



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

ULTIMAR THREE Board Meeting Minutes

9 April 2022

The meeting was called to order at 11:05 am by Board President Rick Coté. The meeting was held in person and via Zoom conference call. Mr. Reily indicated that the meeting notice was properly posted on Friday, March 25, 2022 or 15 days prior to the meeting.

The following Board members were in attendance:

Rick Coté, President
Said Gabriel, Vice-president (via ZOOM)
Sergei Shishkin, Secretary (via ZOOM)
Larry Hallas, Treasurer
Barry Cohen, Director

The quorum was confirmed by roll call.

The minutes of the February 12, 2022 meeting were presented and approved.

MEETING PROTOCOL

Mr. Coté presented the following 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. Due to no objections, this protocol was accepted.

FINANCIAL UPDATE

Mr. Hallas reported that the 3rd Qtr. Financial Report should be available for upload to the website in the next few weeks.

Mr. Hallas pointed out that we received insurance premium bill in late December and immediately paid it to maintain our coverage. There was a \$100,000 increase in 2 years, and a 50% increase over last year. Dues increase that was voted on in December 2021 in anticipation of higher insurance premiums was for a 4% increase. With actual numbers in place, we fell short by half.

Mr. Hallas presented a February Summary of income and expenditures in the following slide:

Ultimar III Condominium, Statement of Revenues & Expenses

February 2022 in USD unaudited

	Annual Budget	Forecast	Forecast with Dues Increase
Ordinary Income/Expense			+5%
Income			
Total Income	990,773	990,773	1,024,728
Expense			
Total Administration	3,700	3,700	3,700
Total Payroll & Benefits	152,841	152,841	152,841
Total Insurance	197,776	244,316	244,316
Total Utilities	238,930	238,930	238,930
Total Contracted Services	88,136	88,136	88,136
Total Repair & Maintenance	37,400	37,400	37,400
Total Professional Services	23,425	23,425	23,425
Total Reserve Pool	288,070	288,070	288,070
Total Expense	1,030,278	1,076,818	1,076,818
Net Income	-39,505	-86,045	-52,090

The last column in the table assumes an additional 5% dues increase. We still will be in deficit and will need to look to current expense reduction across the board to minimize this as much as possible.

There was a suggestion to introduce a 5% dues increase effective 1 May to help offset the substantial increase in insurance premiums that occurred after our 2022 budget approval.

In the discussion that was opened to owners there were several suggestions to postpone the dues increase until a later date when a more reliable financial forecast could be made or to increase the dues even more to eliminate the envisaged deficit. A total financial review through a committee or a project was discussed. A project approach was agreed with Mrs. Coté and Mr. Jones volunteering to participate. Mr. Hallas agreed to set up project session(s) and to provide resulting recommendations by late April 2022. Mr. Schryver and Mr. Fleites refused to participate unless a special committee was formed.

There was a discussion on dues comparison with other condo associations. Mr. Coté suggested that the best analysis would be of dues per square footage or even cubic footage to consider ceiling heights. Mr. Schryver offered to obtain the actual income statements and budgets and dues for units at U1&2 and the Meridian.

MANAGER'S REPORT

Mr. Reily introduced several points concerning building's maintenance and repairs. In particular, the Fire Sprinkler System: the following two slides were presented:

Sprinkler System Inspection

- Common areas have virtually no issues
- Still need to inspect ~15 units
- Issues within individual Units
- ~ 392 sprinkler head covers need replacement due to corrosion, painted covers or missing covers
- ~14 sprinkler heads need replacement, extensions or eliminating blockage

Sprinkler Inspection - Next Steps

- Complete inspection of owner units
- Identify contractor to perform remediation in unit owner premises
- Each unit is responsible for costs incurred with exposed sprinkler items (sprinkler head and covers)
- Association is responsible for sprinkler piping behind walls
- All work will be done by the association approved vendor
- Scheduling will need to be coordinated with vendor through Rocky
- Communications will follow once the process and vendor are finalized

In the discussion, there was a suggestion that the sprinkler system inspecting company should not be the one selected to perform the needed repairs. On other repairs, a list of outstanding items requested at the last Board meeting and a report on repairs progress had not been presented. This item requires action by Mr. Reily.

COMMUNICATION PROJECT UPDATE

Mr. Hallas advised that the Communication Project was in the process of updating certain protocols to allow owners to request records and register complaints. There are forms that need updating to allow owners to go on record and get replies in writing. Also, the OWNERS INFORMATION GUIDE was being updated. A copy would be given to every new owner and available on the website. This guide will help owners navigate the Rules and Regulations and how they fit into our current Ultimar Three culture. It will be available sometime later this year.

The Ultimar III Website was fully operational and will be monthly updated with relevant documents and information. Mr. Hallas urged all owners to use the website to stay informed about current Ultimar 3 affairs.

CONSTRUCTION PROJECT UPDATE

Mr. Gabriel introduced the following slide of the Construction Committee recommendations:

Engineering Report Recommendations

1. The committee has unanimously accepted the report from Karins.
2. Proceed ASAP with the repairs as recommended by the PE.
3. Repair the area of the paver and install a membrane under the pavers and correct the slop by professional contractor (licensed)
4. HOA will decide who will repair the parking deck areas in accordance with the Karins recommendation. The repair procedures from the contractor to be coordinated with Karins engineer
5. Repair expansion joint at the stair door. Add membrane inside staircase
6. Repair column PAA-23 and adjacent areas
7. HOA has to prioritize the repairs of this area due to water leaks

The Committee recommended retaining Karins, as an engineering company of record, to proceed with the glass tower inspection. The Committee also recommended approving the proposal from Karins company for inspecting the building with timing based on the formal adoption of the new legislation or within six months if it would not be forthcoming.

The motion to approve engineering contracts for building and glass tower inspection was seconded and approved unanimously.

NEW BUSINESS

Mr. Coté introduced the following items for discussion:

- Authorizing Zoom as a method to conduct Board and member meetings. There was a motion to allow all future meetings to accept participation via Zoom or similar type video conferencing capability? The motion was seconded and approved unanimously.
- Consider a 1% fee on unit owners remodeling construction costs with a purpose to cover extra cleaning and damage repairs caused by construction workers. No discussion followed.
- Consider a one-time charge for condo rentals of two monthly maintenance dues to cover costs associated with renters. No discussion followed.

On the issue of Remodeling Owners' Re-voting, the results of the earlier owners' meeting were questionable. Therefore, a legal advice would be sought. Nevertheless, the sense of the owners was indeed obtained at the member's meeting to proceed with an owners vote.

OPEN DISCUSSION

Mr. Coté addressed assertions and queries received by the Board earlier regarding Reserve Studies for planning and funding of future replacement of the building's equipment and other physical assets.

Assertion 1: A review of the Reserve Study from 2018 through 2021 reveals that the present common area tile floor was never incorporated into the plan. By introducing the floor as a specific item in the 2021 Reserve Study the Board appears intent on using existing pooled funds to pay for the new flooring. Funding this floor replacement, in essence, "raids" and compromises the Reserve funding.

Assertion 2: The Board sought members' approval for the remodeling under the "guise" that its cost was covered by the Reserve Study. This was a "clever" attempt to mislead owners by representing that the funds were available.

There was the following response to these two assertions:

These assertions couldn't be any further away from the truth. There are some basic rules. The Reserve Study incorporates assumptions such as the life of assets and when funding should be available to replace those assets, the cost of the replacement, and the timing of discretionary items such as painting, rug replacements and remodeling. These assumptions are reviewed each year when an updated Study based on new information, estimates, new facts or changes in assumptions is prepared. It is also important to know that the Reserve Study is prepared, critiqued and signed off by an independent consultant - Dreux Isaac & Associates, a renowned expert who has been preparing our Reserve Studies for over 10 years. Every 3 years Dreux Isaac & Associates conduct an on-the-ground review of the entire Ultimar Three premises and equipment to ensure that all the proper items are included in the Reserve Study. They also

independently identify the useful lives of assets, using documented independent reports on replacement costs.

Also, under the Reserve Study, which uses a pooled reserve fund philosophy, all expenditures are spent out of the pooled funds. These pooled reserve funds are restricted and may only be used for the items listed in the reserve schedules unless the owners vote otherwise. The Ultimar Three Management or the Board cannot change what assets are included in the study, their respective lives or replacement cost. The Ultimar Three management and the Board have flexibility as it relates to cosmetic items only such as how often we repaint the common premises or replace rugs.

This is a direct quote from Dreux Isaac & Associates: "Under 'pooled cash flow' plans, all reserve funding contributions go into a single pooled reserve fund and all reserve expenditures are spent out of this same fund. These pooled reserve funds are restricted and may only be used for the items listed in the reserve schedule – unless the membership votes otherwise. With respect to reallocation, a pooled reserve plan does not allocate funds to any specific reserve item. As such, you are not reallocating when using reserve funds to pay for any reserve component listed in the schedule. It is a pool of funds that can be used for any of the components listed in the reserve schedule."

This is another direct quote from Dreux Isaac: "The Reserve Studies we prepared prior to 2021 included the component "Redecorating Lobby Levels 1, 2 and 3. This was for ANY TYPE of redecorating expense at the lobby levels including the flooring. After our 2020 on site survey, we listed the lobby level flooring separately from the lobby level redecorating as we determined it had a different useful life and a higher cost. This component was for replacing the existing flooring, not a Capital addition or improvement". Again, this is a direct quote from the president of the Reserve Study consulting firm.

Since the floor remodeling has been in the Reserve Study since at least 2017 as part of the remodeling line items, the Board did not "raid" or "steal" from the Reserve Fund to fund the floor replacement component.

The assertions mentioned above were followed by a request that the Board remove the proposed new floor from the Association's Reserve Study and "cease its pursuit for the remodeling implementation until owners are clear on the funding and provide the proper approval. Failing to do so, these owners will hold the association, and its directors, accountable for any harm suffered and will file the appropriate complaints with the relevant regulatory bodies."

Response: The Board takes its fiduciary responsibilities very seriously. This claim is totally without merit, since the funding for the remodeling project was duly included in the Reserve Study and the owners voted in June 2021 with 55 owners approving the remodeling project and only 3 owners objecting to it.

There were other questions/assertions also relating to the Reserve Study:

Question: In 2019 a new item was included in the Reserve Study relating to the open area parking and garages for sprinkler from reserve funds heads/values repair/replacement. Did the Board pretend to fund their replacement as it was never previously in the reserve study? Is this coming from the "same playbook the Board is using to fund the proposed lobby floor"?

Response: Some time in 2018, the HOA decided, that the buildings would now be responsible for the common area parking sprinkler system. Thus, Ultimar Three added in a new item to the Reserve Study that we are now responsible for. The change in life for the sprinkler systems is determined by the independent consultant. There are reasons why we have an independent consultant performing the reserve study. This is a very complicated process, and they are experts in this area. They validate every assumption and data element that goes into the study. We have full confidence in their work and act in accordance with their recommendations.

Question: Why the Board didn't fully fund the 2021 Reserve Study recommendation compiled in 2020?

Response: 2020 was the first year of COVID epidemics. We received the consultants' report late in the year. They were unable to make any changes given the timing, so we made the decision to go to the owners with a more realistic number – basically assuming continuation of the 2020 Reserve Study – knowing there would be changes made the following year. Indeed, after a very detailed review early in 2021, the consultant agreed to the changes which yielded a more realistic 2022 Reserve Study Plan (and related annual reserve contribution).

Question: Why do useful components' lives in the Reserve Study change and why was the cost of fire sprinkler system presented as generic total instead of its various components?

Response: The Reserve Study detail is adjusted each year based on changes in assumptions and facts, entirely in consultation with and the approval of the independent consultant. We have also been advised that it is better to group similar items together for simplification, particularly since the study is a budget place holder for future spending. So, in the 2022 study all the fire sprinkler system components were grouped with a planned repair/replacement program over 3 years. And the amounts were increased from ~\$30,000 in 2020 to \$45,000 in 2022 and funded accordingly.

Question: This question concerned the recently completed fire suppressant system performed by Fire Legacy Systems in November 2021 and it related to the next steps and funding of repairs.

Response: Repair/replacement of fire suppressant systems is included in the Reserve Study. The building manager will handle execution of the next steps. The Board needs to make a decision as to whether the work that needs to be performed in an owner's unit is the responsibility of that owner and/or the association. This matter was already addressed by the Board. If expenditures are greater than or less than the estimate, the Reserve Study will be adjusted in the next report.

The open discussion also focused on several issues:

- Sprinkler inspection. Several owners disagreed with inspection results. A second inspection was suggested.

- Leasing of condos and seeming abuses of rules. It was suggested that a letter be sent to all owners outlining rental and swapping policies. Copies of all leases and leasing forms should be filed with the Association.
- Mr. Schryver (an owner and HOA President) stated that there may be an overlap in insurance coverage between Ultimar Three and HOA. He offered to provide the data on HOA insurance which would be very useful.
- Mr. Coté asked Mr. Reily to present to the Board an actionable proposal to complete the A/C venting system at the June Board meeting.
- Mr. Coté requested the Construction Committee to present to the Board an action plan and a timetable (agreed with HOA) to address water intrusion identified in the engineers' report. Several committee members advised that this issue did not affect Ultimar Three building integrity and the plan would be presented at the Board meeting in June.

Mr. Coté also stated that the Board has just received a 17 page analysis from Gus and we thank him for all the effort he put into the analysis of the Reserve Studies. There are reasons why we have an independent consultant performing the reserve study - this is a very complicated process; they are experts in this area; they validate every assumption and data element that goes into the study. We have full confidence in their work and act in accordance with their recommendations.

On the suggestion to conduct an audit of the Reserve Studies, we checked with the consultants as well as our auditors. Both responded that they had never been approached about an audit of this kind and were unclear as to exactly what would be audited. It is, therefore, proposed that this suggestion be accompanied with details on who should perform that audit, its nature, scope and costs associated with such a task.

Mr. Coté reminded that the next owners' and Board meetings will be held on June 4, October 15 (only Board meeting) instead of October 8 and December 17.

The meeting was adjourned at 2:10 pm.