



Ultimar Three Condominium Association Inc.
1560 Gulf Blvd. Clearwater, Florida 33767

U3 Board Meeting Minutes- 12 February 2022

The meeting was called to order at 0900 hrs by Board President Rick Coté. The meeting was held in person and via Zoom conference call. Mr. Reily indicated that proof of meeting notice was properly posted on 4 February.

The following Board members were in attendance:

Rick Coté,
Said Gabriel,
Sergei Shishkin (ZOOM),
Larry Hallas
Barry Cohen

The Quorum was confirmed. The minutes of the 11 December 2021 meeting were presented, and they were approved.

MEETING PROTOCOL. Board members will present and discuss each agenda topic. If a motion is made and seconded it will be discussed by the Board members and then opened to all owners for comments.

Owners should limit their comments to 3 minutes and if needed, a second round of comments again limited to 3 minutes. After formal conduct of the Board business, an open session for all owners will be held. Owners should keep to a 5-minute speaking time frame.

FINANCIAL UPDATE

As can be seen from the displayed tables on the next page, 2021 operational financial results were better than budgeted. The overall operational deficit amounted to \$3,943 compared to the budgeted total of \$37,011. A slightly higher income was noted due to the increase in dues (offsetting the new Spectrum contract costs approved by the owners. Our operational expenses totaled \$941.6K against \$967.3K in the budget. The major savings were in Payroll and Benefits, Utilities (due to lower electricity payments) and Repair and Maintenance. Our operational deficit in 2021 is fully covered by prior year income surplus of \$40,983. Owners' equity declined from \$224.5K at the end of 2020 to \$220.6K at the end of 2021.

Income and Expenses - December 31, 2021

Unaudited

	Year to Date (Jan.- Dec.)		
	Actual	Budget	Variance
INCOME	<u>\$937,717</u>	<u>\$930,359</u>	<u>\$7,358</u>
EXPENSES			
Administrative Services	\$4,275	\$3,700	\$575
Payroll & Benefits	\$135,730	\$146,588	(\$10,858)
Insurance	\$167,679	\$170,174	(\$2,495)
Utilities	\$220,771	\$230,750	(\$9,978)
Contracted Services	\$87,844	\$75,040	\$12,807
Repair & Maintenance	\$26,689	\$41,800	(\$15,110)
Professional Services	\$16,250	\$16,151	\$99
Reserve Expenses	<u>\$282,422</u>	<u>\$283,167</u>	<u>(\$745)</u>
Total Expenses	<u>\$941,660</u>	<u>\$967,370</u>	<u>(\$25,710)</u>
Surplus/Shortfall	<u>-53,943</u>	<u>-537,011</u>	<u>\$33,068</u>
Prior Year Income Surplus	\$40,983		
Owners Equity (Prior years' accumulated surpluses)	\$224,508		

Ultimar Three Condominium Association End-December 2021 - Balance Sheet Unaudited			
	Operating	(5000) Reserve	
	Fund	Fund	Total
Current Assets:			
Cash and CDs	\$234.4	\$1,158.8	\$1,393.2
Membership Dues Receivable	\$12.3		\$12.3
Prepaid Insurance	\$244.3		\$244.3
Due to Reserves from Operating - Insurance		\$234.2	\$234.2
Due to Reserves from Operating		\$23.4	\$23.4
Total Current Assets	\$491.0	\$1,416.4	\$1,907.4
Current Liabilities			
	\$270.4		\$270.4
Equity	\$220.6	\$1,416.4	\$1,637.0
Total Liabilities and Owners Equity	\$491.0	\$1,416.4	\$1,907.4

In our Reserve expenditures, although there were several unexpected emergency repairs, we were far below our plan for 2021 spending only \$70.6K. against planned \$475.5K. The difference is explained by delayed implementation of Interior Remodeling Project and Glass Block Tower refurbishment. As a result, the Reserve Fund balance at the end of 2021 reached \$1.4M.

In December, a question was raised about our financial trend. The 8-year trend in the table below shows that the possible deficit projected for 2022 has been more than offset with budget surpluses as far back as 2014. Dues have been increased just once prior to 2021, and reserve contributions have been increased in all but two years since 2014.

U3 8-Year FINANCIAL TREND (\$ in thousands)

Period	Surplus (Deficit)	Dues	Δ%	Reserve Contribution	Δ%
*2022B	(39.5)	989.0	4	286.8	2
*2021F	(3.9)	935.8	2	281.2	0
2020	22.4	909.6	0	281.2	14
2019	39.0	909.6	4	247.3	0
2018	22.9	874.7	0	247.3	2
2017	33.2	874.7	0	242.5	2
2016	(12.3)	874.7	0	237.7	3
2015	(9.9)	874.7	0	229.8	14
2014	12.3	874.7	--	200.7	--

* Excludes internet contract dues change as unit owner payment has shifted from Spectrum to the Association, resulting in a net decrease in overall cost to the majority of unit owners.

In December, an owner raised a question about the website budgeting. This item actually includes all computer-related activities and capital improvements along with digital displays, storage, and enhanced ZOOM presentations. Note: the table below has been corrected to include a miscellaneous category for unanticipated needs.

WEBSITE BUDGETING

1. Digital BB is \$600/yr fixed for '22 and '23 contract (first year was free)
2. Website is \$565. Storage increase/upgrade (total budget \$600)
3. Record digitalization: \$500-1,000
4. ONEDRIVE (cloud storage up to \$500)
5. Dedicated Desktop/monitor/ cabling for ZOOM to reach off -site owners (\$1,000).
6. Miscellaneous (\$500)

Budgeting \$4,200 for 2022

As to the 2022 budget implementation, we face a major disappointment. As advised by our insurance agent, our budget for insurance was raised by 20% compared to the previous year. However, at the end of December we received a bill for insurance premiums which was higher than our estimate by 22.5%. That gives us a 46% increase compared to actual figure for 2021. The insurance cost of \$245K. is going to take nearly 25% of our operational budget. This will potentially leave us with nearly an \$85K. operational deficit.

2022 FINANCIAL UPDATE (\$)

Item	BUDGET	FORECAST
Income	990,773	990,773
Insurance Premiums	200,079	245,133
Total Expense	1,030,271	1,075,325
TOTALS	(39,498)	(84,552)

Kevin McNulty (McGriff Insurance Services) has handled our insurance needs for the last 5 years. They are a major broker in Florida. In a recent conversation with him, the following chart explaining current market conditions was presented. As noted, the country is facing unparalleled challenges and costly events that has tightened up markets. Following that is U3 insurance and 2022 premiums.

CRC Group

Why Do Commercial Property Insurance Premiums Continue to Rise?

Commercial property premiums continue to increase at renewal. There are multiple factors at play causing insurance premium costs to rise.

CLAIM INFLATION (LOSS CREEP)
Insurers charge prices today that they anticipate will pay for future claims. However, loss estimates from catastrophic events, like Hurricane Ida, continue to grow. In addition, the impact of inflation coupled with the ongoing pandemic, continuing supply chain disruptions, labor shortages in many sectors, and the rising cost of construction and materials are resulting in claims that cost more than initially anticipated, which or lives up premium prices.⁴

2021 THE 2ND MOST COSTLY YEAR EVER FOR INSURERS!

\$120B
Insurer Payments for Natural Disasters 21¹

Winter Storm URI
\$20B
February 21²

VALUATION CONCERNS
Recent research indicates that commercial assets have often been undervalued by as much as 30%. Uncertain about growing inflation, supply chain obstacles, or potential labor shortages, underwriters are scrutinizing property values more closely. As loss estimations become more difficult to obtain, rates will reflect an added layer of uncertainty!⁵

Hurricane Ida
\$25B
August 21³

50k+ Wildfires Burn >7M Acres
\$70-90B
Throughout 2021⁶

44 Tornadoes Across 9 States
\$5B
Throughout 2021⁶

TIGHTER UNDERWRITING:
Carriers are offering less capacity to mitigate growing losses while maintaining or increasing minimum premium rates. New capacity entering the market is helping to lessen the push for increased rates; however, newer market participants are taking a more selective and disciplined approach to underwriting.

DENIED

U.S. 2021 Billion-Dollar Weather and Climate Disasters
The map shows the approximate location of each of the 27 largest U.S. weather and climate disasters that impacted the United States in 2021.
Source: NOAA, NCEP, NCEP/Climate.gov, NOAA/NWS/NCEP/Climate.gov

HIGHER REINSURANCE COSTS:
Most reinsurance renewal rates will rise in 2022 as losses and inflation pressure property reinsurers. Insurers facing increased costs for capital and capacity will pass those expenses on to insureds as they strive to improve book composition through more technical pricing.⁷

PREMIUM SUMMARY

Named Insured: **Ultimar Three Condominium Association Inc.**

Coverage	Company / Rating	Expiring Premium	Company / Rating	Renewal Premium
Property 1 st & 2 nd layer	Lloyds of London AM Best Rating A	\$130,176.50	Lloyds of London AM Best Rating A	\$201,175.50
	\$5,000 All Other Perils 2% Calendar Year Hurricane Deductibles Sinkhole Included \$15,000 Mold Limit Full A, 10% B & C Ordinance or Law Total Insured Value = \$46,678,698		\$5,000 All Other Perils 3% Calendar Year Hurricane Deductibles Sinkhole Included \$15,000 Mold Limit Full A, 10% B & C Ordinance or Law Total Insured Value = \$46,678,698	
General Liability	Arch Specialty AM Best Rating A+	\$9,567.00	Kimsale Insurance AM Best Rating A+	\$13,660.50
Fidelity Bond	Travelers AM Best Rating A++	\$2,666.00	Travelers AM Best Rating A++	\$3,507.35
D&O Liability	Travelers AM Best Rating A++	Included with Fidelity Bond	Travelers AM Best Rating A++	Included with Fidelity Bond
Equipment Breakdown	Travelers AM Best Rating A++	\$1,016.00	Travelers AM Best Rating A++	\$1,113.88
Glass Common Area	USPlate Glass AM Best Rating A	\$2,750.00	USPlate Glass AM Best Rating A	\$2,750.00
	USPlate Glass AM Best Rating A	\$6,876.00	USPlate Glass AM Best Rating A	\$6,876.00
Workers Compensation	PMA AM Best Rating A	\$2,498.00	PMA AM Best Rating A	\$2,587.00
Umbrella	National Surety AM Best Rating A+	\$2,312.00	Great Point Insurance AM Best Rating A+	\$3,306.00
Estimated Annual Total		\$157,891.50		\$234,976.23

* Minimum Earned Premium Applies
 ** Please note: The above property quote is based on the current mitigation forms and underwriting information. The carrier may inspect the property and amend premiums if their inspection does not match the information that was previously submitted. 50% Minimum Earned Premium applies.
 Flood Policy: 08/25/21 to 08/25/22, Wright National Flood Ins. Co., \$10,160.00 Premium
 Disclaimer: This Proposal/Schedule of Coverage appearing herein is only illustrative and is not intended as a policy of insurance, binder or statement of coverage, or as an amendment, modification or waiver of the terms and conditions of any policy of insurance. In every instance, the policy is the only accepted statement of coverage. Specimen copies of insurance policies are available upon request prior to binding of coverage.

The board searched for alternatives. The chart below shows the results. Few were willing to give us bids. Indeed, U2 uses Frontline insurance and they are not taking on new customers.

2022 INSURANCE QUOTES

QUOTES	Property Layer 1	General Liability	Umbrella
Requested	28	8	11
Unwilling to Bid	26	6	9
Provided Bid	2	2	2
Bid Amounts (\$)	90,356 110,819	14,185 31,000	4,548 10,062

The next table displays our insurance premium history over the last two years. We have had historically low premiums versus U1 and U2 as Mr. Coté gathered from the building meeting in the Spring of 2021. However, total increases of 50% have been seen with the major increases occurring with property and liability. That has most likely brought us in line with our sister Ultimar buildings.

Ultimar Three Insurance Premium History (\$ in thousands)

Insurance	2020	2021	2022	Δ% 2021
Property	\$110.2	\$130.2	\$201.2	55
General Liability	\$7.2	\$9.6	\$14.2	48
Fidelity Bond/D&O	\$2.5	\$2.7	\$3.5	32
Umbrella	\$2.0	\$2.3	\$4.5	97
Equipment Breakdown	--	\$1.0	\$1.1	10
Glass	\$9.6	\$9.6	\$9.6	0
Workers Compensation	\$2.5	\$2.5	\$2.6	4
TOTALS	\$134.0	\$157.9	\$236.8	50

The chart below summarized the premium trends and the impact on dues. In addition, we are currently waiting for our U3 building appraisal (conducted in 3-year cycles). In all likelihood, the valuation will be higher than in 2019. This will produce an additional premium that will maintain our “replacement cost” option. Therefore, the Board will need to consider a dues increase (or borrowing from our owner equity) at our April meeting to cover the increased insurance costs, which are ~4.5% above our budgeted level (note that 2022 dues were raised an equal amount at the December Board meeting which may result in an 8.5% total increase for the year).

We will continue to have discussion and debate with our current broker. We will also assess the benefit and risk associated with changing brokers in this highly volatile environment.

U3 INSURANCE PREMIUM TREND			
Increase by:	2020	2021	2022
Dollars	134,030	157,792	236,744
Per Cent	--	17.9	50.0
Impact on Dues	--	3.0	8.5

MANAGER’S REPORT –

Mr. Reily updated his report from December to include the full Fourth Quarter 2021 and planned activities for 2022.

INSPECTIONS & UPGRADES

- Continued support for building structure & parking garage reviews (Infrastructure Project).
- Ongoing LED lighting upgrades.
- City of Clearwater fire inspection completed. Scheduling in-unit sprinkler repairs. Repacking fire pump bearing & gears, fire pump timer and recycling water valve replaced.
- Main pump system inspected, and adjustment made to water pressure
- Common area heating activated and confirmed working normally

REPAIRS

- **ELEVATORS-** Several anomalies were identified, and Otis called in as needed to safely repair, replace or lubricate equipment. Elevator machine room AC systems (coils) serviced and replaced
- **GENERATOR-** Radiator repaired with ongoing assessment. Hose and exhaust pipe replaced. Generator and pump system quarterly service completed.
- **FIRE CONTROL** – A power outage caused an electronic error with our fire system. It was analyzed, tested, and reset.
- **DOOR REPAIRS** – Ongoing in entire structure, particularly access to Gym

MAINTENANCE

- **GYM and SAUNA.** Recessed florescent lighting was retrofitted with LED equivalents. Exercise equipment repaired or replaced (row machine returned to service). Sauna room door replaced with safer non-locking handle. Spa tile repairs. Toilet repairs & replacement ongoing.
- **WATER SOFTENER.** Completed overhaul of valve actuators & analog to digital time upgrade. Optimizing salt usage in process
- **GARAGE DOOR (Breezeway).** Weathering and humidity in breezeway garages have exasperated the lower panel rusting. Affected panels were treated with rust inhibitor and a moisture resistant coating applied in to extend their lifespan.
- **BUILDING LIGHTS.** Time converted to photocell operation
- **BUILDING WINDOWS.** Washing completed. Lobby window sprinkler residue buildup removed.
- **BUILDING WATER SUPPLY.** Jockey pump replaced.

OWNER UNITS and INTERIOR SUPPORT

- Water leak in 2nd floor units roof repaired and hallway ceiling repaired
- Several unit leaks or drywall issues identified, and owners informed.
- Support given to unit owners for various maintenance projects
- Lobby stairs inspected – handrails re-anchored.
- Renewed insurance policies and binding documents were processed
- Provided support for clubroom owner use and several zoom meeting requests
- New bulk 5K wireless upgrade completed for all units and existing common areas.

OWNER REQUESTS

- Provided property inspection assistance, drafted related title agency documents, and fielded various questions regarding unit sales.

PLANNED ACTIVITIES

- Provide support for building insurance appraisals.
- Review smoke evacuation requirements (Garage)
- Architectural review (AC system venting options)
- Repurposing unused facility rooms (roof pump room)
- Lightning protection (assess current and consider alternatives)
- Remodeling project support (tile maintenance testing)
- Main water supply feed (butterfly valve replacement)

COMMUNICATION PROJECT UPDATE –

Mr. Hallas reorganize the project as follows:

Larry – Lead as Board member plus Bulletin Board and Digital Signage

IAN – Website

BARRY – Owner Outreach

Mr. Koenig updated the owners on website upgrades since his December report. The expanded access to financial and meeting minutes was described. The owner directory ‘detailed listing’ was explained. The structure of the Ultimar III documents was clarified, and finally, how to use the Suggestion box was enumerated. Owners are encouraged to contact the Board or Mr. Koenig for any suggestions.

CONSTRUCTION PROJECT UPDATE –

Mr. Gabriel gave a thorough review which is available on our website. The key slides are noted below:



STRUCTURAL COMMITTEE
UPDATE AS FEBRUARY 8, 2022

- Introduction
 - U₃ Board approved formation of Structural Committee during its meeting of December 11, 2021
 - Said Gabriel was charged to form the committee from owners on volunteer basis and develop a charter
 - 5 Members joined:
 - Said Gabriel (chairperson) Cleopatra Cabuz, Jean Makesh, Jacky Schriver, Stephen Copley and Rocky (Building manager)



STRUCTURAL COMMITTEE
UPDATE AS FEBRUARY 8, 2022

- Actions:
 - The committee conducted two meetings to review the reports done by U₃ in August 2021
 - Review the visual inspection report prepared by Universal to HOA.
 - Review two bids obtained by the Building Manager (Karins Engineering and Delta Engineering) to perform visual inspection of the U₃ Building and the glass tower.

STRUCTURAL COMMITTEE
UPDATE AS FEBRUARY 8, 2022

- *Action Plan:*
 - Karins Eng. was selected as engineer of record based on experience, capability and capacity to perform the following work:
 - Review the structural blue prints of U3 building (Tower)
 - Review all available pictures and reports on hand to plan repairs
 - Recommend repair procedures with a certified concrete contractor
 - Supervise the repairs progress and issue report
 - All work will be performed by a professional Engineer.

STRUCTURAL COMMITTEE
UPDATE AS FEBRUARY 8, 2022

- After all repairs are completed, a detailed visual inspection will be performed for the following:
 - 100% of all Habitable and non-habitable spaces for all units
 - 100% of balconies and handrails
 - Walkways
 - Stairwells
 - Walls
 - Structural components and supporting columns.

STRUCTURAL COMMITTEE
UPDATE AS FEBRUARY 8, 2022

- Report all the findings, recommended repairs, procedures and estimate
- Any significant deficiencies discovered must be completed immediately

Visual inspection will start and be based on the approved new Legislation Bill providing it is passed and be in effect within a reasonable time frame

REMODELING UPDATE –

Mr. Hallas asked for a 4-6 week extension to work through the 3 requests given to the committee by the board at the 30 October Board meeting: address tile maintenance and possible health issues as well as first floor décor. Progress has been made as noted below. However, the group has not come together on tile and an approach for first floor decoration options as well as décor and repurposing furniture for the first floor (and beyond).

Mr. Coté noted as a follow up to the various statements read at the October and December meetings - and the request by owners for further additional information - that he is **committed to presenting a ‘next steps implementation proposal’ for consideration by the Board at the April 9th meeting.**

After other board member comments, the extension was granted.

REMODELING Update

Only 2 members of original committee volunteered. Meetings were not easily accomplished so reached out via e-mail to members and owners.

1. Committee member discussed tile alternatives.
2. Discussed tile maintenance testing with manager
3. Discussing tile health with owner experienced with nursing homes.
4. Ongoing discussions with owner for U3 décor styles and strategies

Asking for 4 -6 weeks to bring issues to a close with concrete recommendations for moving forward.

NEW BUSINESS

-- **Community Forum:** Mr. Cohen reported on the first two meetings which were held in January to get feedback from owners. Summaries were circulated among the board members and plans are underway to implement suggestions into U3 Best Practices and our culture. A third forum will be held after today’s board meeting. Further forums are planned afternoons of board meetings tentatively scheduled for April 09, June 04, October 08, December 17.

-- Management Contract: Mr. Reily was asked to leave the session in order for the Board to discuss with the owners his 3-year employment contract. It automatically renews in 1 March for an additional 3 years (covering employment from June 1, 2022 thru May 31, 2025). Mr. Reily has been employed since 2008 with the current contract in place since 2013 (and renewable every 3 years).

MOTION: “Shall the Board allow Mr. Reily’s employment contract to auto renew for a new 3-year period 6/1/22 thru 5/31/25.”

The motion was seconded by Mr. Hallas and opened for discussion with unit owners. There were comments on the contract length and how the Board provides feedback and direction in the daily operations. Some owners made critical comments regarding Rocky’s performance and even recommend that his contract not be renewed and to only enter a 30-to-90-day employment arrangement. Other owners were in support of our building managers performance and supported renewal of his contract. Mr. Coté noted that the board will better define procedures and protocols. It was also noted that Mr. Reily’s formal evaluation is given in June.

ACTION: After answering owner questions, the Board unanimously voted in favor of the motion. Mr. Reily then rejoined the meeting.

-- Organizational Changes – Mr. Shiskin announced his resignation as Treasurer but to continue as a member of the Board for the term ending in December 2022. Mr. Coté thanked him for his service and formally requested the appointment of Mr. Hallas as Treasurer and Mr. Shiskin as Secretary. After a brief discussion, the Board gave its approval.

OPEN DISCUSSION

There was considerable discussion on several topics that included:

- A better method for package drop-off by USPS, UPS, and FedEx. Cluttering the postal room is not acceptable. Possible use of the current vestibule before entering the gym was one idea.
- We should consider common-area cameras.
- Expand communication tools (e.g., a lockbox for suggestions)
- Someone on the Board handling the storage of voter ballots and the election count (possible electronic voting?).
- A mention that the HOA election mailing (for interested owners in serving) was not received by all U3 owners (Note: U3 representatives to the HOA board (Messrs Schryver and Copley) were asked to follow up with the HOA manager.

Frustration over the pace of remodeling

ADJOURNMENT

With no other topics for discussion this section of the meeting was adjourned at 13:05 pm
