

**Board of Directors
Minutes**

Present Members: Kathi Blakey (By Proxy), Dennis Foley, Karen Hough, Michele Hughes, Dave Humphrey, Justin Jachimowicz, Richard Jaynes, Wayne Kearney, Donald Manak, Robert Moonen, Raffael Ormeggio, Jerry Pecoraro, Adriaan Radder, Joe Strivieri & Judy Weissman

Absent Members: Eric Boberg, Richard Grimm, Robert Heim, Kim Lutian, Kevin McMahon, Karl Sneed, Herbert Whildin, Mark White & Bethany Wilkinson

Present Staff: Meredith Elmore, Lawrence Alexander & Katelyn Coward

Date: October 20th, 2022

I. Roll Call

The meeting was called to order at 10:31 am. A quorum was established.

II. Review of Prior Minutes

The minutes of the prior August meeting were reviewed and approved as written. Mr. Manak made a motion to approve. Mr. Humphrey seconded the motion. Motion passed.

III. Financial Report

Dr. Elmore reported income through August was \$332,433.28 ahead of budget as a result of strong decal revenue and \$256,312.50 of Enhancement Income YTD. Rental Access income is tracking slightly behind 2021 but will increase substantially over the next few months as the August and September income is received. However, decal income is still tracking higher than 2021 and budget adjustments have been made accordingly. Note that August 2022 Short-Term Rental Access income is not reflected in this report as it was not billed until 8/31/22. She announced the total receivable through August was just under 2% of the total billing, which is typical for this time of year. The remaining outstanding accounts have been forwarded to collections, so the receivable is projected to decrease even more in the coming weeks. She reported security expenses through August were 2% under budget. Labor continues to be a challenge, but we are currently fully staffed. To that end, the Security budget variance will continue to decrease as we absorb onboarding for new team members (including uniform and training costs). Vehicle operating/maintenance expenses were up considerably for several months due to rising fuel costs and a major repair on one of the patrol vehicles. However, we are beginning to experience some relief now that fuel prices are falling, and we have the new patrol vehicle. She reported the landscape contract costs through August were over budget, which was expected due to the contract change. We will continue to see this through year-end. There were additional tree removal/debris costs incurred due to July storms and necessary tree removal. Ultimately, the overall landscaping budget is 7% over budget. We will also have the annual palm trimming expensed in October. She announced General Administration costs through the August were 5% under budget overall.

However, the Administrative Expenses subcategory was over budget largely due mailing expenses, requisite management training, and printing expenses in the first half of the year. This is typical and expected to level off over through year-end. She reported General Maintenance costs through August were right on budget. There was some planning/permitting work misapplied to Building Maintenance that will be re-classed prior to closing out September. The Signs and Supplies/Equipment sub-categories are higher than normal due to Beach Club and gatehouse repair costs that will also be re-classed to the Beach Club repair claim or Enhancement, respectively. She announced the Beach Club expenses through August were 2% under budget. There were projected increases in this line item due to staffing needs with more weddings etc. over the summer months. Beach Club leases and contracts is over budget due to an increase from two to three weekly trash pick-ups and higher than normal trash vendor fuel surcharges. She reported the Enhancement Fee income through August was \$256,312.50. This is quite an impressive number and is currently tracking slightly ahead of the prior-year figure of \$221,330.15 YTD.

IV. New Business

A. Mingle Jingle & Other Events

Dr. Elmore announced what the increased ticket price would be for Mingle & Jingle homeowner Christmas event, if held at the Sonesta. Mr. Foley suggested moving the event to the Beach Club to help save cost, but the offset would be limiting the amount of attendees. Dr. Elmore announced Town Council member David Ames has been scheduled for two open forums at the beach club to discuss the new town ordinance. Dr. Elmore reported it at the Executive Committee Meeting it was approved to increase the Short-Term Rental Pass Increase to twenty-five dollars starting 2023. Brief discussion followed.

B. 2023 Budget Proposal

Dr. Elmore reported in summary of the overall increase to each owner will be 4.85% or \$50.00 to their annual assessment fee for 2023. She acknowledged it is certainly higher than normal, it is necessary to fund projected labor increases and create a reserve for other necessary adjustments driven by economic and wage/benefit trends. She was able to conclude an analysis of COLA being projected at 7 – 10% in many areas, including Hilton Head. Therefore, this is the minimum increase that would yield a feasible budget to retain quality talent and maintain the current level of service. She noted that the merit increases in the proposed budget are still on the lower end of what area competitors are budgeting for 2023, as many of them are budgeting COLA plus merit increases yielding 8-12% for their employees. She wanted to note that we may experience increased onboarding/training costs for turnover as a result (see Appendix A for full budget notes 2023). Brief discussion followed. Mr. Radder made a motion to approve the 2023 budget as written. Mr. Pecoraro seconded the motion. Motion passed.

V. Adjournment

There being no further business, the meeting was adjourned at 12:22 p.m.

Joe Strivieri, Secretary

Appendix A
Budget Notes 2023

Income

The assessment increase will provide 5.04% additional income to the Association and increase the current assessment from \$1030.00 to \$1,080.00, which represents a 4.85% increase to the owners. Decal income is projected to increase \$20,500.00, a 5.46% increase, which is based on increases in decal prices more consistent with neighboring communities. The boot fee will increase by \$500.00 and interest income will remain the same as 2022. Beach Club income will be increased slightly for a total of \$95,000 for lockers and Beach Club rentals combined. The snow cone program is forecast at \$2,000 for the coming year. The ARB is forecast to increase \$2,500.00, for a total of \$19,000. There is a 6.98% increase in lagoon income as the contractor is due an increase. Late fees are budgeted same as prior year, and advertising income was essentially doubled as more ads are being sold for *The Anchor*. Access fees will be increased slightly based on recent trends. Cable franchise income had been steadily decreasing with payments from Time/Warner/Charter and Hargray reducing due to declining customer bases. However, it has been steady this year so it will be projected to remain at \$25,500 (same as PY). Cell tower income will also remain the same for 2023.

Expenses

Security-As noted, management is recommending a 6.0% increase (merit-based) in wages for the staff, as this will keep us competitive with similar operations. With pay for current personnel, this will increase the budget \$64,860 for competitive wages and allow for a surplus in the event that a mid-year increase is necessary. Workers' Compensation will be increased by \$1,000 and health insurance will remain the same for 2023. There is a \$1,500 increase in printing for increased printing costs and job advertising. Vehicle operating is up \$4,750.00 and insurance is up \$6,500.00 for liability and other insurance. The overall increase in Security is 5.74%.

Landscape-The landscape contract for Ocean Woods will remain the same, and the 6.9% increase in this line item is only due to the contractor change in May. There is also increase in tree work which is due to increased rates for tree contractors. The total increase for the landscaping category is 7%.

General Administration-The increase in the general administration budget is mostly impacted by \$15,400 in wages for the administrative staff, which is based on a 6% merit-based increase. Auditing expenses were reduced by \$4,500 as a review is due 2023 instead of an audit. There is also a reduction in 401-K of \$3,600 based on participation trends. The overall administration increase is 1.79%, again primarily because of wages.

General Maintenance-There are minor increases in general maintenance to include: \$1,310 or 6.18% for the lagoon treatment contract, \$1,500 for building maintenance (due to rising costs in service calls, and other minimal increases for supplies and equipment (mainly paper supply costs). The overall increase is 5.97%.

Beach Club Expenses-Beach Club labor expenses are projected to increase by 6.5% for a merit-based increase. There is also a \$1,000 increase for leases and contracts and the total increase in the Beach Club category over last year of 3.68%.

Other Expenses-The other expenses category for 2023 includes a reduction in loan repayment as there are no loans projected for the year, an increase in the maintenance reserve of \$11,064 due to increases in pavement and other material costs, and a minor increase in the budget contingency category. The total increase over 2022 is 3.69%.

Summary

The overall increase to each owner will be 4.85% or \$50.00. While certainly higher than normal, this is necessary to fund projected labor increases and create a reserve for other necessary adjustments driven by economic and wage/benefit trends. COLA is being projected at 7-10% in many areas, including Hilton Head. Therefore, this is the minimum increase that would yield a feasible budget to retain quality talent and maintain the current level of service. Please note that the merit increases in the proposed budget are still on the lower end of what area competitors are budgeting for 2023, as many of them are budgeting COLA plus merit increases yielding 8-12% for their employees. Please note that we may experience increased onboarding/training costs for turnover as a result.