

# **ANNUAL MEETING OF PBV UNIT OWNERS**

**MEETING DATE: Monday, January 8, 2024**

**MEETING TIME: 10:00 A.M.**

**MEETING PLACE: PEBBLE BEACH VILLAS CLUBHOUSE**

## **MINUTES**

**1. ELECTION OF CHAIRMAN:**

Don moved to elect Kevin as Chairman, Steve seconded the motion, and all approved.

**2. CALL TO ORDER:**

Kevin M. Kelly called the meeting to order at 10:00 a.m.

**3. ROLL CALL:**

Present: Kevin Kelly, Peter Probasco, Steve Croft, Don Groshong, Bette Tsoutsouras ,  
Dave Chisholm, and Ken Quinn.

**4. CERTIFICATION OF QUORUM:**

Mike Gallagher confirmed certification. Requirement satisfied.

**5. APPROVAL OF MINUTES January 9, 2023:**

Motion by Bette, seconded by Don, to approve the January 9, 2023 Minutes and to waive reading of the Minutes. Motion unanimously approved by the Board.

**6. PRESIDENT'S REPORT:**

It's great to see so many of our neighbors here this morning. This is a special and eventful meeting today, for 2024 is the 50<sup>th</sup> anniversary of PBV! As has been stated many times, our PBV community has been blessed over these many years. We have a rich history of past owners working hard to enrich our community. Many have passed their units on to the next generation, preserving our community and neighborly culture.

Barbara and I began renting at PBV in 2008 and we finally bought in 2017. We simply could not resist the many benefits offered at PBV:

- The community spirit and volunteerism for Halloween, Valentines Day, Soup Supper, St. Patrick's Day, End of Season Party, and more recently Thanksgiving Dinner hosted by the Davis family
- Families regularly sharing holidays at PBV during the Kids' school breaks
- Friday Night "Happy Hour" sharing cocktails with our neighbors

- The many volunteer owners who over the years maintained and cared for our property, such as original-owner Helen Kennedy, who took so much pride in developing the PBV plantings and vegetations.

So, we have a wonderful legacy! Our challenge is to continue the accomplishments over the past 50 years and continue to dedicate ourselves to move PBV forward. In fact, with Board updates today, our Owners can have confidence that PBV is in excellent condition and with owner support we can continue to maintain PBV going forward.

However, progress comes at a cost, and many of our Owners are well aware of this! Owners are concerned about the significant increases in monthly fees and the burden of the need for Special Assessments. Unfortunately, PBV has been hit with the perfect storm of two convergent issues:

- Inflation has increased many costs by 20% or more. In fact, insurance, water costs, and waste disposal have all gone up over 50% in this recent budget.
- For 15 years PBV failed to properly reserve for roofing expenses. We were reserving at a \$230,000 projected expense over 15 years when the real costs are a million dollars higher.

Though we can't undo the past, what I can tell you is that the Board believes that future assessment increases will be limited. Part of the rationale for optimism is the progress we have made in maintaining and improving the aging property.

Our Program starts with the BOD Projects Plan strategy instituted in 2020:

- The Board developed a projects plan for over 60 projects over a 10-year period. The Board has completed about half of the projects, with the remaining scheduled on an annual basis over several years. Each project has to be planned out, estimates received and vendors selected and managed.
- Projects that have been completed pre-2023 are extensive, including the following.
  - Blacktop repair and resealing
  - Removal of 4 overgrown and dangerous pine trees
  - Replacement of 3 clubhouse doors
  - Replacement of pool entry railings
  - Renovation of tennis and shuffle ball courts
  - Replacement of pool heater
  - Installation of Pool safety fence
  - Repainting of the mail boxes with new number on boxes.
  - Replacement of 13 garage entry doors and locks on all doors
  - Repair and sealing over 40 stucco/rebar cracks on buildings
  - Installation of new security system with 10 cameras & beach gate security lock
  - Installation of new washers/dryers/tankless hot water heaters

- During 2023 the PBV Board continued several facility improvements, including some projects that have plagued PBV for many years, including
  - Landscape lighting and building lighting replacement collectively reducing lighting wattage consumption by 75%.
  - Building soffits replacements on four buildings (no more woodpeckers!)
  - F-Building flooding problem resolved
  - Pool upgrade/repair completed
  - Replacement of pool chairs and side tables and restringing of all lounge chairs
  - Redesign of the PBV Front Entrance sign.
- So, when you assess the completed projects prior to 2023 and the 2023 projects, it is clear that we have accomplished a great deal!
- Kevin asked Ken to report updates on the roofing project:

## **7. ROOFING REPORT: Ken Quinn, Director**

The reason for the new roof is that the insurance company gave us a final decision to put a new roof on or lose the insurance coverage. PBV yearly rate has gone from \$60,000 3 years ago to over a yearly rate of \$200,000 as of this year. If PBV should lose their current insurance our only other recourse would be Florida backed Citizens company and would be a yearly rate exceeding \$400,000.

Last year, 2023, the PBV board voted on and passed a resolution to install a shingle roof. Upon much research it became clear that a metal roof was a better selection, both for longevity, protection, warranty and insurance coverage. The board brought the material change to a vote of the membership on 1/8/24 and was passed by a majority vote.

Along with the metal roof we are required to use metal hurricane clips on all of the perimeter rafters of the buildings, the interior walls and beams.

After the existing shingles are removed it will be determined what, if any, plywood needs to be removed and replaced or reused. After the completion of the plywood the peel off underlayment will be installed followed by the new metal roof. The PBV board is hiring an insurance mitigation contractor. He will be the installer of the internal clips. Additionally, he will be the ongoing inspector for the roof installation as work progresses.

The flat part of the roof will have a white elastoflex finished cap installed on top of a sloped, built-up roof to create a ¼" slop for water shed.

A 7" wide gutter system with 6" down spouts will be installed on all buildings.

## 8. TREASURER'S REPORT:

Summary: 2023 and 2024 are expensive years for PBV Owners, costs have increased significantly--with insurance, trash removal and water/sewer having the most significant impact. In addition, our failing roof, recent hurricanes, and a state wide insurance crisis has caused PBV's insurance costs to more than double in just two years. The goal of this report is to help owners understand these increases, their impacts on our yearly costs, and what we can and cannot control.

### 2023 Financial Highlights--Operations

We estimate that 2023 ended with total operating expenses of \$423,300 which exceeded income of \$414,100—for an operating income loss of about \$9,300. While many cost elements ended very close to budget, the cost overrun was primarily due to:

- Insurances cost increased \$6,400 per month for November and December resulting in \$12,400 negative variance.
- Trash Removal expense increased in January 2023, resulting in a \$4,200 negative variance.
- Water/Sewer expenses increased \$3,800 due to a price increase.
- Legal Fees were \$2,500 over budget due to consulting needed for revising By-Laws and Condo documents.

These were offset by positive variances in Miscellaneous Expenses (\$8,400), Grounds & Landscaping (\$2,650), Recreation Facilities (\$2,250), Electricity (\$700) and several other smaller positive variances. Based on 11 months actual, and one month estimated, PBV used 10% less electricity in 2023 than we used in 2022.

At the end of each October, PBV prepays about 25% of the next year's insurance costs. Because PBVs insurance cost increased so much this year, our prepaid insurance also jumped from \$44,098 (fall of 2022) to \$70,528 in November 2023. This is 29% of our total insurance cost. By doing this we saved additional interest costs on our insurance. While PBV will recover this cash over by 10/31/2024, it ties up a great deal of our operating cash for much of this year. Including the \$9,300 operating loss from 2023, this is about an \$80,000 drain on our operating cash. While not a critically urgent problem to fix, we must begin rebuilding cash. This is why the 2024 budget includes a surplus line to increase PBVs cash by \$14,000.

### 2023 PBV Reserve Fund Activity

Reserves activity in 2023 for four of our five reserve funds went very much as planned. We started 2023 with \$670,468, we added another \$103,001 during the year, along with accruing \$9,460 of interest income. Planned expenses were \$142,911--\$60,012 from our Building Reserve, \$40,023 from our Recreation Reserve, and about \$5,000 from our Paving Reserve. However, we also had unplanned expenses of \$31,875 from Roofing Reserve. This is further evidence of the need to replace roofs as soon as possible.

Further details are:

- Building Reserve: Venting and repairing soffits (\$43,400), new building lights (\$8,200), landscape lighting (\$4,656), painting and replacing shutters (\$1,821), new kick plates for unit doors (\$783).
- Recreation Reserve: We drained and replastered the pool (\$31,246), replaced the clubhouse HVAC (\$7,403), and repaired the lounges and purchased new chairs (\$7,375).
- Paving Reserve: We installed sand drains along F building to control flooding (Est. \$5,000).
- Roofing Reserve: In the last half of 2023, we needed to repair a total of 15 spots on our roofs for a total cost of \$31,875. Every building had at least one roof repair—D building had five. We also removed the old solar panels from H buildings along with a repair.

Table 1, below, summarizes 2023 Reserves activity:

		2023 Reserves: 11 Month Actual, 1 Month Estimated			
		1/1/2023	2023	Interest	12/31/2023
Table 1		Balance	Assessments	Income	Estimated Expenses Estimated Balances
	Roofing	\$467,595	\$45,318		\$31,875 \$481,038
	Painting	\$958	\$17,294		\$18,252
	Paving	\$78,353	\$15,275		\$5,000 \$88,628
	Recreation	\$53,629	\$11,923		\$46,023 \$19,528
	Buildings	\$69,933	\$13,191		\$60,012 \$23,112
	Unallocated Interest			\$9,460	\$9,460
	Totals	\$670,468	\$103,001	\$9,460	\$142,911 \$640,018

#### 2023 Reserve Fund CD's:

In March 2023, we invested \$500,000 of reserves money into four CD's for various periods and the best available local interest rates. The two shorter term CD's matured in October and November 2023, producing \$8,000 of interest, and they have been reinvested in new CD maturing in 2024. When the current four CD's mature, PBV will have earned a total of \$24,717 in CD interest. All of this money will be assigned to the Roofing Reserve to help fund the new roof. This CD interest is saving 2 bedroom unit owners \$329 and 3 bedroom unit owners \$405 in funding the new roof.

2024 Operating Budget The 2024 operating budget has increased to \$501,511 from 2023's budget of \$411,067—an increase of \$90,444 (22%). These increases are detailed in the table below where we focus on those cost elements that are driving our increases in owner assessments. As you will see, there are things we can control, but some that we cannot control.

PBV uses 27 individual different cost elements to budget and track our expenses. These can be divided in three Categories. Category 1 are cost elements that we cannot control. They are simply price

increases with no increases in amount or scope of service, but we must pay what they demand. Category 1's are responsible for 85% of the \$90,444 increase for 2024. Category 2 are costs that we can control and account for 13% of the 2024 increase. Category 2 is composed of 7 cost elements that have increased because PBV has asked for more service or wish to reward and encourage further excellent service. Category 3 are the other 16 cost elements that have minor increases and account for only 2% of the total 2024 budget increase. Table 2, below, shows details these elements:

Cost Element	2023 Budget	Increase for 2024	Percent of Total Increase	PBV Control	Percent of Total Increase
61400-Insurance	\$162,000	\$65,268	72.2%	No Control	85%
75500-Trash Removal	\$11,726	\$5,274	5.8%	No Control	
75710-Water & Sewer	\$30,746	\$5,254	5.8%	No Control	
61100-Annual Review & Tax Prep	\$1,900	\$1,000	1.1%	No Control	
65300-Maintenance Labor	\$41,312	\$3,744	4.1%	Full Control	13%
66300-Landscape Maintenance	\$33,756	\$1,744	1.9%	Full Control	
61500-Legal Fees	\$3,000	\$1,500	1.7%	Full Control	
66800-Tree Trimming	\$9,500	\$1,500	1.7%	Full Control	
61550-Management Services	\$26,607	\$1,330	1.5%	Full Control	
77300-Contingency	\$6,900	\$1,100	1.2%	Full Control	
66400-Irrigation Supplies/Repairs	\$3,600	\$1,000	1.1%	Full Control	
All Other Cost Elements (16)	\$80,020	\$1,730	1.9%	Mostly Full Control	2%
	\$331,047	\$90,444	100%		

#### 2024 Reserves Funds & The New Roof Project

The 2024 Reserve funding was formulated on the premise that our roof would be replaced in 2024, and the 2024 Reserves funding would still be based on a 3 year lifetime. This was done because the PBV Board had determined that the best funding approach was to use two 2024 special assessment to secure adequate funding for a new roof in 2024--which stabilizes the roofing reserve funding. If metal roofs are approved by owners on 1/8/2024, the ongoing annual assessment for the roofing reserve will remain very close to the current funding level. Table 3, below, shows the 2024 Reserve funds and the basis for them. In Table 3, the \$9,640 of unallocated interest from 2023 has been assigned to the Roofing Reserve.

	1/1/2024 Estimated Balance	Estimated Life (Years)	Estimated Remaining Life	Est. Repair or Replacement Cost	2024 Funding (100%)	Estimated Unallocated 2024 Interest	Funds Available in 2024
Roofing	\$490,498	20	4	\$700,000	\$55,158		\$545,656
Painting	\$18,252	8	7	\$150,000	\$18,821		\$37,074
Paving	\$88,628	25	7	\$185,000	\$13,767		\$102,395
Recreation	\$19,528	20	15	\$150,000	\$8,567		\$28,096
Buildings	\$23,112	20	6	\$200,000	\$31,283		\$54,395
Unallocated Interest						\$17,000	
Totals	\$640,018				\$127,597		\$767,616

Based on these numbers, PBV will have the following funds available for the 2024 roof replacement project:

- For Shingle roofing: \$1,032,656 (\$545,656+\$17,000+\$470,000)
- For Metal roofing: \$1,407,600--if metal roofing is approved on 1/8/2024 by owners, and a second special assessment of \$375,000 is approved by the Board (\$1,032,656+\$370,000)

Later in January, the Board will identify 2024's priority projects for 2024.

#### **9. LANDSCAPING REPORT: Dave Chisholm, Director**

The drought in 2022 left our grass and shrubs in rough shape to start the year. The drought exposed various sprinkler zones that needed attention. Our ability to replace the damaged grass with new sod was delayed by the sprinkler repairs. We were fortunate that 2023 became a very wet year enabling the grass and shrubs to recover helping us avoid investment in new sod and bushes.

Our biggest investment for 2023 was in trimming the live oaks at the entrance to our property through to the south end highlighted by a major clearing of a large weed tree at the southwest corner. Additional trimming was required along the eastern fence. These were cut low enough such that our regular landscaping crew should now be able to maintain the height on a regular basis. Additional work was done to replace overgrown bushes around buildings A and F and between B and C.

We shifted our mulch placement to later in the year with the idea that it would look best during the winter/spring season. A lesson learned is that this is a popular time of the year for other properties to do the same, and we were caught short of being able to do the entire property due to supply constraints. Due to the rabbits on the property, we are having to place fencing around any new plantings for a year, until the plants are large enough to discourage the rabbits from eating them. Focus for 2024 will be in completing the mulching, trimming of the live oaks on the north half of the property, and continuing to replace overgrown and dying shrubs. We will be working on a 5-year plan to address our aging sprinkler system and rotation of aging plantings throughout the property.

#### **10. NEW BUSINESS: AGENDA ITEMS. Don Groshong.**

##### **a. Changes to the Declaration of Condominium**

##### **b. Changes to the By-Laws**

Article I.	Additional definitions
Article II.	Electronic voting procedures
	Life estate considerations

Article III	Delete meeting chairman election
Article IV	Added incidental modifications/alterations Misrepresentation of authority
Article V	Prior year president automatic chair of next year Annual Owners Meeting
Article VI	3 payment priority application
Article VII	8 Electronic vehicle charging station provisions 9 Hybrid vehicles 10 Parking space allocation/creation 11 Attics use/restrictions 12 Patios and ground-floor terraces 13 "The Association shall have the authority to create easements or effect settlements to address and resolve encroachment issues."
Article XIII	Unit possession
Article IX	I Single family use E Private use of association electric power H-R Rental/Lease clarification
Article X	Violation procedures/process 3Application of fines

**c. New Roof: Metal Roofing**

**d. Pickleball Court in tennis court**

**11. Mike Gallagher reported the results of the vote:**

Items 1-2: Yes 51 No 8

Item 2: Yes 53 No 6

Item 3: Metal Roofing: Yes 53 No 3

**12. CONFIRMATION OF DIRECTORS:** Mike Gallagher reported that there are four vacancies and three nominations for directors. Per FLA Law 718, tabulation of the ballots for members of the board are not necessary. Consequently, the requirement to appoint an inspector of election is unnecessary.

Dave made a motion seconded by Kevin to accept the three uncontested Board candidates, Steve Croft, Don Groshong and Ken Quinn, for new two-year terms,. Bette made a motion seconded by Don to accept PBV Board's new candidate Janice Buchwald for a two-year term.

**13. ADJOURNMENT: 11:40**