

# 2019 ANNUAL REPORT



**Presented to Annual Meeting of Owners**

May 11, 2019

The Old Salt at Lamie's Inn

490 Lafayette Road

Hampton, NH 03842



**Harbor at Whitten and Dustin Condominium Association  
Annual Meeting of Unit Owners  
May 11, 2019  
MEETING AGENDA**

- I. Count for Quorum**
- II. Reading of the Notice of the Meeting**
- III. Reading of 2018 Annual Meeting Minutes**
- IV. Review of 2018-2019 Operating Highlights**
- V. Review of 2018-2019 Operational Issues and Budget Status**
- VI. Review and Discussion of 2019-2020 Operational Priorities and Budget**
- VII. Vote on 2019-2020 Proposed Operating Budget**
- VIII. Election of Board of Directors**

Three seats up for election
- IX. Vote on Annual Fee Increase**
- X. Vote on approval of changes to our Declaration of Condominium**
- XI. Vote on approval of changes to our By-Laws**
- XII. Proposed Date for 2020 Annual Meeting**
- XIII. Adjournment of Meeting**

## 2018-2019 Operational Highlights

- Successfully completed 12<sup>th</sup> full year of self-management
- Managed expenses within operating budget without increasing monthly condominium fees for the 12<sup>th</sup> consecutive year
- Refreshed crushed stone in Whitten parking areas
- Inventoried and created a punch list of Spring decking, stair, siding, downspout and other exterior maintenance issues and contracted with Ed Luponi to complete the required maintenance
- Managed annual review and renewal of Property, General Liability, Crime, Officers and Directors, and Flood Insurance policies
- Responded to Worker's Compensation Audit conducted by insurer
- Managed repair of wind-damaged soffit on front roof overhang at 18 Whitten
- Executed renewal of storage lease
- Consolidated bank accounts at Citizens Bank and secured an increased interest rate
- Transferred PO Box to Burlington, MA to enable Treasurer to improve efficiency of mail retrieval and payment processing
- Implemented electronic payment system
- Coordinated response and mitigation of a significant sewer backup at 18 Whitten on the evening of Sunday, August 5
- Escalated fire alarm phone line issue to Consolidated Communications corporate headquarters to resolve a serious, ongoing issue with repeated phone line outages. Service was successfully restored on September 22, and has been uninterrupted since that time
- Procured and coordinated annual tax filing and independent audit of the Association's books and records, conducted by Paul E. Daoust, CPA
- Supported sale of units 5A and 7F Dustin.
- After a reported Fall pipe freeze incident, repaired significant, visible gaps in top of bump-out and mitigated related weatherization issues identified by 8B unit owner at 8 Whitten
- Renegotiated waste management contract, resulting in annual savings of \$1106 per year
- Coordinated unit owner response to a water heater leak at 6 Whitten
- Managed replacement of outdoor faucets in multiple units with frost-free units
- Coordinated response to a burst water main discovered on a Friday night at 6 Whitten, and managed emergency work and full restoration of water service by noon Saturday
- Posted all insurance documents to the Association website immediately upon availability to provide owners and mortgagors with easy access to necessary insurance information
- Managed regularly scheduled maintenance and successful annual inspection and testing of Dustin sprinkler systems
- Managed successful insurance inspection of randomly selected units to facilitate final issuance of Property and Liability policies
- Managed seamless transition of Board responsibilities upon resignation of Association President
- Managed several additional Dustin fire alarm and maintenance responses
- Prepared Annual Report to update unit owners on operational and financial performance

# Total Assets Previous Fiscal Year to Current Fiscal Year Comparison

Harbor at Whitten and Duston Condo Association					
TOTAL ASSETS					
As of April 30, 2019					
	April 30, 2019	March 31, 2018	\$ Change	% Change	
<b>Assets</b>					
<b>Savings</b>					
Piscataqua Savings Bank/Citizens Bank	101,153.89	80,267.87	20,886.02	26.02%	
<b>Checking</b>					
Citizens Bank	46,068.20	54,542.24		-15.54%	
<b>TOTAL Savings/Checking</b>	\$ 147,222.09	\$ 134,810.11	20886.02	9.21%	

## Current Fiscal Year Budget to Projected Fiscal End Comparison

	Budget	Through Apr	May - Jun	Fiscal End	Delta	Notes
<b>OPERATING INCOME</b>						
Condominium Fees (Billed)	120,000.00	103,238.20	16,761.80	120,000.00	-	
Interest Checking/COD	240.00	735.96	180.00	915.96	675.96	Better rate on savings
Initial Assesment	-	2,000.00	1,000.00	3,000.00	3,000.00	5A-7F & 6A
Late Fees/Fines	-	-	-	-	-	
<b>Total Income</b>	<b>120,240.00</b>	<b>\$ 105,974.16</b>	<b>17,941.80</b>	<b>123,915.96</b>	<b>3,675.96</b>	
<b>OPERATING EXPENSES</b>						
<b>INSURANCE</b>						
Master Policy (PROP & LIAB)	24,000.00	28,356.42	-	28,356.42	4,356.42	
Workers Comp	550.00	235.00	-	235.00	(315.00)	Rebate from Audit
Flood	25,000.00	-	28,368.00	28,368.00	3,368.00	
Directors Liability	1,020.00	1,020.00		1,020.00	-	
Criminal Loss	819.00	819.00		819.00	-	
Insurance Loss (Claims)	-	-		-	-	
<b>Sub Total Insurance</b>	<b>51,389.00</b>	<b>\$ 30,430.42</b>	<b>28,368.00</b>	<b>58,798.42</b>	<b>7,409.42</b>	No longer financing Property Ins
<b>PROPERTY MANAGEMENT</b>						
Electricity (Common/Fire ect.)	2,200.00	2,221.67	640.00	2,861.67	661.67	Monthly
Fire System Maintenance	3,800.00	4,194.00	-	4,194.00	394.00	Alarm reset costs 700
Fire System Water	3,300.00	3,195.34	640.00	3,835.34	535.34	Monthly
Telephone Confering/Monitoring	2,750.00	1,589.55	322.00	1,911.55	(838.45)	Monthly
Landscaping	5,000.00	4,550.00	650.00	5,200.00	200.00	Mowing & Paint touch-up
Repair & Maintenance	15,000.00	8,634.89	15,000.00	23,634.89	8,634.89	6D & 6B & pressure washing the siding
Snow Removal	9,000.00	8,219.98	-	8,219.98	(780.02)	
Trash Removal	4,000.00	4,612.12	1,100.00	5,712.12	1,712.12	Renegotiated contract
Capital Improvements	15,000.00	20,706.00		20,706.00	5,706.00	Fund capital reserves
<b>Subtotal Property Management</b>	<b>60,050.00</b>	<b>\$ 57,923.55</b>	<b>18,352.00</b>	<b>76,275.55</b>	<b>16,225.55</b>	
<b>ADMINISTRATION</b>						
Annual Meeting(s)	1,000.00	-	550.00	550.00	(450.00)	No quarterly meeting cost
Return Check/Bank Fees	-	-	-	-	-	
Independent Audit & Taxes	3,000.00	2,650.00	-	2,650.00	(350.00)	
Legal/Accounting	1,500.00	-	900.00	900.00	(600.00)	Processing Liens
Postage/PO Box/Supplies	450.00	153.58	100.00	253.58	(196.42)	
Document Storage	800.00	800.00	178.00	978.00	178.00	
Administration Expense	-	611.47	124.00	735.47	735.47	GoMeeting, GoDaddy, Web
<b>Subtotal Administration</b>	<b>6,750.00</b>	<b>\$ 4,215.05</b>	<b>1,852.00</b>	<b>6,067.05</b>	<b>(682.95)</b>	
<b>TOTAL EXPENSES</b>	<b>118,189.00</b>	<b>92,569.02</b>	<b>48,572.00</b>	<b>141,141.02</b>	<b>22,952.02</b>	
<b>Net Operating Gain/Loss</b>	<b>2,051.00</b>	<b>\$ 13,405.14</b>	<b>(30,630.20)</b>	<b>(17,225.06)</b>	<b>(19,276.06)</b>	

## History of Insurance Cost

Policy (Coverage Year)	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	Due
Commercial Property Policy	21678.00	22978.00	18417.61	18217.61	18217.61	18433.15	18438.33	Feb
General Liability Policy			1442.00	1442.00	1442.00	1445.09	1446.12	Feb
Directors & Officers	1020.00	1100.00	1020.00	1020.00	1020.00	1020.00	1020.00	Feb
Crime Policy	819.00	850.00	819.00	819.00	819.00	819.00	819.00	Feb
Workers Compensation	653.00	700.00	592.00	275.00	550.00	501.00	501.00	Apr
Flood Policy – 5 Dustin	17817.00	19010.00	2757.00	2967.00	3066.00	28368.00	30288.00	Jul
Flood Policy – 7 Dustin			2757.00	2967.00	3066.00			Jul
Flood Policy – 6 Whitten			1588.00	1725.00	1948.00			Jul
Flood Policy - 8 Whitten			1588.00	1725.00	1948.00			Jul
Flood Policy – 10 Whitten			1588.00	1725.00	1948.00			Jul
Flood Policy – 12 Whitten			1588.00	1725.00	1948.00			Jul
Flood Policy – 14 Whitten “			1588.00	1725.00	1948.00			Jul
Flood Policy – 16 Whitten			1588.00	1725.00	1948.00			Jul
Flood Policy – 18 Whitten			2725.00	2748.00	2876.00			Jul
Flood Policy – 20 Whitten			2725.00	2748.00	2876.00			Jul
Flood Policy _ 22 Whitten			2725.00	2748.00	2876.00			Jul
<b>Total</b>			41987.00	44638.00	45507.61			46301.61
<b>Year-Year Growth</b>		<b>2651.00</b>	<b>869.61</b>	<b>794.00</b>	<b>2195.00</b>	<b>2089.63</b>	<b>1926.21</b>	
Flood Insurance annual	17817.00	19010.00	23217.00	24528.00	26448.00	28368.00	30288.00	
<b>Flood Insurance Yr-Yr Growth</b>		<b>1193.00</b>	<b>4207.00</b>	<b>1311.00</b>	<b>1920.00</b>	<b>1920.00</b>	<b>1920.00</b>	

### Snow Removal Details

Snow Removal Details	
November	\$1,008.33
December	\$1,118.33
January	\$1,008.33
February	\$1,768.32
March	\$1,838.33
April	\$1,478.33
<b>Total through 4/30/19</b>	<b>\$8,219.97</b>
Base price / month	\$1,008.33
Salting, each occurrence	\$110.00
Shoveling, each occurrence	\$120.00

### Repair and Maintenance Details

Repair and Maintenance Details		
2 new bike racks	08/01/18	\$762.64
Power snake main sewer	08/03/18	\$684.00
Pest removal	09/14/18	\$298.00
Phone line tester	09/20/18	\$8.98
Gutter repair	10/04/18	\$800.00
Replace 17 outside faucets and shut off valves	10/29/18	\$2,625.00
Salt for unit owners	11/13/18	\$120.78
Bulbs for outside lights	11/26/18	\$38.94
Unit 10B installed plywood behind siding then resided and fixed 20C soffit	12/05/18	\$345.00
Replaced cover plates to new outside faucets (11) total	01/04/19	\$535.00
Reimbursement to 6D for exterior pipe break and fix pipes	01/26/19	\$2,300.00
Luponi construction checking bump out in building	02/09/19	\$100.00
New lock for dumpster	04/16/19	\$26.55
<b>Sub-Total through 4/30/19</b>		<b>\$8,644.89</b>
Whitten bldg 6 north face pipe freeze mitigation		\$9,000.00
Pressure washing 11 bldgs		\$6,000.00
<b>Total through FY19</b>		<b>\$23,644.89</b>



## **2018-2019 Operational Issues and Budget Status**

### **Revenue**

All 48 units remain owned by members. With just a few exceptions, the vast majority of members are current with dues payments and the level arrearages overall are relatively minor. The Board has been proactive in working with owners to address arrearages.

There are 5 units with significant arrearages. Liens were processed.

### **Operating Expenses**

#### ***Insurance***

Master Property, General Liability, Directors, Criminal Loss and Worker's Compensation policies were renewed with a slight growth in year over year cost of ~\$179. While there were two known water related incidents, one a water heater leak and the other a burst pipe, both at 6 Whitten, no unit owner insurance claims have been reported and no claims have been filed against the Association's policies. Costs associated with repair and re-insulation of the area around the burst pipe, which are the Association's responsibility, were covered from operating funds.

The potential 15% to 20% increases in Flood Insurance premiums, have not yet materialized. Actual premiums for the last fiscal year totaled \$26,448, which represents a \$1,920 increase over the prior year. We are anticipating the same increase when we receive this fiscal year's policy.

\$51,389.00 was budget for insurance this year. The insurance premiums are estimated to be \$50,586.24 assuming a flood insurance premium of \$28,368.00. In prior fiscal year, 75% of the Property and Liability policies were financed over the 12 month coverage period. The finance rate to continue that practice for this coverage period was 11%. Thus the Board decided to pay those 2 policies in full as opposed to financing. This will result in a savings of \$871.42 in interest expense going forward. As a result of having paid 7 monthly payments from July 2018 through Jan 2019 from last year's policies, the total insurance expense for this fiscal year exceed budget by \$7409.42.

#### ***Property Management***

Expenses were over budget due largely to additional repair and maintenance (building 6 pipe freeze mitigation and pressure washing), increased recurring costs in trash removal (which have been renegotiated but still growing), utilities and fire system maintenance. Some of these increases were offset by lower snow removal costs.

The planned refresh of crushed stone in the Whitten parking areas was completed June 5 and planned replacement of outdoor faucets with frost-free units was completed October 29 and 30. Emergency repairs included repair of a wind-damaged soffit on the front roof overhang at 18 Whitten and repair of visible gaps in flashing at the top of the bump-out and additional mitigation of weatherization issues identified after the 8B unit owner reported an early season frozen pipe on November 23. Summer 2019 spring clean-up was also completed.

Of note, the last pressure washing was June 2015 by Groveland Landscaping for \$3400. This year's quote is from Benjamin's Pro Power Washing for \$6000. Mark McCabe has inspected the property and feels the siding is in definite need of pressure washing. This contract includes chemicals that will "eliminate all organic growth without any damage to building or landscape while fighting away mold build up for three years".

The Board has dealt with numerous operational challenges during the course of the year which are worth noting as follows:

Repeated outages of the phone lines associated with the 5 Dustin fire alarm panel were experienced throughout the course of the summer, necessitating multiple efforts to resolve the issue with the Association's Fire Alarm vendor, Tri-State Fire Protection (now called Impact Fire) and the local analog phone service provider, Consolidated Communications. In September, the Association experienced an extended outage of one phone line (each panel has a primary and backup line). After repeated attempts to get Consolidated Communications to address the issue, the Board escalated the matter to the company's corporate headquarters. On September 22, the company addressed the issue fully and completely and no further communication issues have been experienced.

On October 12 a water heater leak was discovered at Unit 6A, causing water damage to Units 6A and 6B. The Board facilitated contact between the unit owners who each subsequently handled remediation and repair efforts within their respective units. The Board likewise directed the unit owners to direct claims to their respective insurance companies as appropriate.

On January 25, a pipe burst was discovered by the 6D unit owner around 9:00 PM. The adjoining unit owners were immediately notified and calls were placed to multiple plumbers. The situation was temporarily remedied by approximately 11:00 p.m. and a repair was fully completed by noon the next day. Per the Association's typical practice, the Association fully covered the cost of the pipe repair as well as associated sheathing repair and re-insulation of the area around the pipe. Unit owners were advised to direct any necessary claims to their respective insurance companies as appropriate. No further issues were reported until February 21 when the 6B unit owner indicated that there was no water in unit 6B. On February 23, the Board scheduled a contractor to perform work to mitigate the issue on the morning of February 25. However, the scheduled work was canceled due to the 6B unit owner's objection to the selected contractor. The Board has subsequently solicited additional proposals and is working with the 6B and 6D owners to coordinate additional work as necessary to mitigate the issue. A forecast of \$9000 has been allocated for mitigation.

Per discussion at the open Board meeting held on September 28, 2018, on October 3, 2018 a mini-split air conditioning system was conditionally approved for installation at unit 8C. This is one of three such installations that have been conditionally approved subsequent to discussion of the first request for a mini split-installation at the 2016 Annual Meeting. The unit was installed on December 12, 2018. On January 18, 2019, the 8A Unit owner indicated that she was finding the sound of the outdoor condensing unit to be disturbing. The 8C Unit owners were contacted by the Board and directed to take steps with their contractor to mitigate the issue. The contractor assessed the issue with the 8A unit owner and Board member Mark McCabe in conjunction with the Town's final code inspection on January 25. The initial attempt to mitigate the issue included placement of vibration attenuating blocks under the feet of the unit. The 8A

unit owner agreed to a one-month trial period for this solution. On February 23 (verbally) and on March 21, the 8A unit owner expressed her dissatisfaction with the initial remedy. At the March 31 quarterly meeting, after discussions with both the 8A and 8C unit owners, it was agreed to leave the unit in place for now until an acceptable solution (including possible alternative placement) is achieved. It was also shared that Unit 8C has removed the baseboard electric heat in their unit. Given that only 2 of the current Board members will be in place post this Annual Meeting we have deferred future effort until post this Annual Meeting.

On January 25, the 5D unit owner requested that the Board consider her interest in installing a stair lift at her expense to accommodate a disability. After reviewing the matter and consulting the Town Building Department, the Board requested that the unit owner secure a formal proposal and work specification from a contractor for presentation to the Board and Town Building Department. The Board also conferred with the Attorney to ascertain legal requirements for supporting such a request. Per the Attorney, the Association must provide a reasonable accommodation.

### ***Administration***

Expenses for administration of the Association by Board members were under budget due to no anticipated legal costs and no cost for Board meetings other than this Annual Meeting.

After nearly six years of volunteer service to the Board, Association President Len Busha submitted his resignation on February 24 citing a lack of time to fulfill the ongoing demands of the position due to competing work and personal commitments.

## 2019-2020 Operational Priorities and Budget

### Current Fiscal Year Budget vs 2019-2020 Proposed Balanced Budget

	Budget	Fiscal End	Next Year	Delta	Notes
<b>OPERATING INCOME</b>					
Condominium Fees (Billed)	120,000.00	120,000.00	120,000.00	-	
Interest Checking/COD	240.00	915.96	1,080.00	840.00	Better rate on savings
Initial Assesment	-	3,000.00	-	-	
Late Fees/Fines	-	-	-	-	
<b>Total Income</b>	<b>120,240.00</b>	<b>123,915.96</b>	<b>121,080.00</b>	<b>840.00</b>	
<b>OPERATING EXPENSES</b>					
<b>INSURANCE</b>					
Master Policy (PROP & LIAB)	24,000.00	28,356.42	19,884.45	(4,115.55)	
Workers Comp	550.00	235.00	501.00	(49.00)	
Flood	25,000.00	28,368.00	30,288.00	5,288.00	Identical growth as FY19
Directors Liability	1,020.00	1,020.00	1,020.00	-	
Criminal Loss	819.00	819.00	819.00	-	
Insurance Loss (Claims)	-	-	-	-	
<b>Sub Total Insurance</b>	<b>51,389.00</b>	<b>58,798.42</b>	<b>52,512.45</b>	<b>1,123.45</b>	
<b>PROPERTY MANAGEMENT</b>					
Electricity (Common/Fire ect.)	2,200.00	2,861.67	2,900.00	700.00	Monthly
Fire System Maintenance	3,800.00	4,194.00	5,000.00	1,200.00	Alarm reset costs 700
Fire System Water	3,300.00	3,835.34	3,900.00	600.00	Monthly
Telephone Confering/Monitoring	2,750.00	1,911.55	2,000.00	(750.00)	Monthly
Landscaping	5,000.00	5,200.00	5,200.00	200.00	Mowing, spray/trim & spring clean up
Repair & Maintenance	15,000.00	23,634.89	15,000.00	-	Attic ventilation (gable & soffit vents)
Snow Removal	9,000.00	8,219.98	9,000.00	-	
Trash Removal	4,000.00	5,712.12	5,181.00	1,181.00	Renegotiated contract
Capital Improvements	15,000.00	20,706.00	11,000.00	(4,000.00)	Need to assess need over summer
<b>Subtotal Property Management</b>	<b>60,050.00</b>	<b>76,275.55</b>	<b>59,181.00</b>	<b>(869.00)</b>	
<b>ADMINISTRATION</b>					
Annual Meeting(s)	1,000.00	550.00	600.00	(400.00)	No quarterly meeting cost
Return Check/Bank Fees	-	-	-	-	
Independent Audit & Taxes	3,000.00	2,650.00	3,000.00	-	
Legal/Accounting	1,500.00	900.00	1,500.00	-	Processing Liens
Postage/PO Box/Supplies	450.00	253.58	450.00	-	
Document Storage	800.00	978.00	1,000.00	200.00	Monthly
Administration Expense	-	735.47	700.00	700.00	New web a little lower
<b>Subtotal Administration</b>	<b>6,750.00</b>	<b>6,067.05</b>	<b>7,250.00</b>	<b>500.00</b>	
<b>TOTAL EXPENSES</b>	<b>118,189.00</b>	<b>141,141.02</b>	<b>118,943.45</b>	<b>754.45</b>	
<b>Net Operating Gain/Loss</b>	<b>2,051.00</b>	<b>(17,225.06)</b>	<b>2,136.55</b>	<b>85.55</b>	

## **Revenue**

The proposed budget above is balanced to the current fee income level as it has been for the past 12 years. Cost control has been exemplary over this time period.

## **Operating Expenses**

### ***Insurance***

The Board does not anticipate significant increases in the cost of Master Property, General Liability, Directors, Criminal Loss and Worker's Compensation policies, which have been level-budgeted. We continue to expect an increase in flood insurance rates but the increase has been delayed by an ongoing appeal. Revised FEMA flood maps as presently drawn place all Association units in the highest risk zone. Based on this, our insurance agent continues to project a fifteen to twenty-five percent increase in premiums, in part due to remapping and in part due to a decrease in FEMA subsidy of the flood insurance program. Flood Insurance is budgeted at \$30,288, which reflects an estimated \$1,920 year over year increase.

### ***Property Management***

Utility cost, landscaping and snow removal are basically flat to last year's actuals. Fire system maintenance is budgeted to cover the required inspections and up to 4 average service calls. Trash removal is reflective of the re-negotiated contract. Expected maintenance tasks budgeted over the next year include repairs to the building exteriors and common areas as needed, completion of routine landscape maintenance and a project to achieve proper attic ventilation through installation or recommissioning of gable vents in conjunction with installation of soffit vents.

Capital reserve allocation was reduced to keep the overall budget flat to last year's. The Board is reviewing the history of fire system maintenance and will engage possible contractors to identify options for controlling future expenses. The association has incurred over \$31K in improvement and maintenance cost in the last 4 fiscal years.

### ***Administration***

Expenses associated with administration of the Association are expected to remain low provided that we can maintain a full, five-member Board with significant additional support from a handful of additional unit owners and/or retained contractors (like a plumber) to meet the needs of the association.

The association needs volunteers who live on or near the property, can transact activities during normal business hours and can coordinate maintenance emergencies during off hours. The association also needs volunteers who possess the required capability to provide the accounting, facility management, and general management services necessary to self-manage the Association.

The Board recommends assessing the level of volunteers noted above to both fill the open Board positions and additional unit owner support to clarify the needs of the association before taking further action with regard to engaging external contractors or management services.

For informational purposes, the Board has solicited several proposals from management firms with local presence in Hampton. The cost of these proposals are summarized below for you information.

Evergreen Harvard			Avatar Properties		
Financials	384	monthly	Total	866.67	monthly
Management	960	monthly	Specific fees for various items		
Total	1344	monthly	Fee cost	18	monthly
Fee cost	28	monthly			

**Vote on 2019-2020 Proposed Operating Budget**

**Election of Board of Directors**

Three seats up for election

## Annual Fee Increase Proposal

Below is an extract of the email circulated (both on 5/3 and 5/4) to the association membership. However, currently the Board does not have email addresses for four owners. Therefore this proposal is being captured here for all to reference.

From: Wayne Sevigny, Clerk of the Board

To start, my understanding of association prior discussions / agreements with regard to capital reserves follows ...

An earlier Board put together a Plan A projection to fund replacement of roofs, decks and siding 25 years after their last replacement, including a 2.5% annual cost escalation. A Plan B was also presented which reduced the 25 years on several projects to 20 years to compensate for our beautiful seacoast climate. The plans included projected costs as well as an assessment of what the fee increase would be per project per unit. The fee increases were calculated for different scenarios based on how many years the fee increase started ahead of the project.

Below is Plan A for reference. For example, the Whitten roofs were replaced in 2005, if we replaced them in 2030 that would cost \$142,656, if we started funding that project in 2020 it would require a monthly fee increase of \$24.77 / unit.

### Option A: 2.5% annual replacement cost escalation based upon 25-year useful life

Work Description	Perform in	Projected Cost	Begin Savings	
			5 Years Prior	10 Years Prior
			Monthly Increase	
Dustin Decks (2003)	2028	\$176,000	\$61.11	\$30.56
Dustin Siding (2005)	2030	\$60,800	\$21.11	\$10.56
Dustin Roofs (2005)	2030	\$39,200	\$13.61	\$6.81
Whitten Decks (2007)	2032	\$240,000	\$83.33	\$41.67
Whitten Siding (2005)	2030	\$155,200	\$53.89	\$26.94
Whitten Roofs (2005)	2030	\$142,656	\$49.53	\$24.77
<b>Totals</b>		<b>\$813,856</b>	<b>\$282.59</b>	<b>\$141.29</b>

To date, we have not increased monthly fees and our history is we fund a capital reserve and maintain the property out of the annual budget. I believe it is generally understood that should these projects require action there may be a need for either special assessments, taking out of loans or both. Based on my conversations with other Board members (I have only been an owner since 2017) there were several special assessments prior and, per the 2015 Annual Report, a \$175K loan was taken out in 2006.

Based on the above and numerous Board discussions, we propose the following ...

The roofs were replaced at the same time and will likely require replacement at the same time in the future. So plan for a one time project.

The decks and siding are more maintainable than roofs so we should maintain to extend their useful life. We can monitor the expenses to gain as early an indication as possible before having to initiate a replacement project. These projects will likely require a special assessment or loan or both.

Roofs – Funding a one-time project

<b>Roofs</b>	
\$100,974	Projected Savings balance upon close of 2018-2019 fiscal year
\$5,342	Annual average increase in Savings balance since 2015
11	Number of years until roofs are 25 years old (2030)
<b>\$159,736</b>	<b>Projected Savings balance in 2030</b>
<b>\$181,856</b>	<b>Projected Cost of replacing roofs in 2030</b>
<b>(\$22,120)</b>	<b>Excess/shortfall to fund replacing roofs</b>
\$4,546	2.5% increase in cost
2058	Year we can fully fund project

The above assessment shows that based on our current savings balance and our history of reserve funding since 2015, we will be short of funds to replace the roofs in 25 years. If the roofs last longer we can save more but most of those additional reserve funds will be offset by replacement cost escalation. Our savings is earning interest however with a static fee our annual reserve funding can only be maintained if our expenses are also static and that is not the case. Our insurance costs this year are expected to grow by over \$2529. Also, compounding of the cost escalation above is not included.

Siding – Maintain and Monitor

<b>Siding</b>	
\$216,000	Projected Cost of replacing siding at age 25
<b>Strategy 1:</b>	<b>Maintain to extend life indefinitely</b>
<b>Strategy 2:</b>	<b>Special assessment, loan or both to replace</b>
10	Loan term
4.00%	Loan rate
\$2,187	Monthly Payment to fully fund
\$46	Per Unit Fee Increase
\$4,500	Per Unit Special Assessment to fully fund
\$5,400	2.5% increase in cost



Decks – Maintain and Monitor

<b>Decks</b>	
\$416,000	Projected Cost of replacing decks at age 25
<b>Strategy 1:</b>	<b>Maintain to extend life indefinitely</b>
<b>Strategy 2:</b>	<b>Special assessment, loan or both to replace</b>
10	Loan term
4.00%	Loan rate
\$4,212	Monthly Payment to fully fund
\$88	Per Unit Fee Increase
\$8,667	Per Unit Special Assessment to fully fund
\$10,400	2.5% increase in cost

Both above assessments summarize what these projects would cost as a monthly fee increase (to pay a loan) or as a one-time special assessment.

The assessments also highlight that even though maintenance can delay such projects, the annual cost escalation is almost \$16000/yr which is 3 times our reserve funding average since 2015.

One other project to consider is the Dustin fire suppression system. The Board is currently reviewing the history of maintenance on this system and will likely look to obtain some estimates on replacing. This project could then be added to above for association consideration.

Board Proposal

<b>Proposal</b>	
4.45%	Reserve annual funding history since 2015 as percent of fees
10.00%	Common recommendation (mortgage banks & mgmt. firms)
-5.55%	Excess/shortfall
<b>\$11.56</b>	<b>Monthly Fee increase to fund reserve at 10% of fees</b>
<b>Institute policy to transfer funds at least quarterly</b>	

These additional funds could be used to secure funding for the roof project against both eroding reserve funding and replacement cost escalation. Any excess could be used to reduce future assessments and/or a Dustin fire suppression system project.

The Board feels this is both a modest and prudent proposal.

If you get this far in such a long email, I thank you for your time and look forward to any discussion at the upcoming Annual Meeting.

For Your Board

Wayne Sevigny

History of Savings account balance from Annual Reports (Projected through FY18-19)

<b>Savings (capital reserves)</b>	05/01/15	04/30/16	04/29/17	03/31/18	03/31/19	06/30/19*	Delta
Actual	79604	79807	80047	80268	85974	100974	21370
Growth		203	240	221	5706	15000	21370

Additional Data not included in the original email

<b>Savings (capital reserves)</b>	05/01/15	04/30/16	04/29/17	03/31/18	05/01/19	06/30/20	Totals
Actual	79604	79807	80047	80268	101154		
Growth		203	240	221	20886		21550
<b>Cap Imp</b>	2015	2016	2017	2018	2019		
Budgeted	0	18177	19000	15000	15000	11000	78177
Actuals	6984	23487	1500	0	20706		52677
Maint Bud	4000	3000	7000	55000	15000	15000	99000
Maint Act	4240	11524	794	39484	23635		79677
Cash Flow	21901	15933	41605	-33799	-17225		28415

## Vote on Annual Fee Increase

The Association is not accruing sufficient funds to meet general expectations of capital reserves. General expectations of capital reserves are believed to be monthly deposits into reserves of 10% of fee income with withdrawals guided by a capital expense plan. The Board recommends debate and identification of a fee increase of \$11 per unit per month at this time for a vote at this meeting targeted for long term capital reserves.

## Proposed changes to our Declaration of Condominium & By-Laws

Filing of changes to Declaration and Bylaws as recommended by Counsel to address requirements of the amended New Hampshire Condominium Act are still pending. These changes have been posted to our website as noted in the April 6 Owner Memorandum Notice of Annual Meeting. The Board recommends debate and a recommendation of approval at this time for a vote at this meeting.

## Vote on approval of changes to our Declaration of Condominium

## Vote on approval of changes to our By-Laws

### Other Business raised by others

Mark McCabe mentioned there should be no parking in front of the sheds or gates  
Linda Trabucco mentioned that statements were only sent to unit owners with either a credit or balance due, not to those units which are up to date

Linda Trubucco also raised the issue, originally discussed at the 3/31 meeting that starting 7/1/19 late fees will be charged per Association rules (posted on the website) if a unit is late on its monthly dues. Dues are due on the 1<sup>st</sup> of each month. The PO Box will be visited on the 10<sup>th</sup> of the month and any units not having paid at that time will be assess a \$25 / month late fee.

## **Proposed Date for 2020 Annual Meeting**

Proposal: Saturday May 16, 2020  
Location: The Old Salt at Lamie's Inn  
490 Lafayette Road  
Hampton, NH 03842

## **Adjournment of Meeting**