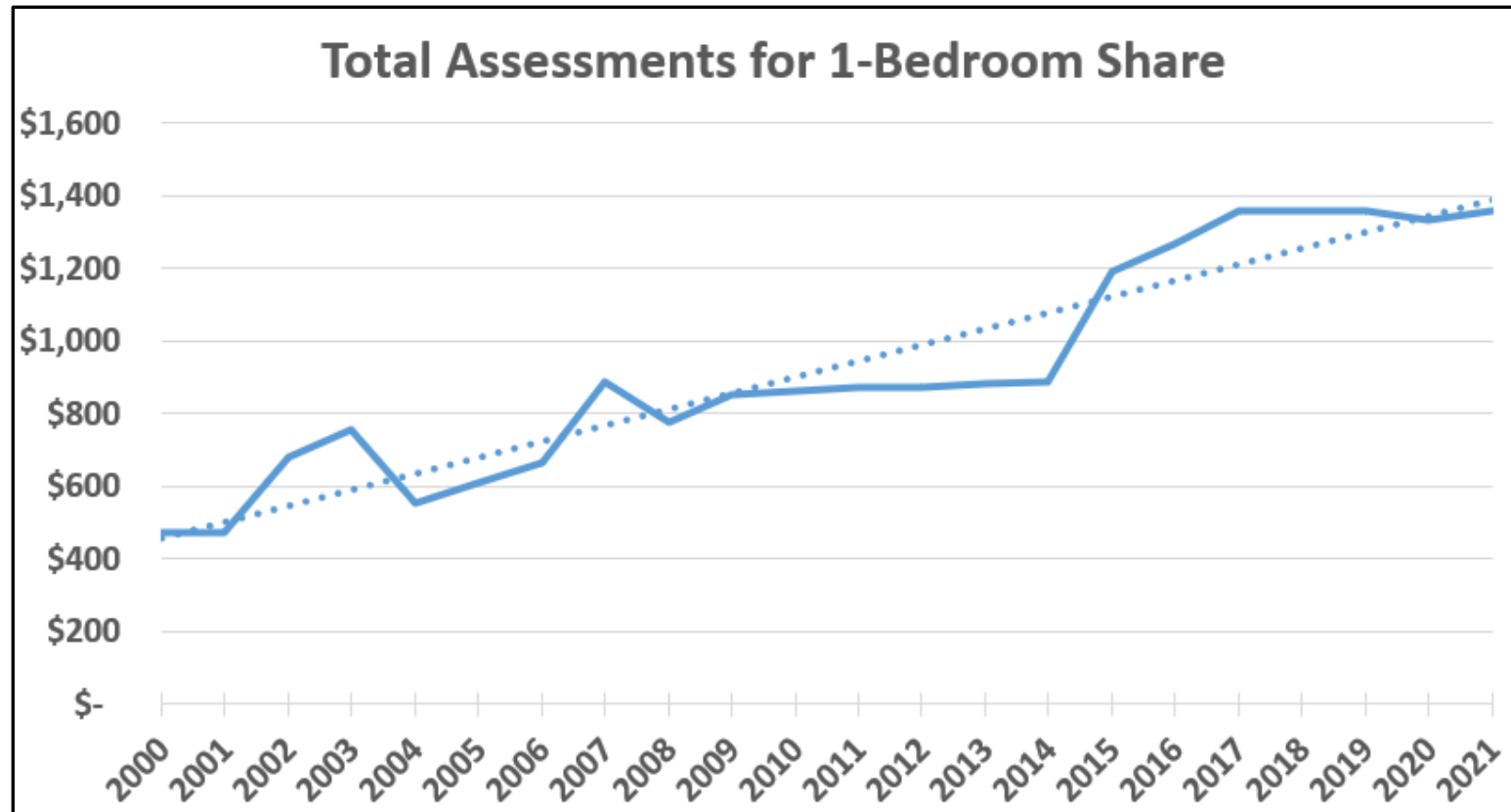


Non-Maintenance Fee Revenue



Note: Other includes sales, rentals, licensing, deedbacks, and interest

Maintenance Fee History



- **5.1% Compound Annual Growth Rate since 2000**
- **Key Factors For Increases**
 - Fewer Paying Shares
 - Block Island Inflation
- **Mitigation Efforts**
 - More Rental Revenue
 - Spending Efficiencies

Spending Efficiencies

- **New, More Efficient Boilers**
- **More Effective Pool Covering**
- **Phase-out of Hard Copy Communications**
 - **Except Maintenance Fee Bills and Election Materials**
- **Better Design of Wi-Fi Layout in Conjunction with Connecting to the Island's new Fiber-optic Cable Network**

Outlook

- **Slow/steady decline in Assessment Revenue problematic**
 - Compounded in 2020 by decrease in rental and sales revenue
 - Successful sales and rental plan for Neptune House critical to success
- ***Early fee guidance: Anticipate annual increases (3% - 5%) in 2022 and beyond***
- **Board exploring multiple ways to minimize fee increases and maintain health of resort**

Marketing Update

Jeff Anliker



Marketing Committee

- **Members**
 - **Jeff Anliker, Chairman**
 - **Doug Carnahan**
 - **Cheryl Moore**
 - **Samantha Disotell**
 - **Michael McManus**



Notes:

SEM = Search Engine Marketing

SEO = Search Engine Optimization

Marketing Direction

- **Goals**
 - **Attract new people to rent in off-season**
 - **Secure repeat guests**
- **Attractions to Guests**
 - **Competitive rental rates**
- **Short-Term Benefits to Neptune House**
 - **Better than no revenue (if variable costs covered)**
 - **New people experience the resort**

Marketing Funnel

March 27, 2021



Marketing Plan - Parameters

- **Goal: Full Occupancy during 30-Week Resort Season**
- **Sold Out during Summer Season (Weeks 24-37)**
- **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; link to blog, photos, and videos; and keep up to date**
- 3. Increase online presence with ads on Google, Facebook, Instagram, Groupon Getaway, Spotify, Block Island Chamber of Commerce, and Block Island Tourism Council websites**
- 4. Promote positive reviews on Google, Airbnb, and TripAdvisor**
- 5. Participate in the New York PBS Station (WCNY) Travel Auction**

Marketing Plan – Actions (2 of 3)

- 6. Develop incentives and partnerships with local business and organizations in coordination with 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 and develop the script to solicit organization/group partnerships and place ads on selected websites and/or in organization newsletters**

Marketing Plan – Actions (3 of 3)

9. Develop 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 with helpful content and outstanding service **Loyalty**
- Turns customers into fans who promote the resort and refer friends **Advocacy**

Accomplishments to Date (1 of 2)

1. Made Website Updates (www.NeptuneHouse.com)

- a. Works well on hand-held devices
- b. Opens with aerial video of the island
- c. Includes a “book online” button
- d. Includes a “blog” button
- e. Includes a “gallery” button for photos and videos
- f. Includes a COVID-19 notice

2. Established a Facebook page (<https://www.facebook.com/NeptuneHouseResort/>)



3. Established an Instagram page (<https://www.instagram.com/neptunehousebi/>)



4. Produced 4 videos which highlight island activities and the Neptune House resort – posted on our [YouTube channel](#)



Accomplishments to Date (2 of 2)

- 5. Developed and printed a new Neptune House brochure**
- 6. Connected to other on-island activities**
 - a. Purchased space on Block-opoly**
 - b. Purchased ad on the Block Island app**
 - c. Purchased ad on the Chamber of Commerce website**
 - d. Purchased ad on the BI Guide/local map**
 - e. Developed partnership with Club Soda**
 - f. Developed partnership with Block Island Fishworks**
 - g. Sponsored the Great Salt Pond swim**
- 7. Connected to off-island activities**
 - a. Purchased ad in both July and August issues of So Summer Magazine**

Welcome to Neptune House

A Block 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.



Tri-Fold Brochure Outside

March 27, 2021

- Wi-Fi
- Satellite TV
- DVD players
- Library of :
Books, Videos, DVDs,
Board Games & Puzzles

- Heated Outdoor Pool
- Tennis Courts
- Fire Pits
- Gas BBQ Grills
- Picnic Tables
- Decks with Beautiful Views

- Complete Kitchen
- Standard Refrigerator
- Stove with Oven
- Microwave
- Linens and Towels
- Hair Dryers
- Coin-operated Laundry

NHOA Meeting

Neptune House

64 Connecticut Avenue
Block Island, Rhode Island 02807
P.O. Box 100, Block Island, RI 02807
401-466-2100
www.neptunehouse.com



Come Stay with Us

Open April to November ...
Visit our website for exact dates

Create your own
Memories



Come to stay

at

Neptune House

The Neptune House, a Queen Anne style mansion from the Victorian Period, was built on Block Island in 1872, becoming a Bed & Breakfast Inn during the early 1900's. In the mid 1980's the Neptune House became a vacation resort, since most people who stayed there returned, year after year. The beautiful Victorian building was converted into 14 units with individual deeded vacation weeks for sale. In the early 1990's another building with 9 additional units was constructed to meet the increasing demand. Currently, the property contains a total of **2 studios, 13 one-bedroom units, 8 two-bedroom units, and a heated outdoor pool**. The resort is situated on 2+ acres with panoramic views in all directions.

**Affordable vacation weeks
for purchase or rent**

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Brochure Inside

March 27, 2021

3-Season Block Island Resort



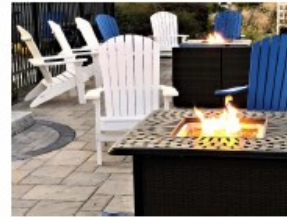
Peaceful Charm

Our resort features distinctive, large units with fully equipped kitchens, a new heated outdoor pool, a patio with fire pits, two tennis courts, a game room, and a lending library of books, videos, and DVDs. Pool/beach towels are provided. The pool is open during the entire resort year (mid-April through early November). All units are equipped with satellite TV, DVD players, bed linens, and bathroom towels. Complimentary Wi-Fi is provided throughout the resort.

The resort is within walking distance of the ferry terminal in Old Harbor where shops, restaurants, and a movie theater are located. Beaches, hiking trails, live entertainment, a grocery store, and the public library are also within walking distance.



Outdoor Adventure



How To Help

- Move 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” or “Share” posts on the Neptune House [Facebook](#), [Instagram](#), and [YouTube](#) pages
 - Tell your friends and neighbors

Election Result

Chris Lindgren



Election Result

- **Candidate**
 - **Doug Carnahan (incumbent)**
- **3-year term (expires March 2024)**
- **Congratulations and Thanks for Serving**



Q&A



Adjournment



March 27, 2021

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