

President's Comments - continued

The Master Council and Finance Committee members have significant amount of financial information readily available that helps during budget development.

Master Council and management continue to focus on pro-active planning and asset management – to identify and perform condition assessments of critical assets, have a reliable basis for determining full cost replacement pricing for reserve funding and work with professionals to develop capital plans and to address issues and concerns; to develop and continue with energy cost controls, and to extend the useful life of the infrastructure.

He commented about the Fiscal Initiatives, initially introduced in 1997, which focus on cost effective controls in operations, maintenance and energy. Internal controls, multiple bidding, define staff duties and set performance standards, institute annual work plans tied to the budget, regular financial reports, quarterly reviews and meetings, managers reports and a pro-active preventive maintenance program.

Mission Statement – to preserve, protect and enhance quality of life at Seapointe Village. Correlate owner feedback guiding Master Council actions to enhance amenities.

Real estate sales continue to be strong. Owners have been receiving their asking price with little or no inventory available. This activity reinforces Seapointe Village's demand and good value in the real estate market.

Seapointe Village Realty indicated that the rentals for the coming year, July & August, are strong. The demand for Seapointe Village's premier family resort continues to be a strong and popular family vacation destination.

Other business items to be reported on during the meeting:

Update on the stormwater outfall extension, the major 2022-2023 off-season project.

Shore Protection Project –update on schedule, working with our consultants and special legal counsel to monitor activity.

Updating the Capital Reserve Study & Insurable Valuation for the Master Association.

An amendment to the Rules & Regulations and discussion about e-bikes.

Reminders & recommendations to owners – replace original appliances, minimize chance of water damage by changing water heaters, ice maker lines, washer hoses, turn off water when leaving. Suggest homeowners have insurance and make sure contractors they use have insurance certificates. He noted there are contractor guidelines available on the website, in the Management Office and at the Security Gatehouse.

Thank you all for participating and support in making Seapointe Village the premier family resort destination on the Jersey Shore.

Manager's report: Jim Yost

January and February are dedicated to preparing the budget for the Master Association and constituent villages for the upcoming fiscal year. The Master Association budget challenges focused on the labor market and increases in insurance premiums for property and liability policies. For a second consecutive year, the village-wide budget challenges this year revolved around insurance premiums and increases in recommended reserve contributions.

The property insurance market has been hard hit by the number of named storms in recent years. The number of companies offering property insurance to the coastal market have decreased, and those that remain have reduced the maximum limits they are willing to offer to one client. Seapointe is the single largest account in the CHAMP program, offered by NSM. The CHAMP program consistently offers the best coverage at by-far the lowest premiums compared to other options in the market. Property insurance premiums have increased 17%, 13% and 10% in the past 3 years and 10% increases are expected in 2023.

General Liability insurance for shore and resort area condominiums have also been increasing significantly because insurers are realizing more claims from resort area condos that have a high percentage of rentals. Subsequently, there are fewer insurers willing to offer coverage. Seapointe has seen more than doubling of premiums, which are over \$85,000. The premium for the general liability policy was below \$40,000 as recently as 2017.

Further complicating insurance is a challenging investment market that resulted in lower-than-expected returns for insurance companies over the past year. Insurance is the single largest uncontrollable expense in our budget.

The recommended reserve contributions included in reserve studies are also increasing. Engineering firms that prepare reserve studies are factoring the increasing costs of materials and labor to replacement costs of association assets. Part of the overarching business practices that guide community and condominium associations recommend that reserve studies are updated every 5 years. The most recent update for the Master Association was performed in 2017. A proposal to update the study will be presented and voted upon during New Business.

General economic conditions are affecting labor costs. Post-covid unpredictability, mandated increases in minimum wage, fewer housing options for seasonal worker and overall inflationary pressures are affecting our costs.

Budget and condo fee information will be distributed in the coming weeks.

One unit has been sold in 2023 year to date. There are 2 units under contract. Demand remains but listings are few. Local and national trends reflect strong demand for sales and rental properties.

The inventory for rental properties at Seapointe Village is down but this is consistent in the Wildwoods. SV Realty reports demand for vacation rental properties is high for the 2023 season. SVR is sold out of weeks July 1st through August 26th.

Manager's Report - continued

The rec tag/elastic wristband is black with white print and are sequentially numbered. There are also smaller sizes for children. They will be available in early May.

Recent homeowner passings

Jim Morey	Seapointe Realty	January 29
Al Mangarelli	Pinnacle	February 25
Roger McMillin	Centre Court 304	February 25

Several owners have contacted the Association Management Office following the balcony collapse at Spinnaker Condominiums in Sea Isle City. This is an unfortunate situation, especially with the loss of life.

Though it is too early to speculate on the cause of the collapse, the fact is that workers were standing at both on the top and bottom of the collapsed balcony, apparently, doing some work. It is not known if the repair construction work has anything to do with the collapse.

The Spinnaker building construction appears to be very different from the Seapointe buildings. The Spinnaker balconies consist of a monolithic cast-in-place concrete slab construction with top steel bars at the balcony. The balconies are cantilevering from the building exterior walls. The Seapointe balconies are partially supported on three sides, providing additional support at the side walls.

This is a reminder to all of us that structures require continuous maintenance and repair, otherwise, they can give up on us. Periodic maintenance and repair are of paramount importance to keep the buildings in serviceable condition. And it is important to make sure that the work being done is being done with guidance from qualified professionals and by experienced contractors.

With this tragic collapse so close to home and occurring less than 2 years since the Surfside collapse, local code officials and building inspectors are taking a much closer look and scrutinizing all work being done to multi-family buildings in Cape May County.

Treasurer's Report: Mike Szalak

Financial Review – Preliminary financial statements for fiscal year April 2022 through February 2023 operating performance compared to budget indicate:
 Income is over budget by \$34,722. Expenses are over budget by \$226,803.

ITEM	AMOUNT	OVER/UNDER BUDGET	COMMENT
TOTAL INCOME	\$2,807,354	+\$34,722	+1.26%
Administrative fees	\$24,906	+\$4,406	Resale activity
Miscellaneous income	\$98,837	+\$2,337	Beach tags
Reimb. Payroll	\$224,979	+\$27,979	
TOTAL EXPENDITURES	\$2,793,670	+\$226,803	+8.84%
Professional fees	\$50,936	-\$8,064	
Office operations	\$47,506	+\$6,356	Help wanted ads
Insurance	\$154,589	-\$4,961	
Maintenance expenses	\$53,577	+\$4,327	Tiki umbrella repairs
Beach related expenses	\$46,981	+\$1,981	Beach grading
Pool Operations	\$98,920	+\$21,920	Chemicals/Testing service
Security supplies	\$14,633	+\$733	
Payroll & related	\$1,499,722	+\$213,722	Higher hourly pay rates OT
Trash	\$14,798	-\$7,702	
Electric	\$92,238	-\$7,762	
Gas	\$53,916	+\$3,916	
Water	\$158,447	+\$5,247	Higher in-season population
NET INCOME	(\$232,761)	(\$192,081)	6.8% negative variance

Reserve Replacement / Deferred Maintenance expenses fiscal year to date - \$605,232

Reserve Replacement / Deferred Maintenance expenses during 2022-2023 fiscal year to date are \$605,232, \$498,505 of which is classified as Reserve Replacement and \$106,727 is classed as Deferred Maintenance. Detail shown below.

<u>Reserve for Replacement</u>	<u>\$498,505</u>	<u>Deferred Maintenance</u>	<u>\$109,727</u>
Stormwater outfall project	\$308,273	Recharge basin cleaning	\$18,392
Stormwater outfall prof fees	\$43,424	Plaza deck sealant	\$21,334
Centre Court pump room	\$55,990	Plaza deck trellis	\$27,100
Storm system generator	\$16,504	Pool sandblast/paint	\$39,900
Sitework	\$13,535		
Plaza deck/pool furniture	\$12,378		
Access system software	\$11,850		
Ibis pool cover	\$6,504		
Gatehouse/entry engineering	\$9,772		
Tiki hut thatch	\$5,958		
CCTV wifi network	\$5,300		
Lagoon pump	\$4,486		
Exterior light fixtures	\$2,207		
Memorial bench	\$1,750		

Treasurer's report, continued

Account balances & related fiscal issues

As of February 28, 2023, Master Association cash is \$572,981.

<u>Account Balances</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating/Payroll	\$152,880	\$157,568	\$170,934	\$87,560
Capital Reserve	\$407,824	\$964,404	\$988,443	\$861,879
Deferred Maintenance	<u>\$12,277</u>	<u>\$73,608</u>	<u>\$74,006</u>	<u>\$141,684</u>
TOTAL	\$572,981	\$1,195,580	\$1,233,383	\$1,091,123

2023 Master Association Budget - \$3,323,773 (10.5%) Increase

At the budget work session on Saturday January 28th, the 2023 Master Association budget was finalized with a 10.2% increase in condo fees. The budget will have to be introduced and voted on at the March 4, 2023 open meeting.

The 2023 operating budget increases by \$315,409. (10.5%)

What increased and why:

- \$229,740 (16.9%) increase for payroll and wage taxes, most of which is driven by the difficult local labor market and the minimum starting wage at \$15
- \$20,300 (11.8%) increase in insurance premiums
- \$12,000 (4.4%) increase in management and support services
- \$10,000 (11.8%) increase in allowance for pool/spa operating/ maintenance expenses
- \$10,000 (6.0%) increase in allowance for landscaping related expenses
- \$8,000 (10.0%) increase in allowance for maintenance and custodial expenses
- \$5,000 (3.3%) increase in water expense
- \$4,000 (7.4%) increase in gas

Master fees for the 2022-2023 fiscal year (compared to prior year) are as shown below.

	<u>2023-2024</u>	<u>2022-2023</u>	<u>Change</u>	<u>%</u>
One bedroom	\$378	\$344	\$34	9.9%
One bedroom / den	\$425	\$387	\$38	9.8%
Two bedroom	\$472	\$429	\$43	10.0%
Two bedroom / den & larger	\$567	\$513	\$54	10.5%

Same as last year, the budget handout includes a 3-page handout explaining components of each of the budget line items.

Internal and external factors affecting the 2023 budget

- Historic inflation increases (consistent with overall US inflation rate +8-9%)
- Continued above average inflation forecast in 2023
- Deliver existing services valued by owners in a cost-effective manner
- Increase savings for reserves/capital investment
- Effects of operating deficits for past 3 years (even with PPP funds)

Discussion points during the budget review – looking ahead

- Wage price spirals – payroll costs will never go down
- Shrinking housing market for year round and seasonal workers
- Continued investment in facilities (Gatehouse / dunes / pools)
- Challenging coastal condo insurance market – impact for 2024 & beyond
- Service contracts under control (union contract)
- Admin & General expenses under control
- Inflation is affecting some operating/supply costs
- Utility costs trending upwards

Treasurer's report, continued

Audited Financials

RKL performed the fiscal year end 3/31/2022 financial statement and tax return preparation for Master and villages. Final financial statements issued in January. RKL is under contract to prepare the 3/31/2023 and 2024 financial statements and tax returns.

ACH Participation

At present, 206 SV homeowners use the ACH for condo fee payment and 170 use bill-pay services (an increase of 10 since November) combined over 74% of all owners.

Reserve for Master Plan / Anticipated Projects

This topic has been a regular mention during open meetings.

<u>Project</u>	<u>Timeframe</u>	<u>Budget</u>
Gatehouse / front entry	2023-2024 off-season?	\$200,000?
Dunes / walkovers	2024-2025 off-season	\$450,000
Street repaving	in the coming 5 years	\$200,000 Twp participation?
Garden pool & lagoon	2024-2025?	Unknown
Centre Court pool	after Garden pool	Unknown

Council Member / Homeowner Comment on Budget

Question about the Township FEMA rating which can provide discounts to flood insurance to residents. Lower Township does inf act participate.

Question whether any of the projects can be postponed. Response that some have been postponed.

Comment that 10% increase is significant, and whether there has been focus on some of the less cost items to control costs. Response that budget review includes a line-by-line month-by-month review. Each line item has extensive historical expense data.

Question if any income or expenses related to the club license is considered in the budget. Response that no income nor expenses are considered. Even though the Association has a club license, no final determinations have been reached regarding use. The Fall 2023 homeowner survey supports a beach bar, but does not support investment into beach bar related structures or expenses.

Discussion about beach storage locker income and expenses, and homeowner debate as to the 2023 rental fee. Ultimately 2023 seasonal rental fee determined to be \$400.00

Questions/comments about pool monitors.

Vote to approve and accept 2023-2024 SVMA Budget as presented:

Motion Ferrara

Second Bernstein

Vote 7-0

Committee reports:

Landscaping:

The pre-season landscaping cleanup will begin this coming week. The Spring work will be mostly routine cleanup and mulching. The arborist is scheduled to perform annual pre-season inspection the third week in March. Flower delivery is scheduled for late April.

Beach:

Beach grading and raking has been on-going 1-2 times per week for most of the off-season. The tractor raking has defined a line along the toe of the dune which has led to a relatively consistent back line of the dunes. There is not as much sand on the back beach area this year compared to previous.

The beach amenity plan is consistent with last year, including the tented seating area. Amenity placement will begin in early May.

There are 90 beach storage lockers. Most will be located at the southern end, about 18 placed at the northern end of the beach. The lottery for beach storage lockers will again take place in May. We will send notice along with the 2023 budget/condo fee information. Based on recent past years, the number of owners wanting a locker will likely exceed the number of available lockers (90). Rental fee increased to \$400 for this season.

Brian Balestriere will continue at the Beach Grill in 2023.

Pools:

The Aquatics off-season maintenance list includes replacing non-working underwater lights at ocean front & Garden pools; repairing leaks in the ibis and main pump room, changing sand in filters, painting pool fences; and performing maintenance work to the water wall in Ibis pool building.

The largest off-season project is a rehab of the Centre Court pump room, postponed from last year because of delays in delivery of materials. The electrical panels and all wiring to pumps, filters and motors and the piping in the pump room has been replaced.

The Fall homeowner survey included comments about needing to improve the ocean front pool and Garden pool surfaces. Both have been sandblasted and will be professionally repainting in the coming weeks.

The Ibis pool facility is open 10am – 10pm year-round. Very heavy use this off-season compared to previous years.

Pre-season work will begin week of March 27. Pre-season opening will begin at oceanfront pool, then move to Garden pool, then finally to Centre Court.

We expect a soft opening for ocean front pool and spas (weather-permitting) on Saturday May 13th.

The Ibis pool will be closed for the week after Mother's Day (May 15-21) for pre-season maintenance.

Personnel & Security:

Personnel

Custodial has 6 full time year-round staff. Custodial will add staff in early April for pre-season power washing, facility preparation and flower planting. Peak season staff will be 18-20 full time, or 720 hours per week late June thru Labor Day.

Maintenance staff consists of Mike Siner, Juan Irizarry, Jesus Casanova, Israel Acevedo and Billy Maldonado. John Myers operates the tractor for beach raking 3 times per week. Peak season staffing is 230 hours per week. No change to annual staffing standards.

Security Security operates at 256 hours per week, one per shift plus a second guard daily 8 AM – 4 PM. Seasonal staff increases begin in early May. Peak season staffing will be approximately 524-544 hours per week – 3 per shift, plus tag checking. Tony Kiska is Dept Supervisor. He has already added several additional part time employees to the force.

Unfinished Business:

Shore Protection Project

At the February 22, 2023 Lower Township Council meeting, LT Council voted to sign the State Aid Agreement. The Agreement outlines the obligations of the local government and State as the Project is built and beyond. All four municipalities throughout the Wildwoods have now agreed to sign the Agreement. The DEP will begin to negotiate easements with the private beach owners in Wildwood and Lower Township for construction of the dunes. The DEP will require the private property owners to sign perpetual easements that allow the State to construct and maintain the dunes for the 50-year life of the Project.

The most recent announced timeline is for the Project to start in the fall of 2024 and last through the 2024-2025 off-season. The Project involves constructing approximately 25,000 linear feet of dunes 16 ft nav height and 25 ft crest width. Sand for the Project will be taken from beach and underwater areas of Wildwood and Wildwood Crest and pumped to the dunes throughout the island. The Project will take 6-8 months to complete. The initial cost of the Project is \$21million, funded 65% by the federal government and 35% by the State. Future renourishment is funded 50/50 between the State and federal government. To date, there have been no new details on the Project beyond what has been presented in the 65% Plan presented in 2018.

The State will require Seapointe Village to sign an easement, which essentially turns over property currently owned by Seapointe to the State. Statements have been made by the DEP that the State would only be taking the area necessary for constructing the dunes, however, language in the Easement states the State is taking all of the beach, including riparian rights.

If negotiations between Seapointe Village and the State are not successful in reaching a mutually acceptable agreement and Seapointe does not willingly sign an easement, the State will initiate eminent domain litigation. This process is expected to proceed rapidly, and at that point, its not a matter of if the State will acquire the property, because (assuming the State acts in good faith) that will occur. The litigation will determine the amount of compensation Seapointe will receive.

We have requested a complete copy of the State Aid Agreement, its supporting documents and appendices from Lower Township once the Township signs the Agreement.

Master Council and legal counsel are still reviewing options and strategies.

Stormwater Outfall Extension

Larsen Construction is near completion of the stormwater outfall extension. Our engineer for the project, Mott MacDonald performed frequent site visits and inspections during the project.

As of Monday February 27 they can report the following: all pipe has been installed in accordance with the plans and specifications; all piles have been driven and have been observed by the Contractor's pile certification engineer. All pile bents, except for #16 and #18, have been installed. These will be completed at the next opportunity based on the tide cycles.

The following work remains to be completed: Completion of bents #16 and #18; installation of grate at end of pipe; cutting of tops of piles at bents #16, #17, #18, and #19; beveling of the tops of all piles. Final cost including engineering is expected to be approximately \$400,000. The extension done in 2009 cost \$278,000 plus engineering fees.

New Business:

Capital Reserve Study Update

The SMVA Capital Reserve Study was most previously prepared by FWH in 2017. A reserve study identifies the assets the association is responsible for replacing, estimated useful life and estimated replacement cost for the assets and develops a 30-year cash flow and financial needs projection.

Part of the overarching business practices that guide community and condominium associations recommend that reserve studies are updated every 5 years. Engineering firms that prepare reserve studies are factoring the increasing costs of materials and labor to replacement costs of association assets which in turn leads to increasing annual reserve contributions. FWH, the engineering firm that prepared the most recent CRS submitted a proposal to update the CRS for \$5,000. Competitive bids would require a full study and significantly higher cost.

Motion: Cach Second: Bernstein Vote to accept & approve 7-0

Insurance valuation appraisal

The most recent insurance valuation appraisal was performed in 2016. Insurance companies requires periodic valuation updates to ensure that dollar amounts of coverage are adequate. Two proposals were received in 2022, for \$4,750 and \$20,000. This year we received 2 proposal; one in the amount of \$15,800 and a second from the low bidder in 2022, Descano Appraisers updated their proposal -fee is \$5,250. The report is expected to take 4-6 weeks.

Motion: Ferrara Second: Marra Vote to accept & approve 7-0

Rules & Regulations Amendment (Noise, nuisance and disciplinary actions for non-owners)

As a follow-up to several noise and nuisance incidents with rental guests toward the end of last season, Master Council worked with Management and legal counsel to amend the R&R to eliminate the advance written notice requirement, allows for immediate imposition of fines for non-owner residents and increases the amount of the fines.

The proposed amendment was included with the meeting handouts.

Motion: Bernstein Second: Cach Vote to accept: 7-0

New Business – continued

E-bikes

Consumer Reports recently reported about the surge in e-bike fires, mostly due to a flood of cheap, un-inspected lithium battery imports.

This adds another layer of concern to fires in Electric Vehicles from lithium batteries. Tesla had made recent headlines related to such fires. These are of special concern to Condominium Associations nationwide, since lithium battery fires cannot be extinguished by simple means, either water or chemicals, due to the runaway temperatures created by lithium battery fires.

The batteries must be cooled down while the fire is still actively burning, which can sometimes take 12 hours or more and tens of thousands of gallons of water to contain. The concern, of course, is the potential for major structural damage during such events, especially with steel components, and the possibility of garage flooding that can further hamper firefighting activity.

This raises both Master and Building concerns. Rental guests with e-bikes are already bringing them up to the units since they are very expensive. Bikes are already required to be in the garage, and on balance the fire hazard for a bike is manageable in a garage.

Master Council is considering that Seapointe consider a specific prohibition on e-bikes and e-bike batteries in units in the mutl-family buildings.

We are also considering to meet with Lower and Crest fire officials to learn best practices and develop a "pre-plan" for Seapointe, since the concern will only continue to grow, and there is no practical alternative to parking EV's in the garages.

Homeowner Comment

4-407 asked if the accessible ramp over the dunes will be ADA compliant, and who will pay for it. Walkways over the dunes at public access points would be paid for as part of the project. Private access point walkways would be paid for by Seapointe.

3-503 commented that Dr. Farrell retired. Comment that the Stockton University Coastal Research Center staff is still quite capable, and that Farrell still assists them.

1-515 commented that there should have been notice of the February 22nd Township meeting. Jim Yost acknowledged that notice should have been provided.

3-503 commented that Seapointe should consider an appraiser to determine value of the Seapointe beach. Response that Seapointe is looking into a proposal.

With no further questions, the meeting was adjourned at 12:00noon.