



Owners Association Annual Meeting

March 25, 2023

Agenda

- 10:00 – 10:10 a.m. Welcome & Opening Remarks..... Phil Totino**
- 10:10 – 10:15 a.m. Recreational Amenities..... Cheryl Moore**
- 10:15 – 10:30 a.m. Strategic Initiatives..... Phil Totino**
- 10:30 – 10:40 a.m. Facility Improvements..... Samantha Disotell**
- 10:40 – 11:00 a.m. Financial Status..... Mark Morrissette**
- 11:00 – 11:05 a.m. Election Results..... Chris Lindgren**
- 11:05 – 12:00 p.m. Q&A..... All**
- 12:00 p.m. Adjournment**



Welcome & Opening Remarks

Phil Totino

Housekeeping

- **Zoom Videoconferencing Software**
 - **Muting**
 - **How to Raise Your Hand during the Q&A Session**
 - **At bottom of Zoom Window, click *Reactions***
 - **Then click *Recognize hand gestures***
 - **Then click *Raise Hand* or *Lower Hand*, as appropriate**
 - **Calling in via Telephone**



NHOA Meeting

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

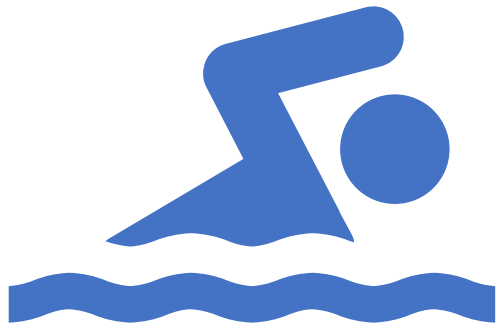
Preliminary Matters

- **Proof of Notice of Meeting:**
 - **VRI Americas has provided proof that meeting announcements and ballots were sent to all owners eligible to vote**

Resort Season Highlights

- **Completed Recreational Amenities Construction Project**
- **Updated 25-Year Reserve Plan**
- **Began Unit Interior Upgrade Work**
- **Maintained Robust Financial Health**
- **Inched Closer to Availability of High-Speed Broadband**

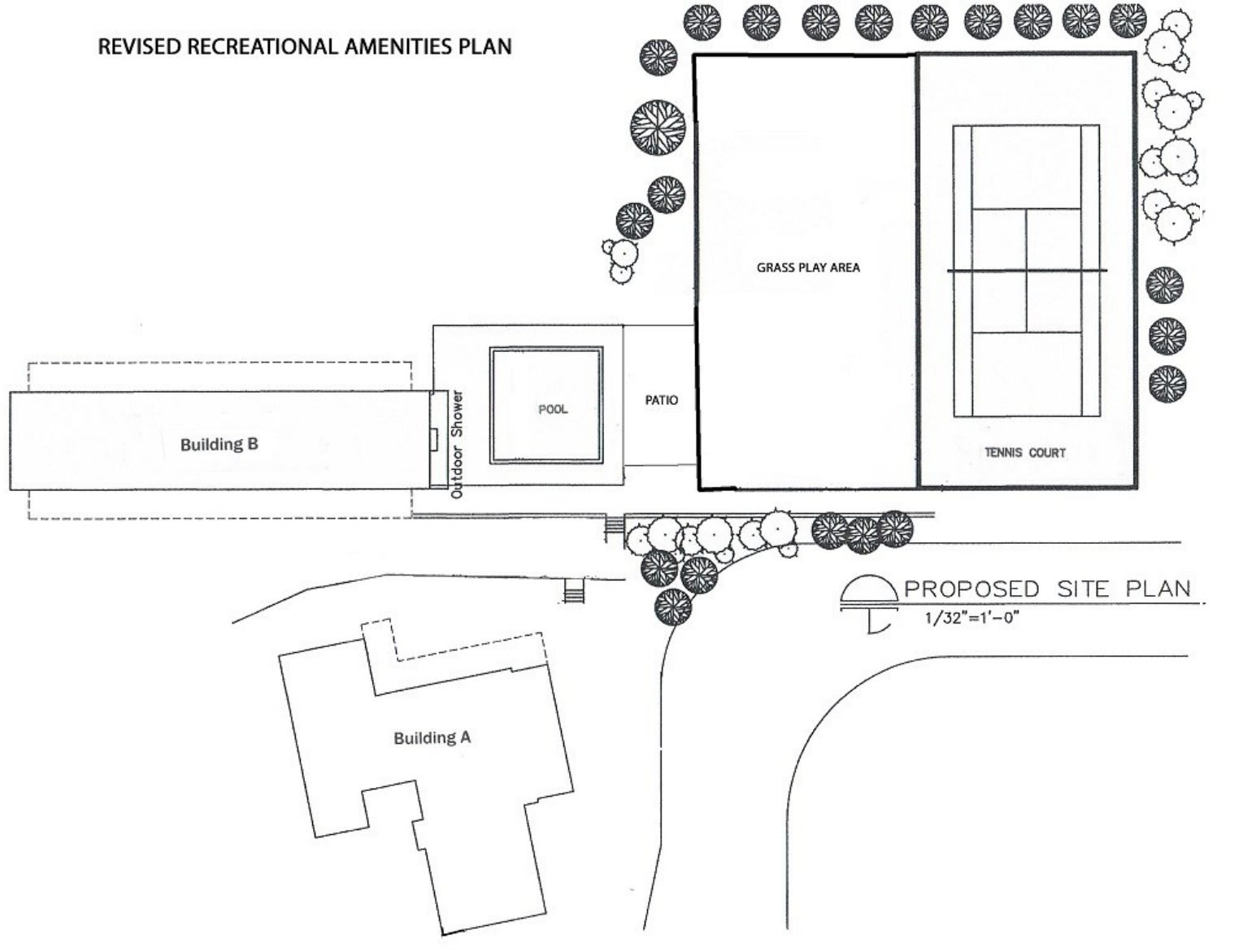




Recreational Amenities

Cheryl Moore

REVISED RECREATIONAL AMENITIES PLAN



Recreational Amenities Plan

Recreational Amenities Project

- ✓ **Approval by Vote of Owners.....October, 2016**
- ✓ **Outdoor Heated Pool.....August, 2018**
- ✓ **Patio & Fire Pits.....June, 2019**
- ✓ **Grass Play Area.....July, 2022**
- ✓ **Tennis/Pickleball Court.....August, 2022**



Project Complete!!





Phase 1: Outdoor Heated Pool



Phase 2: Patio & Fire Pits



Phase 3: Grass Play Area & Tennis/Pickleball Court

Tennis/Pickleball Court Rules

- **Allowed Uses**

- Tennis
- Pickleball

- **Disallowed Uses**

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





All Outdoor Recreational Amenities

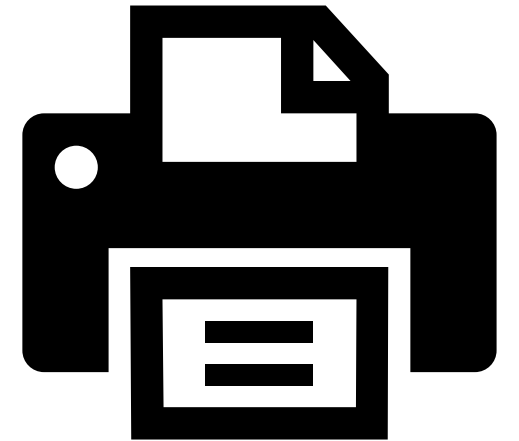


Strategic Initiatives

Phil Totino

Strategic Initiatives

- 1. Upgrade Unit Interiors**
 - **Common Standard of Function, Comfort, Quality, and Appearance**
- 2. Investigate Solar Panels**
- 3. Investigate Possible New Amenities**
 - **Air Conditioning / De-Humidification**
 - **Dishwashers**
 - **Granite Kitchen Countertops**
 - **Elevator in Building B**



Unit Interiors (1 of 3)

- **Features**

- **Bedroom Alarm Clocks with Power Outlets, USB Ports, and Bluetooth Speakers**
- **Bedroom & Living Room Lamps with USB Ports**
- **Living Room Rugs**
- **Up-To-Date Art on Walls**
- **Functional Up-To-Date Window Treatments**
- **Up-To-Date Sliding Glass Doors**
- **Framed in Windows in place of some Sliding Glass Doors**



Unit Interiors (2 of 3)

- **Features (Cont'd)**

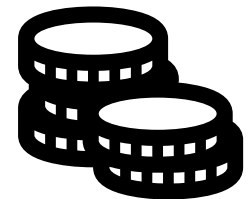
- **Up-To-Date Kitchen Cabinets, Countertops, and Appliances**
- **Up-To-Date Dining Room Sets**
- **Up-To-Date Living Room Furniture**
- **Appropriately Sized TVs**
- **Up-To-Date Bedroom Furniture and Comfortable Mattresses**
- **Up-To-Date Bathroom Vanities and Non-Slip Tubs/Showers**
- **Functional, Attractive Flooring and Lighting**



Unit Interiors (3 of 3)

- **Total Estimated Cost of Work Needed: \$536,000**
- **Average Cost of Work Needed per Unit: \$23,000**
- **Units Needing the Least Work: 6, 15, 10, 3, 18**
- **Units Needing the Most Work: 23, 8, 21, 4, 14**

- **Funding Source: Annual Maintenance Fees**
- **Amount allocated in 2023 Budget: \$90,000**



Solar Panels (1 of 3)

- **Solar Panel Initiative Committee**

- **Phil Totino (Chairman)**
- **David Cohen**
- **Samantha Disotell**
- **Michael McManus (VRI)**

- **Objectives**

- **Determine the Feasibility of Installing Solar Panels on the Roofs of the Neptune House Buildings in conjunction with or shortly after Replacement of the Asphalt Singles on Building B planned for 2024**
- **Evaluate Alternatives taking into account Net Financial Advantage to be gained**
- **Make a Recommendation to the Board of Directors**



Solar Panels (2 of 3)

- **Findings**
 - **Not a Navigation Hazard for Block Island Airport**
 - **No Special Concerns for Obtaining Town Approval**
 - **Solar Installers Difficult to Find for Island Work**
- **Considerations**
 - **Federal Investment Tax Credit**
 - **Rhode Island Renewable Energy Fund**
 - **Block Island Solar Initiative**
 - **Restrictions Imposed by Block Island Power Company**
 - **Maximum Size for Solar Systems**
 - **Low Rate Credited for Electricity Generated by Solar Systems**



Solar Panels (3 of 3)

- **Status**

- **Contacted 15 Solar Installers in RI, CT, and MA**
- **10 Not Interested in Working on BI or Unable to Develop Viable Proposals**
- **5 Working on Proposals**
 - **Got Sun Go Solar of Seekonk, MA**
 - **NEC Solar of Bristol, RI**
 - **Gansett Solar of Narragansett, RI**
 - **Sol Power of Charlestown, RI**
 - **Renewable Energy Solutions of Warwick, RI**



Possible New Amenities

- **Air Conditioning / De-Humidification**
 - **Dishwashers**
 - **Granite Kitchen Countertops**
 - **Elevator in Building B**
-
- **Note: Owner Vote Required for Special Charge(s)**

Air Conditioning / De-Humidification

- **Benefits**
 - **Comfort**
 - **Mold/Mildew Control**
- **Estimated Cost to Purchase and Install**
 - **Total: \$600,000**
 - **Per Share: \$1,070**
- **Operating Cost**
 - **TBD**



Dishwashers

- **Benefits**
 - **Convenience**
- **Estimated Cost to Purchase and Install**
 - **Total: \$150,000**
 - **Per Share: \$270**
- **Operating Cost**
 - **TBD**



Granite Kitchen Countertops

- **Benefits**
 - “Wow” Factor
- **Estimated Cost to Purchase and Install**
 - Total: \$100,000
 - Per Share: \$180
- **Maintenance Cost**
 - TBD



Elevator in Building B

- **Benefits**
 - **Convenience**
- **Estimated Cost to Purchase and Install**
 - **Total: \$1,800,000**
 - **Per Share: \$3,200**
- **Operating Cost**
 - **TBD**



Possible New Amenities Cost Summary

Amenity	Estimated Total Cost	Cost per Share *	Annual Charge	Number of Years
Air Conditioning / De-Humidification	\$ 600,000	\$ 1,070	\$ 214	5
Dishwashers	\$ 150,000	\$ 270	\$ 90	3
Granite Kitchen Countertops	\$ 100,000	\$ 180	\$ 60	3
Elevator in Building B	\$ 1,800,000	\$ 3,200	\$ 640	5
Total	\$ 2,650,000	\$ 4,720		

* Rounded to nearest \$10

Approach to New Amenities

- **Board Decision: Defer Further Consideration**
 - **Desire to Focus on Upgrading Unit Interiors**
 - **Lack of Bandwidth for Additional Large Project(s)**
 - **Several Major Maintenance Projects Already Planned**



Facility Improvements

Samantha Disotell

2022 Improvements: Units and Common Areas

- **Installed new cabinets and countertop in Unit 22**
- **Installed new flooring in kitchens of Units 3 and 22**
- **Installed new flooring in both bedrooms of Units 22 and 24**
- **Resurfaced showers/tubs in Units 16, 17, and 18**
- **Replaced bathroom vanities/sink tops in Units 16, 17, & 18**
- **Replaced a sliding glass door in Unit 22 and Unit 23**
- **Replaced furniture in Units 1, 3, 6, and 22**
- **Replaced boiler in Bldg. A**
- **Replaced boiler and water heater in Bldg. B**
- **Added separate heater for pool water**



2022 Improvements: Exterior Maintenance

- **Upgraded Unit 2 patio including drainage/gutter system, ceiling fan, deck, and table/chairs**
- **Purchased four Adirondack chairs, two tables, and several lawn games for new grass play area**
- **Installed five small trees bordering the patio**
- **Installed stone wall, new fencing, granite stairs with railing, stepping stone path, and new garden in Units 4, 5, 6 porch area**
- **Replaced wooden staircase on side of Bldg. A near shed with granite stairs and new railing; installed stone wall from staircase to the rear of the property**
- **Replaced furniture on porches of Units 12, 16, 17, 18, 19, 20 , and 21**
- **Replaced three gas grills**



Unit 2 Patio



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New Fence,
Stairs, and
Retaining Wall
In Units 4, 5, 6
Porch Area



New Wall
& Stairs
between
Bldg. A and
Shed



2023 Improvements Planned (1 of 3)

- **Replace bedroom clock radios with alarm clocks that also have power outlets, USB ports, and Bluetooth**
- **Replace lamps in all rooms with lamps having USB ports**
- **Purchase twelve rugs and install where needed**
- **Begin replacement of window treatments in Bldg. A**
- **Replace certain old/dated appliances in Units 3, 4, 5, and 14**
- **Replace mattress in Unit 8**



2023 Improvements Planned (2 of 3)

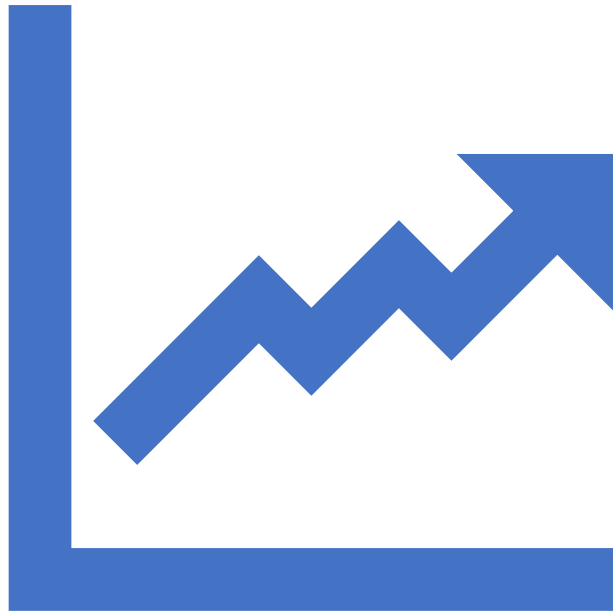
- **Install new cabinets and countertops in Units 3 and 23**
- **Install new flooring in Unit 23 kitchen/dining area**
- **Resurface showers/tubs in three units in Bldg. A**
- **Replace exterior casings of sliding glass doors in Units 8, 9, and 11**
- **Replace sliding glass door in Unit 8**
- **Replace sliding glass doors in living rooms of Units 22, 23, and 24 with framed-in windows**



2023 Improvements Planned (3 of 3)

- **Complete painting of Bldg. A lobby**
- **Replace washing machine for housekeeping**
- **Grade the parking area and improve landscaping in front of Bldg. B**
- **Install automated pool cover**
- **Upgrade Wi-Fi technology and connect to the island's new broadband cable network**





Financial Update

Mark Morrissette

Financial Overview

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

Required Insurance Review

- **Completed annual review of hazard insurance and fidelity bond**
- **Obtained updated property appraisal**
- **2023 Budget includes updated coverage**



2022 Operations vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 747	\$ 714	\$ 33
Operating Expenses	<u>663</u>	<u>712</u>	<u>49</u>
Gain (Loss)	84	2	82

- **\$84,384 Gain from resort operations for the year**
- **Revenue ahead of plan due to unit sales income and rentals**
- **Expenses below plan due to reduced staffing partly offset by higher utilities**

2022 Reserves vs. Budget

	<u>Gain/Loss(\$000)</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenue	\$ 92	\$ 91	\$ 1
Reserve Expenses	<u>230</u>	<u>146</u>	<u>(84)</u>
Gain (Loss)	(138)	(55)	(83)

- Reserves spending includes interior and exterior improvements and major planned maintenance
- Completed several long-planned, previously budgeted, projects
- Completed one project in 2021 budget late (\$90K of budget variance)

Consolidated Financials

	<u>Gain/Loss(\$000)</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Assessment	\$ 739	\$ 750	\$ 776
<i>Plus</i> Additional Revenue	<u>12</u>	<u>92</u>	<u>63</u>
Total Revenue	751	842	839
<i>Less</i> Expenses	<u>692</u>	<u>852</u>	<u>893</u>
Gain (Loss) from Normal Operations	<u>59</u>	<u>(10)</u>	<u>(54)</u>
Gain (Loss) with \$35K PPP forgiveness		25	

- **Multi-year financials in line with expectations**
- **Past three years: Overall \$30K gain**

Summary Balance Sheets

(December 31) (\$000)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Assets				
Cash	\$ 718	\$ 706	\$ 718	
Assessments Receivable for Upcoming Year	301	343	317	
Pre-Paid Expenses	<u>13</u>	<u>15</u>	<u>21</u>	
Total Assets	1,032	1,064	1,056	
Liabilities				
Accounts Payable (Bills to be paid)	6	30	50	
Accrued Expenses	11	12	12	
Deferred Revenue	748	766	792	
PPP Loan	<u>35</u>	<u>-</u>	<u>-</u>	<i>PPP Loan forgiven in 2021</i>
Total Liabilities	800	808	854	
Fund Balance	231	256	202	<i>Decrease in Fund Balance for reserve projects</i>

2023 Budget

Operating Expenses	\$ 735,040	+3% vs. 2022
Other/Discretionary Reserves/Improvements	\$ <u>174,775</u>	
Total Budget	\$ 909,815	

- **Maintenance Fees Increased 4.8% from 2022 to 2023**
- **Anticipate use of reserve funds (+/- \$80K) to complete 2023 projects**

Reserve Plan: Background

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

- Actions:**
- **Completed initial review of all facilities (2016)**
 - **Full update completed in 2022**
 - **Used to update 25-year maintenance plan**
 - **Budgeting preventive maintenance & improvements**
 - **Increased budget for interior improvements**



Reserve Plan: Status

- **Cash in the reserve account strong, but allocated**
 - Multiple projects in 2023
 - Commencing multi-year interior unit upgrade project
 - Anticipate decreased reserve usage in 2025/2026



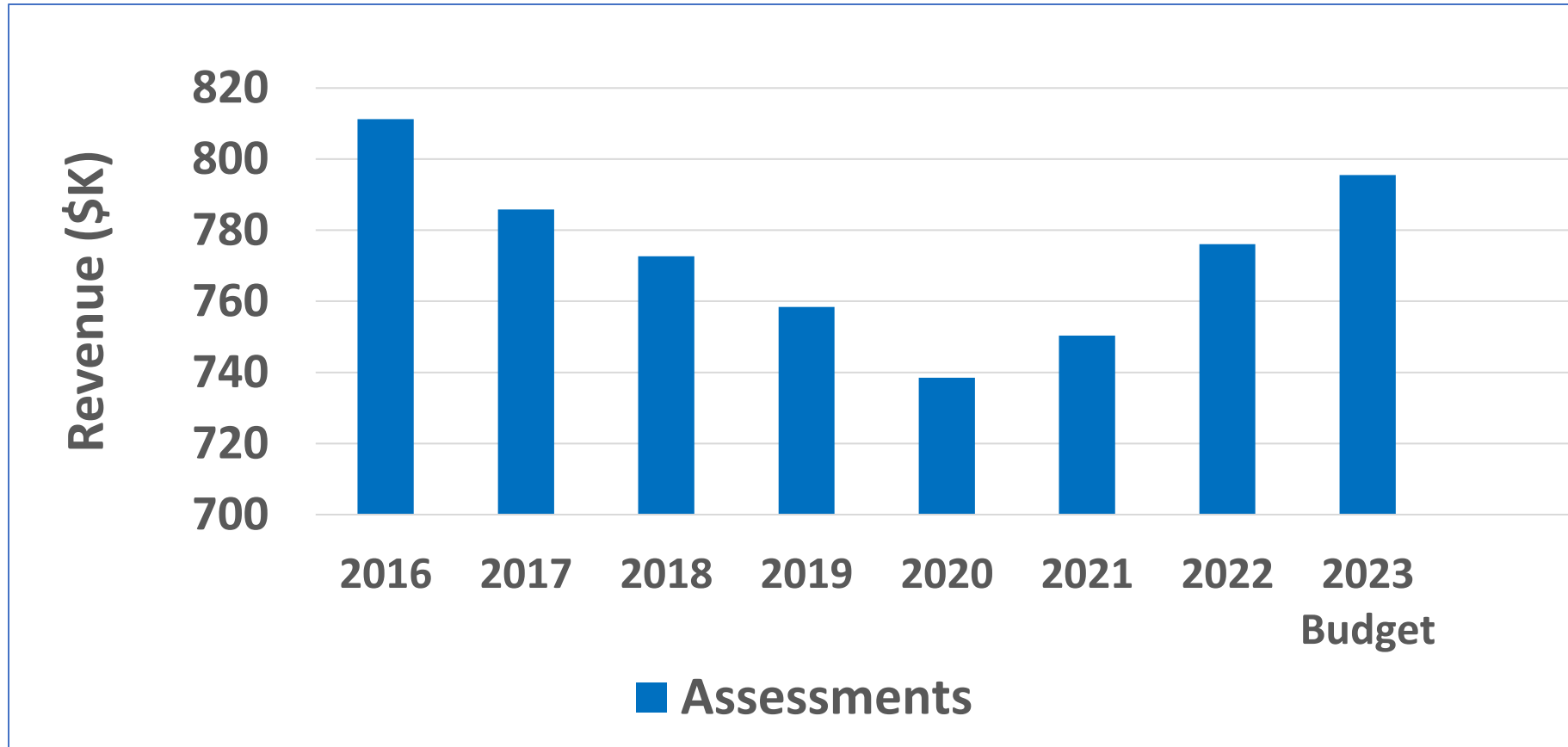
- **Reserves anticipated to fall below \$50K (2025-2026) from over \$244K today; then building back up**

Reserve Plan: Projects

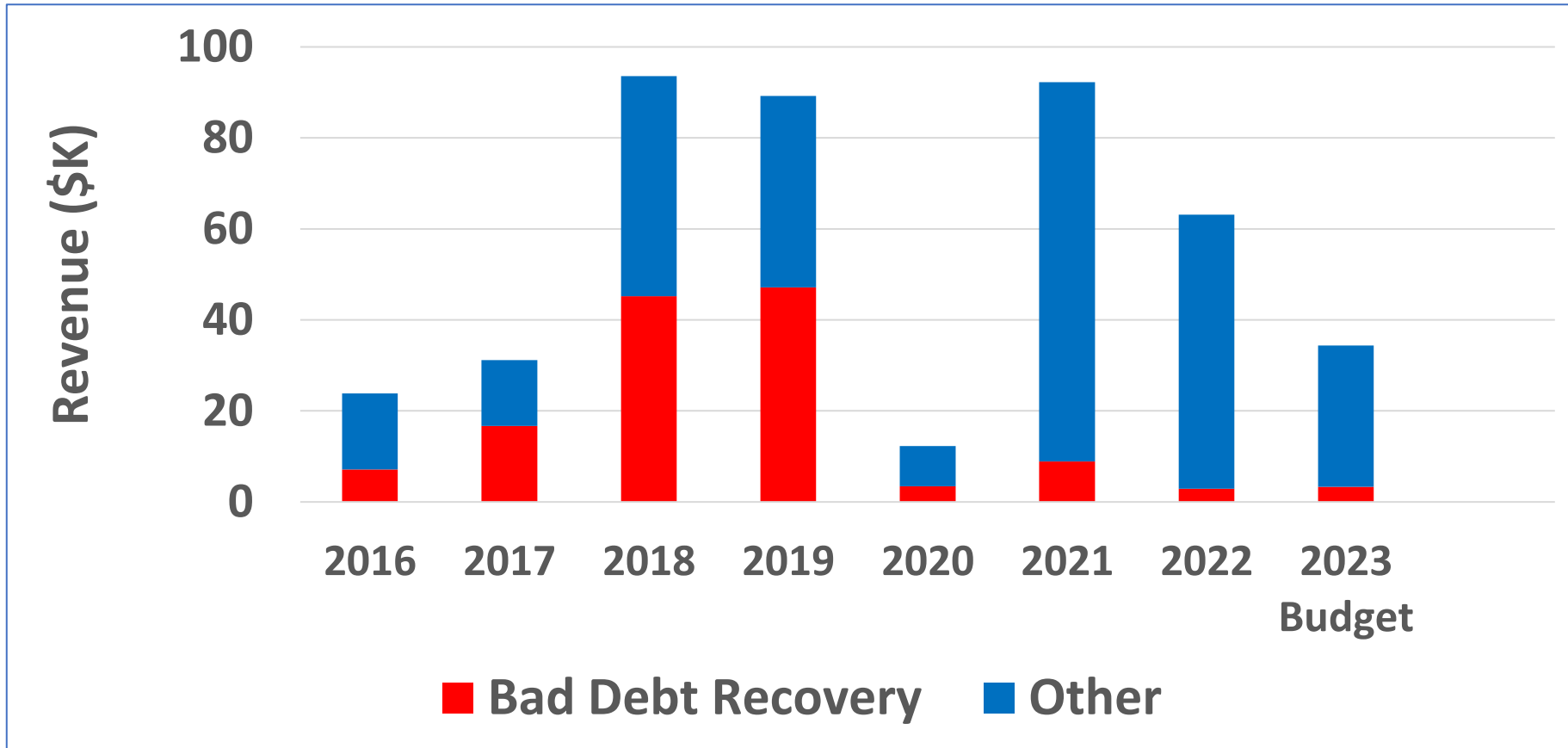
Project	2023	2024	2025	2026	2027	Total
Living Unit Upgrades	\$ 90,000	\$ 40,000	\$ 90,000	\$ 40,000	\$ 10,000	\$ 270,000
Landscaping former Tennis Court Area *	\$ 2,500					\$ 2,500
Boiler Bldg. A *	\$ 45,000					\$ 45,000
Wi-Fi Technology Upgrade	\$ 25,256					\$ 25,256
Parking Bldg. B	\$ 5,000					\$ 5,000
Roof Bldg A - Rubber Membrane	\$ 19,040					\$ 19,040
Washing Machine for Housekeeping	\$ 2,500					\$ 2,500
Automated Pool Cover	\$ 30,438					\$ 30,438
Washer/Dryer Bldg A		\$ 2,500				\$ 2,500
Bldg A Brick Stairs Replacement		\$ 15,000				\$ 15,000
Roof Bldg B - Architectural Composition		\$64,423				\$ 64,423
Exterior Doors Bldg A				\$9,381		\$ 9,381
Exterior Doors Bldg B				\$6,070		\$ 6,070
Decking Bldg A					\$107,161	\$ 107,161
Total	\$ 219,734	\$ 121,923	\$ 90,000	\$ 55,451	\$ 117,161	\$ 604,269

* indicates work completed in 2022 – with payment made in 2023

Maintenance Fee Revenue

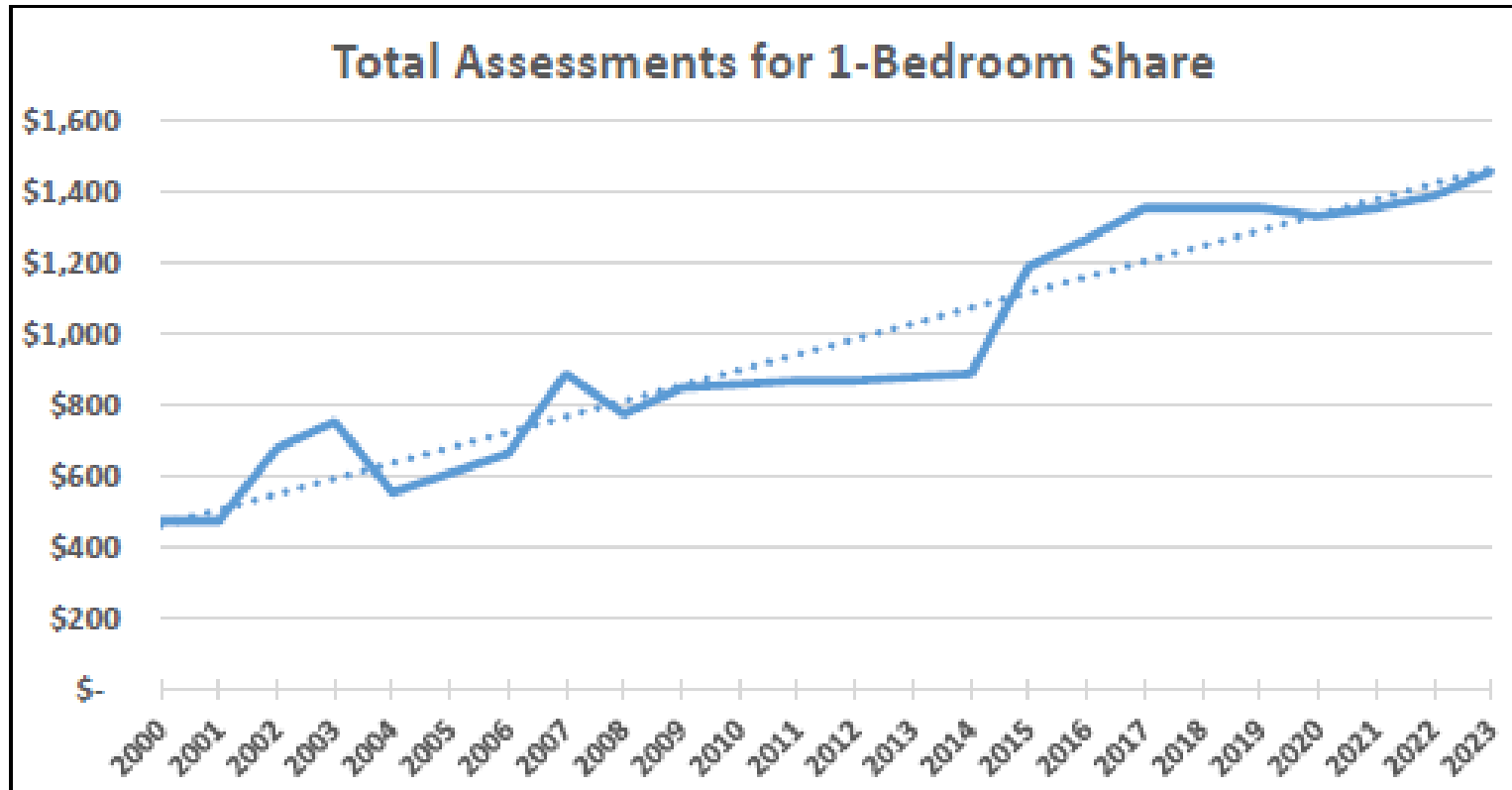


Non-Maintenance Fee Revenue



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 and Water Heaters in 2022**
- **Automated Pool Cover in 2023**



Outlook

- **Anticipate declining reserve balance as part of 5-year and 25-year plan**
- **Slow/steady decline in performing shares remains key issue**
- ***Early fee guidance: Anticipate annual increases (4% - 6%) in 2023 and beyond: fund reserves and declining ownership***
- **Board exploring multiple ways to minimize fee increases and maintain health of resort**



Election Results

Chris Lindgren

Election Results

- **Candidates for 2 Director Positions**
 - Dave Cohen
 - Phil Totino (incumbent)
 - Chris Uscinski
 - Lanette Zaborowski
- **3-year terms (expire March 2026)**
- **Congratulations and Thanks for Stepping Forward**





Q&A



Adjournment

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