

AUDUBON TRACE CONDOMINIUM ASSOCIATION, INC.

MINUTES OF THE OPEN MEETING

Monday, November 22, 2021

Meeting called to order by Al LaFaye at 6:08 pm at Cleary Playground.

Board members present: Barbara Dunbar, Al Lafaye, Sue Pettigrew, Stephanie Prunty, Felicia Hardesty Pat Traina, and Pat Williamson.

Management present: Tim Munch (Property Manager)

1. MANAGER REPORT -

- a. Full report attached to minutes. Report outlines progress completed to date on roofs and fences.
 - i) Roof Replacement - The total estimate by Brennan's Roofing was \$45,000 per roof for 22 roofs and \$10,000 for the office roof, or \$1,000,000. The minutes from 9/29/21 stated that the remaining cost was \$990,000; however, buildings 1 and 4 had been completed. That was not Tim's error. I take full responsibility for the typo.
 - ii) Hurricane Ida Claim - The full claim has not been processed; however, the agent has given a verbal that the claim amount will be \$1,034,000, netting Audubon Trace approximately \$134,000 above the deductible. Note that Audubon Trace does not have replacement cost insurance on the roofs older than 2009. Fences will also likely be depreciated, and the fences that were destroyed by Hurricane Zeta will also not be covered.
 - iii) Replacement of the steps on the Big 10 - After all the roofs have been replaced and Hurricane Ida damages repaired, the next scheduled capital improvement is replacement of the Big 10 steps. This will be a lengthy process requiring plans to be approved by the Parish. The first step in the process is to obtain bids for the design. Tim Munch has started the bidding process and the first bid from Morphy, Makofsky Inc. is \$13,850 to design structural steel steps. Additional bids will be obtained.
 - iv) Fences/Gutters - The fences on the south and most of the fences on the west side have been repaired. Gutters are backordered.

2. COMMITTEE REPORTS -

- a. TREASURER REPORT - ASSESSMENT ISSUE - The total assessment amounts to \$1,185,000 which amounts to approximately \$5,000 per unit. The Assessment will be paid based on \$1,185,000 divided by each unit's square footage. Assessments per units range from \$3,756.40 per unit to \$7,003.35 per unit depending on size. Payments are due in two payments on January 15, 2022, and March 15, 2022. As this is a named storm assessment, the loss assessment clause on your owner's insurance should pay the claim. It is noted that not everyone has insurance, and some do not have enough and will have to pay out of pocket. Hardship cases who cannot pay the full amount will need to present their case to the Board and will be addressed on a case-by-case basis. The board voted on the assessment at the September 29, 2021, meeting and the assessment passed on a vote of 6 to 0, with one board member absent.

After Hurricane Katrina, the insurance premium doubled, and State Farm dropped our coverage. Our current hazard/wind insurance company has already notified us that they will not rewrite our policy. The premium for our property insurance could increase by 25 to 40%. Thus, it is prudent to assume that we will need to replenish the majority of our reserves (\$1,070,000 prior to Hurricane Ida) in order to fund the insurance premium increase at renewal in March, prepare for next hurricane season as well as ensure adequate reserves that will enable banks and lenders to provide financing for the sale/purchase of units. Furthermore, insurance companies may restrict the deductible percentage choices for 2022, with deductibles starting at 5% rather than the ability to choose a 2 or 3% deductible. Our property has been valued (for insurance purposes) at \$30,000.000 for at least ten years. If our valuation is increased by the new insurance carrier, we could have a much higher deductible in 2022.

Numerous questions were asked, and I will try to summarize the issues and add further explanation as needed.

3. QUESTIONS AND ANSWERS.

- a. Why do we need an assessment? Prior to Hurricane Ida, there was \$1,070,000 in our reserve account. That money is being depleted by the costs of the blue tarps, tree removal, debris removal, fence, and roofing replacement. Costs of Hurricane Ida will exceed the amount we have in reserves. The insurance premium is due at the end of March 2022 and all the roofs must be replaced prior to insurance renewal. Without insurance and reserves, it will be impossible to finance units in Audubon Trace and we will lose our FHA status. Thus, it will be impossible to sell or purchase units in Audubon Trace unless under full cash terms.
- b. How was the assessment calculated? The assessment is based on the cost of repairs from Hurricane Ida plus an estimated increase in our insurance premium coming due at the end of March. Please see the cash flow and potential assessments on the following page.

Note that the assessment was calculated on an average price per unit solely for mathematical ease. Actual assessment will depend on the size of the unit. An analysis of potential assessment amounts based on an average per unit basis are as follows:

As can be seen from the numbers above, a break-even assessment would be achieved with a \$5,250 average assessment per unit; however, we choose a slightly lower assessment of \$5,000 per unit. A lower assessment of \$4,500 would replenish our reserves but leave us without adequate funding for the expected insurance increase. All lower assessments would have left us over \$100,000 in the red and unable to fund the expected insurance increase.

RESERVE BALANCE	9/1/2021	1,070,000.00				
IDA REPAIRS THROUGH 11/27/2021		(372,340.00)				
CASH AVAILABLE BALANCE	11/30/2021	697,660.00				
MONTHLY RESERVE INCREASE					ASSESSMENT CALCULATION	
					Cash Deficit	\$ 178,551
					Beginning Reserves	\$ 1,070,000
					Breakeven Assessment	\$ 1,248,551
					Possible Assessments	Less Breakeven
NOV	15,483.00			\$ 5,500	\$ 1,303,500	\$ 54,949
DEC	15,483.00			\$ 5,250	\$ 1,244,250	\$ (4,301)
JAN	15,483.00			\$ 5,000	\$ 1,185,000	\$ (63,551)
FEB	15,483.00			\$ 4,750	\$ 1,125,750	\$ (122,801)
MAR	15,483.00			\$ 4,500	\$ 1,066,500	\$ (182,051)
	77,415.00	77,415.00		\$ 4,000	\$ 948,000	\$ (300,551)
AVAILABLE CASH		775,075.00				
IDA REPAIRS						
Remaining Roofs Cost	600,000.00					
FENCING	150,000.00	(750,000.00)				
BALANCE AFTER REPAIRS		25,075.00				
INSURANCE PROCEEDS						
PROCEEDS PER CLAIM	1,034,000.00					
DEDUCTIBLE	(895,000.00)	139,000.00				
CASH 3/31/2021		164,075.00				
RENEWAL INSURANCE						
3/31/2020	241,960.00					
30% INCREASE	72,588.00					
	314,548.00					
GEN LIABILITY	14,100.00					
E & O	4,095.00					
UMBRELLA	4,265.00					
AUTO/TRUCK	5,618.00					
	28,078.00					
TOTAL PREMIUM	342,626.00	(342,626.00)				
*CASH BALANCE (Deficit)		(178,551.00)				

- c. Why do we have to pay the full amount by March 15th? As noted earlier, the insurance premium is due at the end of March and all roofs must be completed prior to renewal. If the insurance premium had a later renewal date, we could have spread the payments out over a longer period.
- d. What if I can't afford to pay in two payments and don't have insurance? As noted previously, the board is willing to discuss extending the payment period on a case-by-case basis.

- e. Why doesn't Audubon Trace apply for a credit card to cover the repairs? Audubon Trace Condominium Association has no authority to borrow and owns no assets. The individual owners each own their condominium plus a percentage of the common elements. A question was asked about why we were able to obtain the PPP money in 2020. That was not a traditional bank loan. It was a forgivable loan from the federal government based on certain criteria (primarily number of employees and salaries). It was not based on assets.
- f. Why don't we buy down our deductible? The cost of that could be as much as \$200,000 per year and we would only benefit in a year that we had extensive damages that exceeded the lower deductible. With no major disaster, the extra money would have been wasted.
- g. Do the by laws give the board the authority to require lump sum payments for an assessment? Yes, the board has the authority to require a single lump sum payment if necessary. The assessment must be in the fiscal year of the damages. Please see attached documents discussing the authority.
- h. Shouldn't the insurance company pay 100% of the storm expenses above the deductible? As noted, we do not have full replacement cost on any roof constructed prior to 2009. Most of the roofs were replaced after Hurricane Katrina in 2006. Thus, the insurance company will depreciate the roofs based on age. The fences are also older and will be depreciated. Tim will negotiate with the insurance company for a higher payment, but it is unlikely that they will pay dollar for dollar for all storm damages.
- i. Why didn't the board wait until the full insurance numbers were available and hope for a lower assessment? The board discussed postponing the open meeting, but the consensus was that the owners were anxious for an open meeting. Further, after the verbal from the insurance company, the assessment of \$5,000 per unit was strongly supported.
- j. Why didn't we have an open meeting in 2020? CoVid. We had planned to have an open meeting in January (at the 6 month point in the fiscal year), but storm required an earlier meeting. A pool meeting was originally set for September, but the storm stopped that.
- k. Why don't we replenish the reserves at a slower pace since hurricane season does not start till summer? The reserve account will be 100% depleted by the time the roofs are replaced and we will not have adequate reserves for our FHA requirements nor to obtain insurance. The roofs were being replaced over a period of five years, but now must be completed by the end of March. The good news is that we will have new 30-year roofs that should better stand up to storm damage. There was minimal damage to the roof that had been replaced over the last few years. Because we had cash in our reserve account, we were able to get the tarps up, trees and trash removed, and roofs started shortly after the hurricane.
- l. How much should the Association put into reserves annually? Typically, 10% of the annual operating budget should be added to reserves annually.
- m. Aren't there operating expenses that can be cut to save money? There is nothing in the budget that would put enough of a dent to make up for a million-dollar reserve replacement.
- n. Why don't we hire a forensic accountant to go over books? There is nothing wrong with the books. There is an invoice for every check that has been written. The reported "missing invoices" refer to invoices for the condo fees that are collected. As you are aware, we do not invoice owners for condo fees; however, bookkeeping programs generate internal invoices

to allocate the payments to individual accounts. During previous years, the bookkeeping was outsourced, and those individuals' computers generated the invoices and remained the property of the bookkeeping company. For the years in question, our auditor compared the amount of income collected to what should have been collected and certified that the funds were deposited. Had we not received the HOA dues, we would not have had the money to pay our bills. Our books are subject to an independent audit. Further, a forensic audit would cost around \$30,000 and all it would disclose is that we received the condo fees despite the "missing invoices". We have not received several written reports from the auditor (despite the audit being completed) due to Covid. They should be received shortly and will be put on the website.

- o. Why do we pay for a pool cleaning service? It is cheaper than the cost of labor.
- p. Are there ways that we can save money going forward? Stephanie noted that the board is going to have to think outside of the box going forward. We only have three employees at the present time, and we have an aging workforce, and the cost of new people is much higher now. We are also competing in a tougher market since covid. Everything has increased in price (materials and labor) due to covid. One idea is to replace the fences in the front with professional landscaping which does not have to be insured.
- q. When will we get the paperwork to send to our insurance agents? Tim has all the paperwork ready to go and will send it at once.
- r. Why were we over budget last year? There were capital items that needed replacement (most notably broken water lines) plus the administrative expenses exceeded budget. Capital expenses are non-recurring items that are not considered ordinary operating expenses and are paid out of reserves.
- s. Why are cars parked on the street? Parking is allowed on one side of the street. The original developer calculated 1.5 parking spaces per unit which was adequate for a largely single population. Now there are more families and more units with multiple cars.
- t. Thank you Tim -An owner thanked Tim for his hard work during the storm and our quick recovery. Tim's home had no roof, but he was here the day after the storm arranging for the tarps and debris removal.

Submitted for publication on the ____ day of _____, 2021.

Pat Williamson, Board Secretary, Unit 604

Property Manager Report 2 – November 2021

- Roofing Contractor has completed building 9 and 10. Materials have been ordered for Building 22, 31, 21, and 23. Estimated start date for building 22 is November 29th. Estimated start date for Building 31 is December 6th. Building 21 and 23 start dates have not been set yet.
- Jamie Saxton from Morphy, Makofsky, Inc. has been contacted to provide cost estimate to do Stamped Engineered Drawing for the 20 sets of steps on the 10, 3 story buildings.
- Still awaiting start date from Gutter Contractor for gutter repairs.
- Lattice Fence repairs on the west side of the property continues.
- Pool Contractor has replaced the sand in both pool filters.
- Crescent City Cutters Landscaped the Front and Rear Drive Gardens.
- Contacted Matt with Mullin Landscaping to talk about how to landscape the front drive, with idea of not putting the Lattice Fencing back up.