



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

U3 Budget Meeting Minutes

December 19, 2020

The meeting was called to order at 9:08am by Said Gabriel, who will act as Chairman of the meeting. The meeting was held partially in person and mostly via Zoom conference call.

Mr. Reily indicated that proof of meeting notice was properly posted.

The following Board members were in attendance either in person or via Zoom call:

Said Gabriel

John Somers

Sergei Shishkin

Rick Coté

Harry Winter was absent due to an illness.

Approval was requested for the minutes of the August 8, 2020 meeting and they were unanimously approved.

Mr Shishkin then gave his 2020 financial presentation and 2021 budget presentation as follows:

In accordance with our by-laws, he submitted the Budget Proposals for 2021 to be discussed at today's meeting. He mentioned that the proposed figure of our Income may change depending on the financial result as of the end of 2020. Our forecast, as of mid-November 2020 is a surplus of \$40,983. Therefore, the proposed figure of our Income is higher than the forecast for 2020 by 13.5%

As can be seen from the table, the big increase in our expenses is in Insurance - 14.5%. This is based on the forecast made by our insurance agent. In previous years, his forecasts turned out to be higher than actual premiums. We hoped that this would be the case for 2021 but two days ago we received a bill from insurance companies that crushed our hopes: the premiums are 15 % higher than in 2020.

Our estimated Income and Expenditures result in a net deficit of \$50,560 which is unprecedented in our financial history. This deficit is caused by two factors. The first factor is the cost of electricity that is going up 41.9% compared to our forecast for 2020. It is a result of HOA Board's decision to stop reimbursing Ultimar Three for the electricity supplied to common HOA facilities. In prior years this reimbursement amounted to \$24,000 per year. The HOA has informed us that a sub meter, installed on the pool heating system, should lessen the impact of this decision. Nonetheless, that assumption cannot be factored into our budget until a further analysis is completed. The HOA recently agreed to reimburse our electricity expenses in 2020 in the amount of \$17,000. But we lose \$24,000 in our budget for 2021. This makes HOA look good with a surplus \$118 thousand in 2021.

The second factor is an increase in the amount of our reserve contribution suggested in the Reserve Study prepared by an outside specialized company. This study covers a period until 2050 and is renewed every year. According to the latest report that we received in draft form last week, the company suggested that we increase our reserve contribution from \$281,167 in 2020 to \$326,110 or by 16%. Such an increase would definitely require raising our membership dues. My review of the draft report showed that several assumptions made by the company did not correspond fully to our plans. For instance, the company's projected expenses for 2021 were \$573,900 instead of our projection of \$462,000.

Our Reserve planning is based on the preliminary estimates of various projects aimed at improving the conditions of Ultimar Three common facilities. In 2021, the major project is going to be Interior Remodeling (\$440,000 out of the total of \$475,500). The composition of that project was submitted for the survey of all unit owners in the beginning of 2019 and thoroughly discussed at the meetings of the Interior Remodeling Committee. Regretfully, the progress of the project was delayed by the epidemics of Corona Virus. It has to be emphasized, that the final designs and costs for that project will be put to vote of unit owners.

According to our estimates, the balance of our Reserve at the end of 2021 will be \$1,091,951 which is more than the required balance estimated by the company of \$923,031. The same applies to the year 2022 (our estimated year-end balance is \$1,065,518 versus \$902,710 suggested by the company). In my opinion, our reserve planning will be sufficient to fulfill the needs of maintaining the high standards of our common facilities in the next five years.

In order to reduce the amount of deficit in the proposed budget for 2021 to an acceptable level the owners had been invited to vote to leave the amount of annual contributions to the Reserve in 2021 at the present level of \$281,167. The voting results showed that the owners had agreed with this proposal. However, this would still leave us with a deficit of \$14,221 in 2021 budget. To avoid this situation, the Board may make a decision to raise the membership dues. The rise of 2% will give us a small surplus of \$4 thousand. There are two options in the submitted table for the Board to decide.

If we look beyond the year 2025 in our Reserve planning, we can see another costly project planned for 2026, Exterior Painting of our building. According to the Reserve Study, this

project will include metal railings and sliding frames. The whole cost of the project is estimated at around \$1 million. Together with replacing our elevators, which is planned for 2024 and estimated also at around \$1 million, these expenditures may temporarily exhaust our Reserve Fund or bring it to a very low level (around \$100,000). I would not consider this situation as acceptable even for a short period of time. Even though the Reserve Fund will be restored to a comfortable level of about \$1 million during the years 2027 and 2028, the Board should consider additional steps in order to avoid these sharp fluctuations in the Reserve level. Among these steps I suggest a detailed review of priorities of our Reserve projects and discussion with the Reserve Study company.

A discussion then ensued regarding the electricity reimbursement, insurance premiums and whether budgeted expenses were conservative based in prior years reserve surpluses.

A motion was made by Rick Coté that a 2% increase in member dues become effective January 1, 2021. John Somers seconded the proposal. A further discussion continued including comments from residents. Options discussed included delaying an increase for another year, delaying until mid year or applying a special assessment if needed. We were reminded that a 4% increase was approved in 2018 for 2019 dues specifically as an increase in the reserve contribution to support a potential interior remodeling project.

Upon completion of discussion, the Board unanimously approved the motion to increase dues by 2%.

Rocky Reily then introduced the opportunity from Spectrum Cable to provide 400Mbps internet service to the entire building for a monthly charge of \$25 plus fees and taxes (estimated to total \$29 per month per resident). This would generally compare to current monthly charges paid by residents of \$50-\$100 for internet service of between 100Mbps and 400Mbps, thus a substantial savings. It was recommended that we should discuss this opportunity with the other two Ultimar buildings to see if we should negotiate a consolidated Spectrum contract, despite each building contract expiring at different times. Mr Reilly will pursue final contract language and bring this to the board for approval, in early 2021. This would result in an increase in monthly dues, with substantial saving by each resident in their monthly Spectrum bill. Approximately 75% of residents currently use Spectrum cable. The monthly increase would apply to all residents as is currently applied with basic cable paid by the Association. It was also recommended that we re-assess how we allocate the monthly cable bill to residents (based on unit sq. footage vs same charge per unit)

With no other topics for discussion this section of the meeting was adjourned at 10:05am.