

# Owners Association Meeting

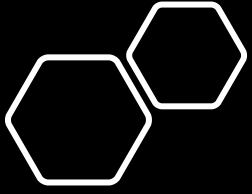
March 26, 2022

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



# 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 – 10:20 a.m.</b> | <b>Recreational Amenities.....</b>        | <b>Cheryl Moore</b>      |
| <b>10:20 – 10:30 a.m.</b> | <b>Facility Improvements.....</b>         | <b>Samantha Disotell</b> |
| <b>10:30 – 10:50 a.m.</b> | <b>Financial Status.....</b>              | <b>Mark Morrissette</b>  |
| <b>10:50 – 11:10 a.m.</b> | <b>Strategic Initiatives.....</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 – In Person

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



# Housekeeping – Remote

- **Video livestreamed**
  - **One-way broadcast**
  - **Email to [secretary@neptunehouse.com](mailto:secretary@neptunehouse.com) during Q&A**



# 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
- **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 27, 2021 Annual Meeting**

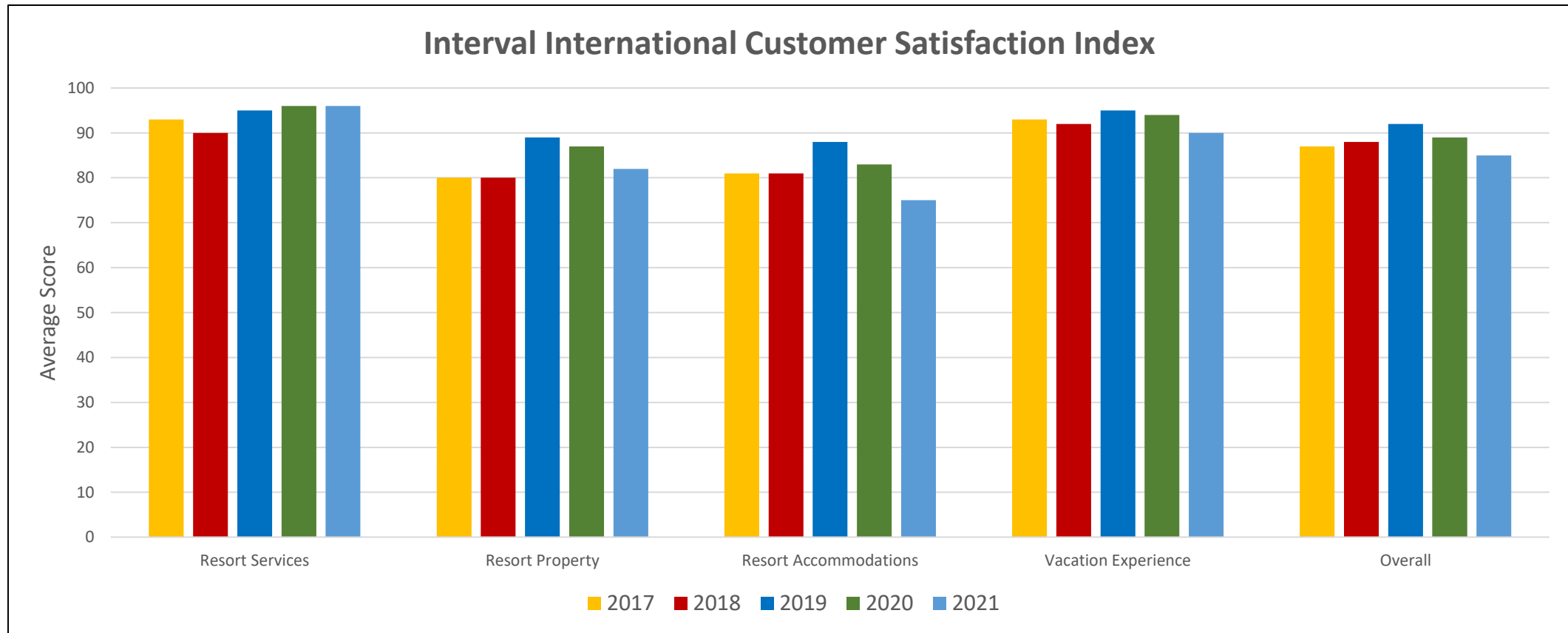
# Resort Season Highlights

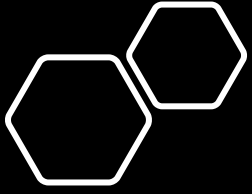
- **Open for Entire Season in 2021**
  - **COVID-19 Guidelines from State of Rhode Island and CDC Followed**
    - Some Restrictions on Pool Capacity until mid-June
  - **All Amenities Made Available EXCEPT**
    - Soda Machine
    - Water Cooler
    - Coffee Machine
- **Smoking**
  - **Good Cooperation by Smokers to Use Designated Areas**
- **Pets**
  - **No Issues**





# Customer Satisfaction





# Election of Directors

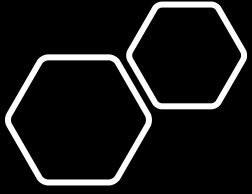
Chris Lindgren



# Election of Directors

- **Two Director Positions**
  - **3-year terms (expire March 2025)**
- **Candidates**
  - **Cheryl Moore (incumbent)**
  - **Mark Morrissette (incumbent)**
  - **Lanette Zaborowski**
- **Please hand in any ballots not yet submitted**



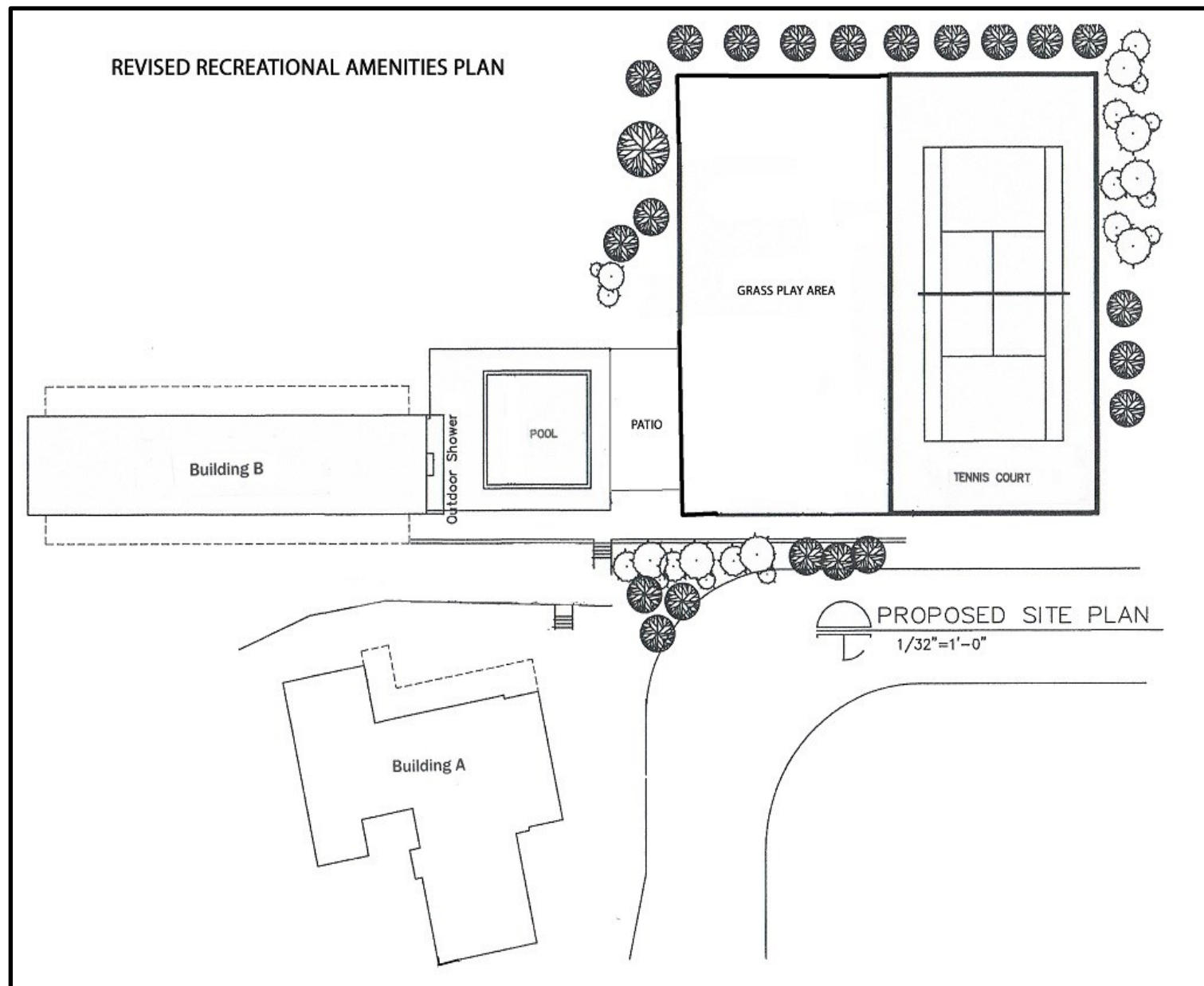


# Recreational Amenities

Cheryl Moore



# Recreational Amenities Plan



# Phase 1: Outdoor Heated Pool



## Phase 2: Patio & Fire Pits



**Phase 3:  
Other  
Amenities**

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



# Phase 3 Project Status

- ✓ **Demolition of Old Courts.....October 2021**
- ✓ **Concrete Pour for New Court.....November 2021**
- ✓ **New Fence.....January 2022**
- **Net & Lines for Tennis/Pickleball...April/May 2022**
- **New Lawn & Landscaping.....April/May 2022**

# Old Tennis Courts



New  
Tennis Court



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# Tennis Court Rules

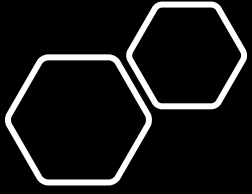
- **Allowed Uses**

- Tennis
- Pickleball

- **Disallowed Uses**

- Bike Riding
- Skateboarding
- Rollerblading
- Other Uses that Could Mar the Surface or Damage the Net





# Facility Improvements

**Samantha Disotell**



# 2021 Improvements: Units and Common Areas (1 of 2)

- **Painted interior units as needed**
- **Refreshed art hung in rooms**
- **Replaced bathroom fixtures (towel bars and shower curtain rods) as needed**
- **Made plumbing repairs in several units including new stems, valves, and shut-offs**
- **Resurfaced showers/tubs in units 1, 2, 3, and 12**



# 2021 Improvements: Units and Common Areas (2 of 2)

- Replaced five refrigerators
- Replaced living room furniture as needed
- Shampooed and cleaned carpets in Units
- Upgraded lobby in Building A with all new stair treads and 3 levels of new carpet and flooring
- Painted entire lower lobby of Building B
- Replaced flooring in bedrooms of Units 18 and 23



# 2021 Improvements: Exterior Maintenance (1 of 2)

- **Painted exterior doors in Building B**
- **Power-washed & stained decks and railings as needed**
- **Improved landscaping around front of Building B to allow for easy access to parking spots**
- **Made repairs to sewer pipes behind Building A where large tree had been removed**
- **Replaced the exterior decks of Units 7 and 14**





# 2021 Improvements: Exterior Maintenance (2 of 2)

- **Replaced nine patio furniture sets**
- **Purchased new gas grills**
- **Power-washed employee housing building**
- **Made repairs to plumbing in employee housing bldg**
- **Replaced pool cover system with single roller to decrease heat loss at night**
- **Replaced 20+ year-old van with a new-to-us used van**



# Building A Lobby & Stairs



Decks of  
Units  
7 & 14



Shower  
Before (Left)  
& After  
Resurfacing



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# Van Side



Van Back



# 2022 Improvements Planned (1 of 2)

- **Upgrade Unit 2 patio ceiling and deck**
- **Replace five sliding glass doors in Building B**
- **Install new cabinets and countertop in Unit 22**
- **Replace water heaters and boilers in Bldgs A and B**
- **Create enhanced parking area in front of Building B**
- **Upgrade Wi-Fi technology and connect to the island's new broadband cable network**

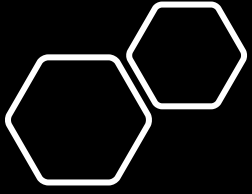


# 2022 Improvements Planned (2 of 2)

- **Continue to Improve artwork in units**
- **Update guest books per new normal / COVID-19 guidelines**
- **Replace or paint furniture as needed to freshen up units**
- **Enhance bathroom safety and replace shower curtain rods, towel bars, and fans as needed**
- **Replace additional outside furniture on unit patios**
- **Replace more gas grills**
- **Design and plant new flower gardens**







# Financial Update

Mark Morrissette



# Financial Overview

- **Financial health of the Association remains solid**
- **2022 budget consistent with five-year plan**
- **Multiple reserve projects (expenses) completed in 2021 and planned in 2022 will decrease reserves**
- **2023 Assessment and beyond: anticipate annual increases**

# Required Insurance Review

- **Completed annual review of hazard insurance and fidelity bond**
- **2022 Budget includes updated coverage**



# 2021 Operations vs. Budget

|                    | <u>Gain/Loss(\$000)</u> |               |                 |
|--------------------|-------------------------|---------------|-----------------|
|                    | <u>Actual</u>           | <u>Budget</u> | <u>Variance</u> |
| Revenue            | \$ 755                  | \$ 702        | \$ 53           |
| Operating Expenses | <u>694</u>              | <u>718</u>    | <u>24</u>       |
| <b>Gain (Loss)</b> | <b>61</b>               | <b>(16)</b>   | <b>77</b>       |

- **\$61,441 Gain from resort operations for the year**
- **Revenue ahead of plan due to unit sales income and winter rentals**
- **Expenses below plan due to reduced staffing during the off-season**

# 2021 Reserves vs. Budget

|                    | <u>Gain/Loss(\$000)</u> |               |                 |
|--------------------|-------------------------|---------------|-----------------|
|                    | <u>Actual</u>           | <u>Budget</u> | <u>Variance</u> |
| Revenue            | \$ 87                   | \$ 86         | \$ 1            |
| Reserve Expenses   | <u>159</u>              | <u>107</u>    | <u>(52)</u>     |
| <b>Gain (Loss)</b> | <b>(72)</b>             | <b>(21)</b>   | <b>(51)</b>     |

- Reserves spending includes interior and exterior improvements and major planned maintenance
- Several 2020 projects pushed into 2021 after budget was finalized

# Consolidated Financials

|   | <u>Gain/Loss(\$000)</u> |                  |                    |
|---|-------------------------|------------------|--------------------|
|   | <u>2019</u>             | <u>2020</u>      | <u>2021</u>        |
| Total Assessment                              | \$ 758                  | \$ 739           | \$ 750             |
| <i>Plus</i> Additional Revenue                | <u>63</u>               | <u>12</u>        | <u>92</u>          |
| Total Revenue                                 | 821                     | 751              | 842                |
| <i>Less</i> Expenses                          | <u>754</u>              | <u>692</u>       | <u>852</u>         |
| <b>Gain (Loss)</b> from Normal Operations     | <u><b>68</b></u>        | <u><b>59</b></u> | <u><b>(10)</b></u> |
| <b>Gain (Loss)</b> with \$35K PPP forgiveness |                         |                  | <b>25</b>          |

- **Multi-year financials in line with expectations**
- **2019/2020 gains used for 2021/2022 reserve projects**

# Summary Balance Sheets

## (December 31) (\$000)

| <b>Assets</b>                            | <b><u>2019</u></b> | <b><u>2020</u></b> | <b><u>2021</u></b> |
|--|--------------------|--------------------|--------------------|
| Cash                                     | \$ 575             | \$ 718             | \$ 706             |
| Assessments Receivable for Upcoming Year | 348                | 301                | 343                |
| Pre-Paid Expenses                        | <u>15</u>          | <u>13</u>          | <u>15</u>          |
| <b>Total Assets</b>                      | <b>938</b>         | <b>1,032</b>       | <b>1,064</b>       |
| <b>Liabilities</b>                       |                    |                    |                    |
| Accounts Payable (Bills to be paid)      | 17                 | 6                  | 30                 |
| Accrued Expenses                         | 13                 | 11                 | 12                 |
| Deferred Revenue                         | 735                | 748                | 766                |
| PPP Loan                                 | <u>-</u>           | <u>35</u>          | <u>-</u>           |
| <b>Total Liabilities</b>                 | <b><u>766</u></b>  | <b><u>800</u></b>  | <b><u>808</u></b>  |
| <b><i>Fund Balance</i></b>               | <b><i>173</i></b>  | <b><i>231</i></b>  | <b><i>256</i></b>  |

*PPP Loan forgiven  
in 2021*

# 2022 Budget

**Operating Expenses** **\$ 713,730**

Other/Discretionary

Reserves/Improvements **\$ 145,497**

**Total Budget** **\$ 859,227**

- **Maintenance Fees Increased 2.5% from 2021 to 2022**
- **Anticipate use of reserve funds (+/- \$55K ) to complete 2022 projects**



# Reserve Plan: Background

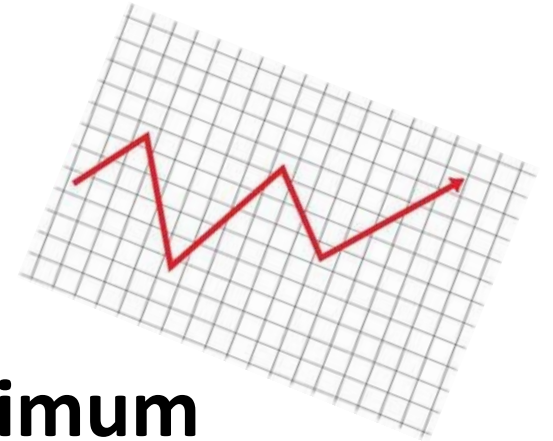
- Objectives:**
- **Ensure long-term viability of Neptune House**
  - **Maintain stable Maintenance Fees, without a need for Special Assessments**

- Actions:**
- **Completed detailed review of all facilities (2016)**
  - **Review will be updated in 2022 by outside specialist**
  - **Used to build 25-year maintenance plan**
  - **Budgeting preventive maintenance & improvements**

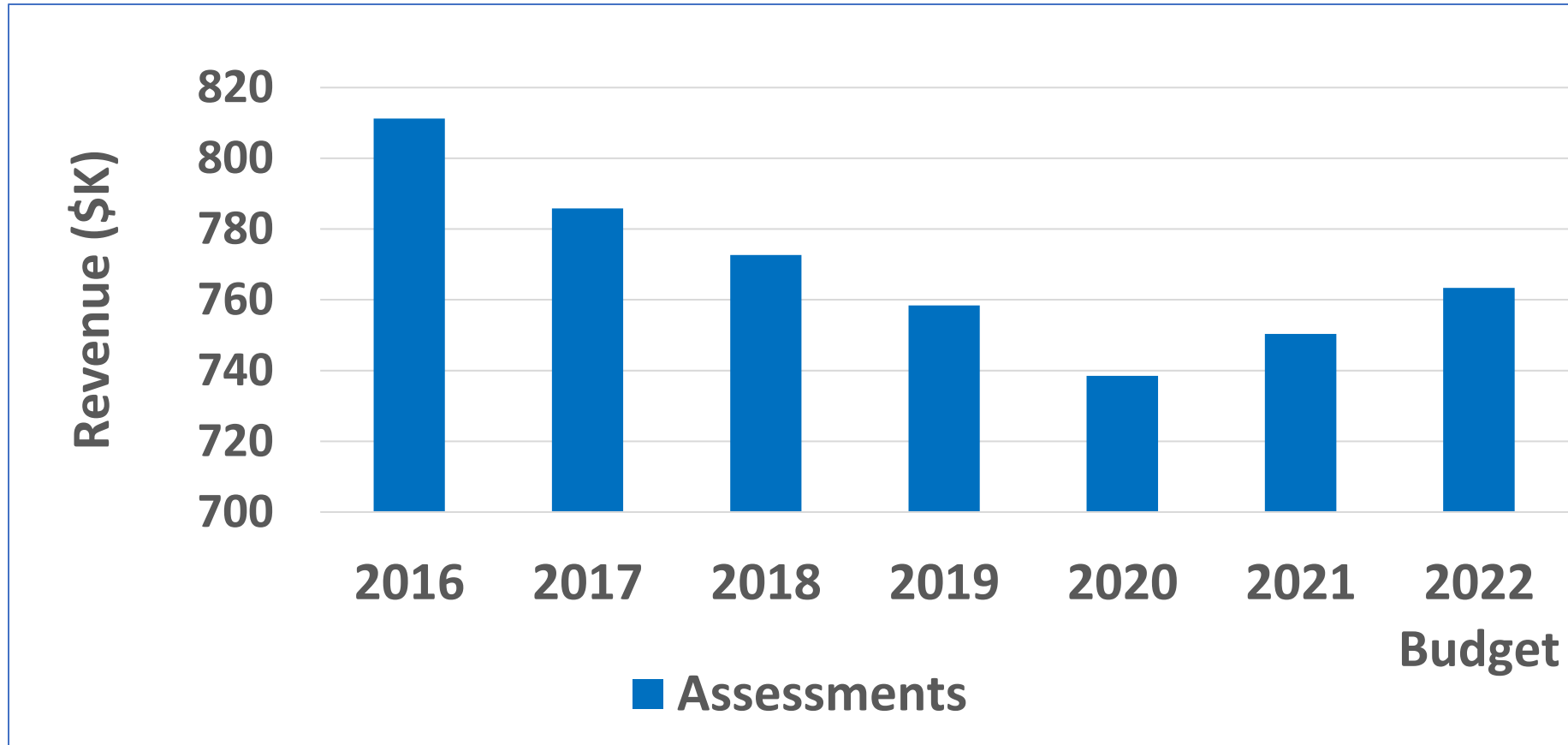


# Reserve Plan: Status

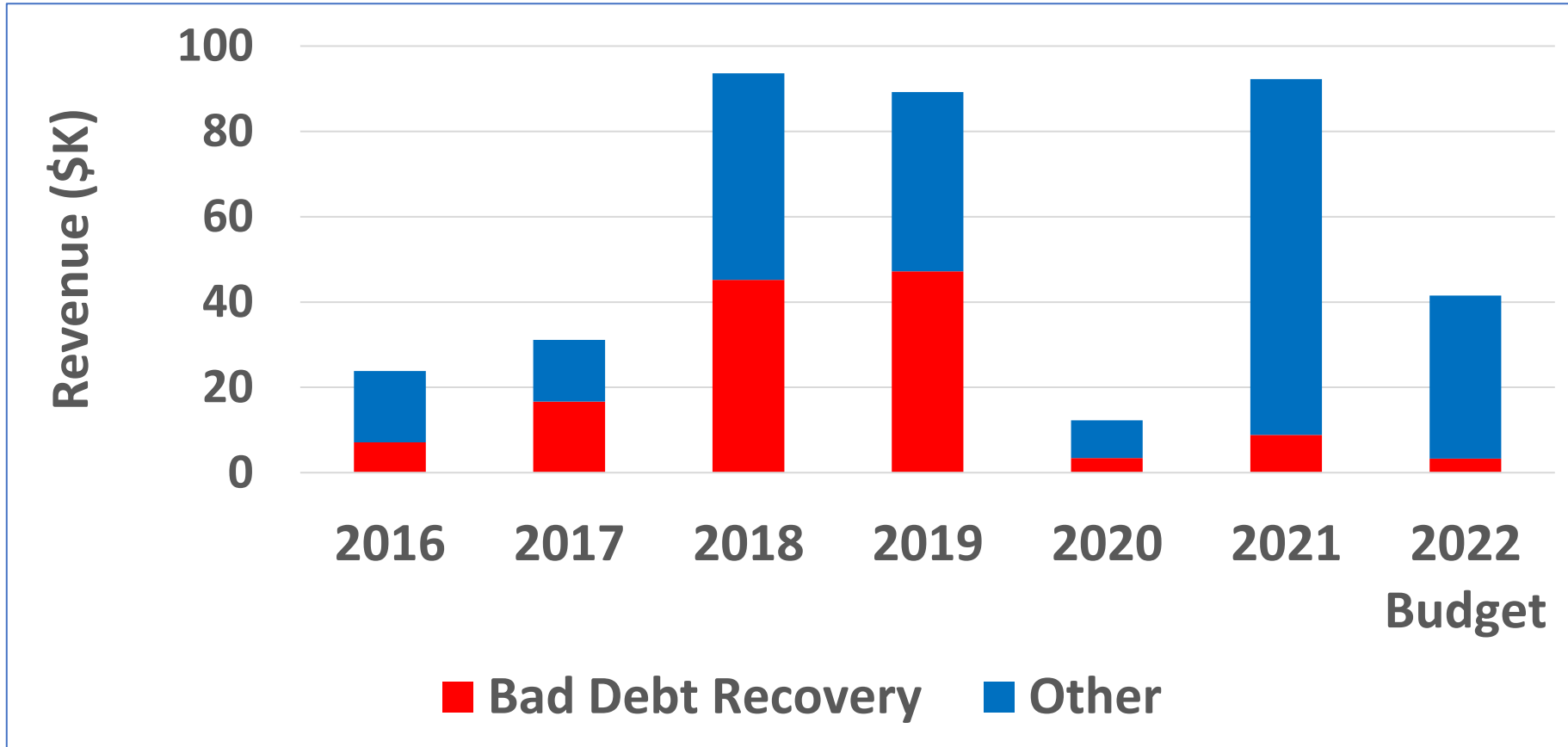
- **Cash in the reserve account up, but allocated**
  - Multiple projects in 2022 and 2023
  - Continuing regular maintenance plan
- **Reserve fees planned to ensure maintaining minimum balance over 5-year planning horizon**
- **2022: Expect declining reserves balance, but on plan**



# Maintenance Fee Revenue

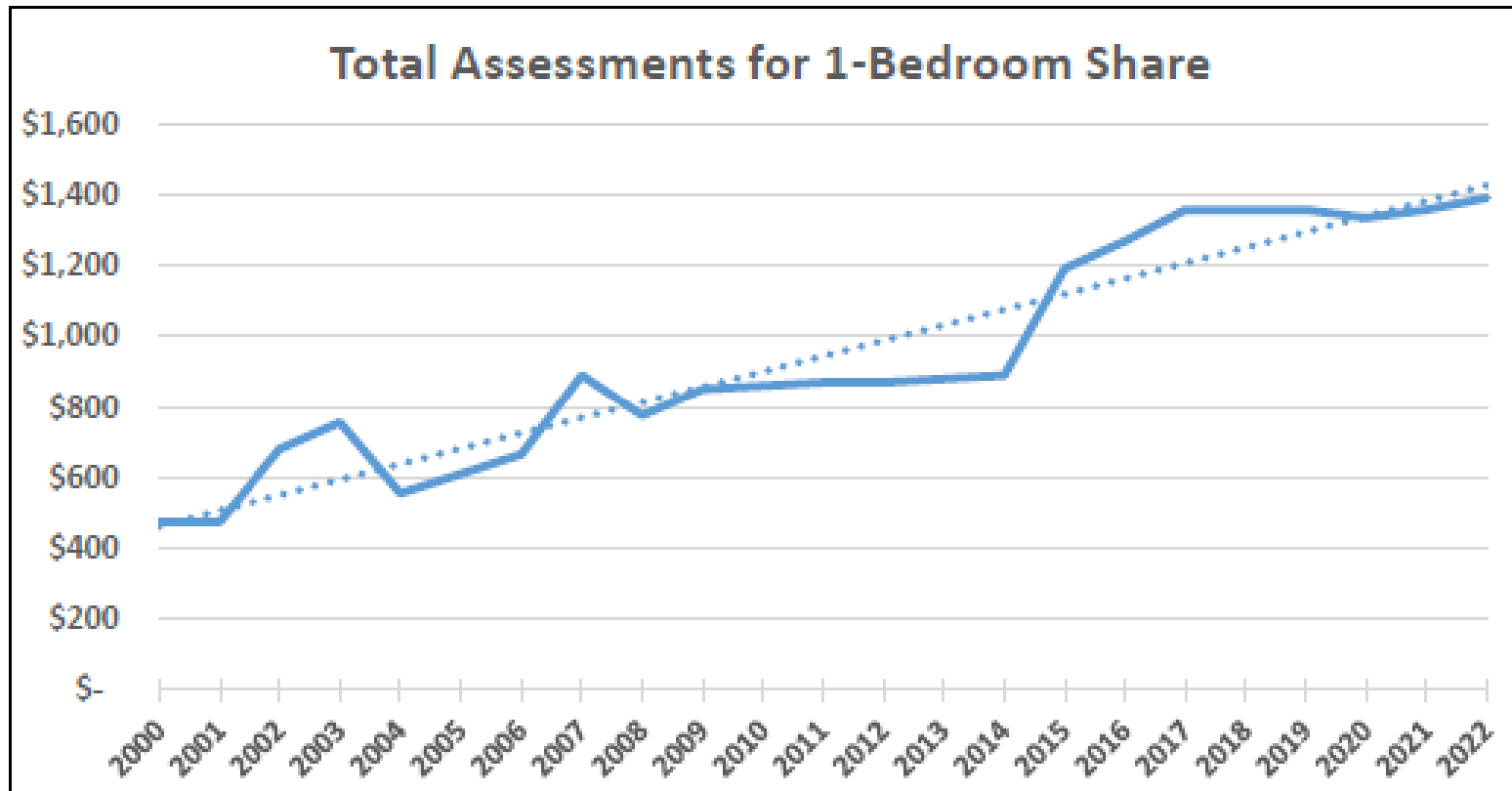


# Non-Maintenance Fee Revenue



**Note: Other includes sales, rentals, licensing, deedbacks, interest, and VRI marketing payment**

# Maintenance Fee History



- **5.0% Compound Annual Growth Rate since 2000**
- **Key Factors For Increases**
  - Fewer Paying Shares
  - Block Island Inflation
- **Mitigation Efforts**
  - Spending Efficiencies
  - Supplementary Revenue Sources

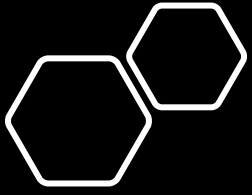
# Spending Efficiencies

- **New, More Efficient Boilers**
- **Single-Roller Pool Covering**
- **Phase-out of Hard Copy Communications**
  - **Except Maintenance Fee Bills and Election Materials**



# Outlook

- **Slow/steady decline in performing shares is problematic**
  - Exacerbated in 2021/2022 by inflation and labor shortages
  - Successful rental plan for Neptune House critical to success
- ***Early fee guidance: Anticipate annual increases (4% - 6%) in 2023 and beyond***
- **Board exploring multiple ways to minimize fee increases and maintain health of resort**



# Strategic Initiatives

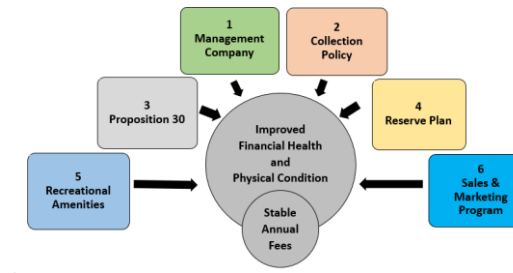
Phil Totino



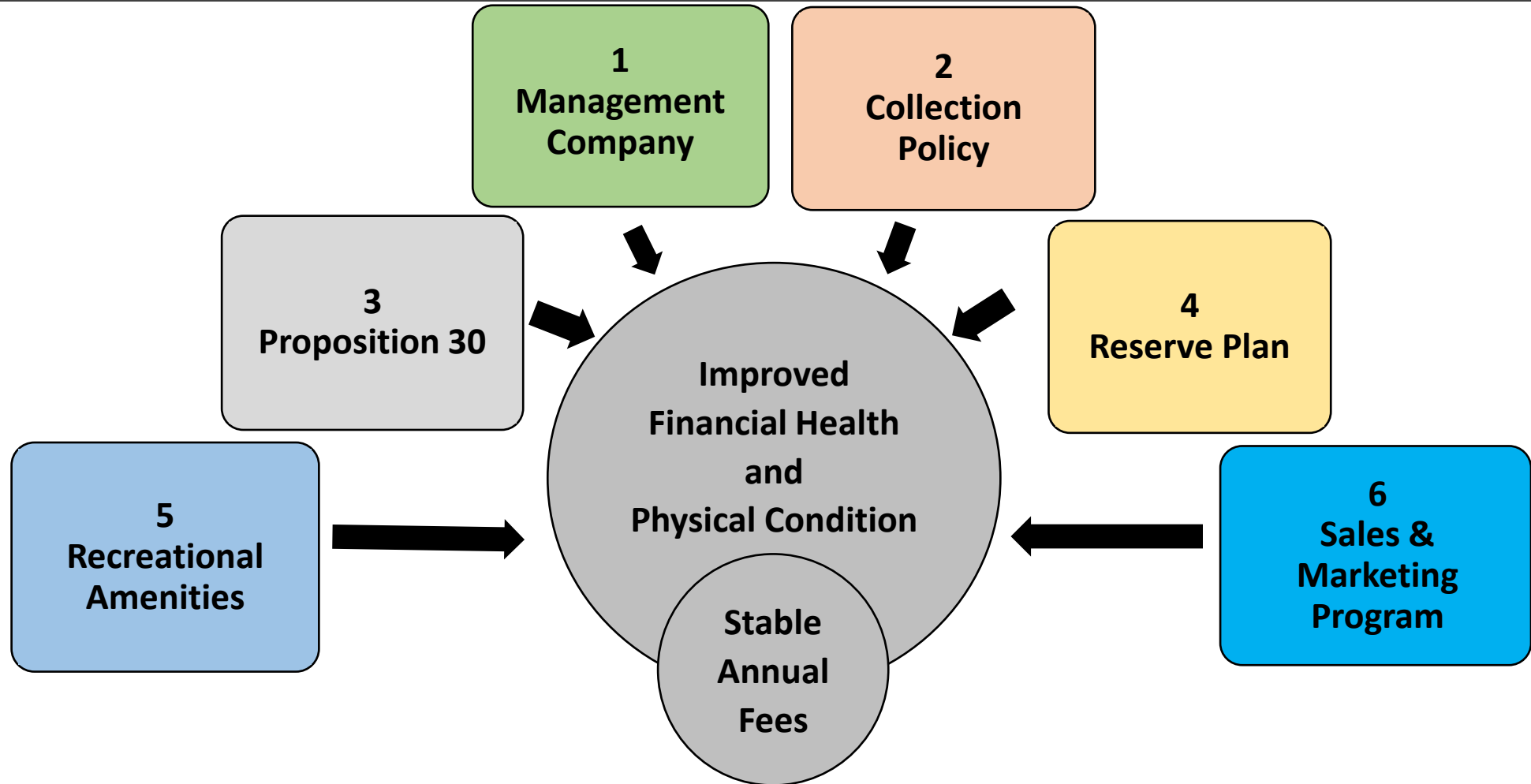


# Strategic Initiatives

- **Turnaround Plan**
  - Established in 2016
  - To Be Completed in 2022
  
- **New Initiatives**



# Turnaround Plan



# Turnaround Plan (1 of 7)

## 1. Management Company

- Contract with VRI thru 2024



## 2. Collection Policy

- \$100K+ 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



# Turnaround Plan (2 of 7)

## 4. Reserve Plan

- Study by Advanced Reserve Solutions in 2016
- 25-Year Plan Approved in 2017
- On Track (with some adjustments)
- Reserve Study Update in Process
- Revised 25-Year Plan to be Established

The image shows a table with multiple columns and rows, likely representing a financial or reserve study. The text is too small to read accurately, but it appears to be a detailed breakdown of costs or reserves over time.

# Turnaround Plan (3 of 7)

## 5. Recreational Amenities

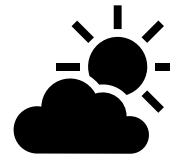
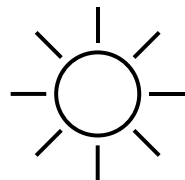
- **Phase 1 – Pool – August 2018**
- **Phase 2 – Patio & Fire Pits – June 2019**
- **Phase 3 – New Tennis Court and Grass Play Area**
  - **Completion of New Court – May 2022 (expected)**
  - **New grass play area & landscaping – May 2022 (expected)**



# Turnaround Plan (4 of 7)

## 6. Sales & Marketing Program

- **Strategy for Monetizing Owners Association Inventory**
  - **Sell Summer Shares**
  - **Rent Spring, Fall, and Winter Shares**
- **Marketing Focus**
  - **Rental Income from Spring and Fall Shares**









# Turnaround Plan (5 of 7)

- **Sales**
  - **100% Sold Out in Summer (Weeks 22-38 – Memorial Day thru late September)**
  - **Had Limited Success using Sales Firms from 2017-2019 for Spring and Fall Inventory**
    - **Maintenance Fees higher than Rental Rates**



# Turnaround Plan (6 of 7)

- Rentals – Spring and Fall
  - Utilize [NeptuneHouse.com](https://www.NeptuneHouse.com) and [booking.com](https://www.booking.com)
  - Grow Email Interest List
  - Maintain Social Media Presence
    - Facebook, Instagram, YouTube   
    - Targeted Advertising
      - Facebook 
      - Spotify 
      - Two Guys on Block Island Podcast 
      - Other Channels (e.g., Block-opoly, WCNY Travel Auction)



# Turnaround Plan (7 of 7)

- **Rentals – Winter**

- **Housing Contractors on Town-Wide Projects:**



- **Wind Farm Construction and Maintenance**



- **Electricity Grid Upgrade**



- **Broadband Rollout**

# Kudos to the Marketing Committee

- **Members**

- Cheryl Moore, Chairman
- Phil Totino
- Chris Lindgren
- Samantha Disotell
- Michael McManus (VRI)
- Judith Klein
- Tania Picard (Consultant)

- **Former Members**

- Jeff Anliker, Past Chairman
- Doug Carnahan
- Jillian Belanger
- Paul Weiner



Notes:

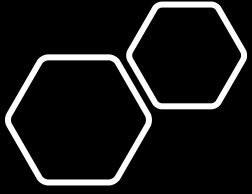
SEM = Search Engine Marketing

SEO = Search Engine Optimization

# New Initiatives

- **Unit Interior Upgrades**
  - **Develop Plans for Upgrading Unit Interiors**
    - Furniture
    - Window Treatments in Building A
- **Solar Panels**
  - **Study the Feasibility of Installing Solar Panels after or in conjunction with Roof Replacements in 2024**
- **Air Conditioning / De-Humidification**
  - **Develop a Proposal for Installing Equipment to Provide Air Conditioning and De-Humidification in the Living Units**





# Election Results

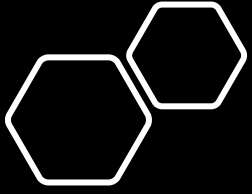
Chris Lindgren



# Election Results

- **Candidates**
  - **Cheryl Moore (incumbent)**
  - **Mark Morrissette (incumbent)**
  - **Lanette Zaborowski**
- **3-year terms (expire March 2025)**
- **Congratulations and Thanks for Stepping Forward**





# Q&A

[secretary@neptunehouse.com](mailto:secretary@neptunehouse.com)



# Adjournment



March 26, 2022

NHOA Meeting

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