HARBORSIDE CONDOMINIUM TRUST

2013 ANNUAL MEETING MINUTES

The 2013 Annual Meeting of the Harborside Condominium Trust was held Tuesday, August 6, 2013 at the Boston Yacht Club. Sixteen units were represented at the meeting.

1. MOTIONS

A motion was made, seconded and approved unanimously, to accept the minutes of the 2012 Annual Meeting as written.

2. WELCOME

Harborside Condominium Trust welcomes new home owners Dianne Reich, owner of Units A1 & A2; Jonathan Curtis, owner of Unit B2; David & Marianne Gold, owner of Unit C3, and Jennifer Coolidge, owner of Unit D1.

3. TRUSTEE ELECTION

Lesley Management, Inc. announced that James Walters has been re-elected for a three-year Trustee term with approximately 68.5% of the ownership interest voting in this year's election.

Many thanks, Jim, for your continued service to the Harborside Condominium property! Lesley Management, Inc. will have Jim Walters registered at the Essex South Registry of Deeds.

4. FINANCIAL PRESENTATION

Trustee Don Nowland reiterated the process of financial reporting which keeps owners at Harborside Condominium Trust updated on financial matters.

- Before the Annual Meeting of Unit Owners, a July letter is sent to all owners with a year to date financial update, projected year end numbers, a status of the Dock Accounts, Capital Reserves Projects and a proposed budget for the following year.
- A November/early December letter is sent to all owners with updated projected year end numbers and the budget for the following year.
- A February performance letter is sent to summarize the previous year's final numbers.

Trustee Don Nowland presented an in-depth narrative of the current financial position of the Harborside Condominium Trust (please see attached homeowner correspondence and proposed 2014 budget).

The July 30, 2013 letter to unit owners was reviewed in detail with the following highlights:

- Operating Account started with a carryover from previous year of $17,785.10. In addition to the expected budgeted condominium fee Income, the Trust received a personal loan from owner Joyce Raymond in the amount of $ 27,567.50 to pay for unexpected water penetration of the B Bldg foundation. The projected net over-run for the year is approximately $ 35,000. The details of the over-runs and under-runs are listed in the July 30, 2013 letter to unit owners. Further explanations of over-runs/under-runs are available upon request.
- The Reserve Account started with a carryover from previous year of $ 35,661.48 of which $35,650 is dedicated to off-set the Flood Insurance premium of $40,000 due October 2013.

  Don Nowland stated that another letter and update on the financial projections along with the final 2014 budget, will be presented to general ownership in November as planned. A letter of performance for the entire 2013 year end will be sent to general ownership in February 2014.

The 2014 budget (please see attached) is projected to increase by approximately 27% resulting in a corresponding increase in Common Element Fees. The budget includes an increase of $40,000 to the Flood Insurance line item, an increase of $10,000 to Maintenance/Repair line item, and an increase of $10,000 to the Reserve Account line item. Again, the Board will inform Owners in the November financial update letter of the final 2014 budget.

5. **INSURANCE:**

Trustee Joyce Raymond explained the following:

- The Master Insurance Policy has $5.5M in coverage.
- In 2012, many mortgage holders were advising unit owners that the Master Policy did not have enough building coverage. The Insurance Underwriter evaluated the property and an appraiser evaluated units in each building to determine the amount of coverage required. As a result of their reports, the Master Policy's coverage was increased to $5.5M.

- Flood Insurance: There are currently two policies for Flood Insurance: one for $5M and the other for $ 1.25M for a total of $6.25M in Flood Insurance. This is equal to $250K x 25 units as required. The Trustees had an elevation study done and the Trust will have 4 separate flood policies this coming year. Trustee Raymond will be meeting with the Insurance Agent next week to review these elevation certificates.
- The Town of Marblehead applied to FEMA for a community rating system which would allow the Town to be applicable for credits on Flood Insurance. However, since our Flood Insurance Policy renews in October, with the premium due in full in September 2013, and with no pro-ration, there will be no change for the 2013 Flood premiums as outlined in the 2013 budget.
- Trustee Raymond has asked to be part of the committee with the Town and will keep the board and Trust updated as the process continues.
- There is a separate Insurance policy for the Dock.
- The Trust expects to have insurance premiums for building and flood coverage totaling between $85K and $90K.

Question from owner Moore: In Building B, can the Mechanical Room hot water heaters and the boilers be raised to a height that would change FEMA's rating of the Building B from Zone V.
Answer: The BOT will look into this possibility.

The Insurance Underwriter has reiterated the insurance requirement regarding the use of outdoor grills. Lesley Management was asked by the BOT to follow-up with Owners regarding Harborside's policy for outdoor grills.

6. **MAINTENANCE PROJECTS**

Painting: The Trustees have selected a painting contractor from the final two vendors. The project will start in the Fall of 2013 and extend into 2014. The painter will work with Paul Haggett, proving carpentry oversight. More information on the painting project will be forwarded as the project nears.

The North Retaining Wall: The wall is stable and the BYC is watching it as well. The biggest problem with the wall is the shrubbery which grows in the wall. Over the winter, water gets in the wall through the cracks and freezes. Every couple of years, the Association has the shrubbery growth removed.

Question from owner Reich: Can the downspouts over the retaining wall be connected or the water routed away from the retaining wall?

Answer: Yes, the BOT will look into the downspouts, as well as other ways to re-route the water run-off.

<u>Building B Fire Escape Redesign</u>: The Town has requested modification to the existing fire escape. In 2012, an architectural plan was prepared which was approved by Old & Historic District Commission (OHDC) provided the plan was acceptable to all Owners. Unfortunately, there was not 100 % approval.

The original architect, Paul Fermano, resigned from the project, and the Trust hired Walter Jacob, a well-known and highly recommended architect in Town. Mr. Jacob has a new plan that would entail removing the existing ships ladder between the third and second stories and still meet Code Compliance. Mr. Jacob is in the process of having this new alternative redesign approved by the Building Department. The BOT will continue to update home owners.

Question from owner Curtis: How much will the Building B fire escape redesign cost?

Answer: The exact amount of the redesign, if approved by the Town, is unknown, but a rough estimate is $55K.

<u>Car Port:</u> There are repairs needed to the ceiling of the car port, which may or may not contain asbestos. Don Nowland and Joyce Raymond will address and pay for the repairs to the carport in 2014.

7. HARBORSIDE DOCK COMMITTEE (HDC) UPDATE

The HDC financials, as outlined in the July 30, 2013 Letter to Owners are solid. The insurance on the Docks is paid out of the Association's Operating Account, not HDC, as the docks are used by all residents.

Trustee Nowland thanked the Dock Committee and stated that the docks looked better than they have in years. The upgrades to the docks this year include:

Gangways = $14,517.71
Solar lights and poles = $901.90
Dock pedestals w/lights & electrical cords = $1,386.30
Electrical services = $1,000.00

The HDC hired a diver to inspect the chains which are in good condition at the present time, but will need to be replaced within the next couple of years.

8. MISCELLANEOUS

The Harborside Annual Pot Luck Gathering will be held Thursday, August 15, 2013 at 6:00 PM. Paper Products will be provided. Thank you to Liz and Bert Michaud for organizing this event again this year.

Lesley Management was instructed to:

- Follow up on the mailbox name tag for B2, Jon Curtis.
- Have Owner Bart Jones, webmaster, remove the schematic drawing of the property, as there are many new unit owners and that particular schematic cannot be updated.
- Have the trash room door repaired.
- Have the lights along building A/C checked, they are on during the day (recommended lights fixtures from owner Siddall).

9. PLEASE.......

- Parking: Pass the word, encourage fellow residents to follow parking restrictions. Use placards, stickers, etc. The Association is still having people who are not authorized to park, parking in the lot. If you need placards or stickers, please contact Lesley Management. Remember visiting parking rules: In-Season: One hour parking for guests. Off-Season: Three hour parking for guests.
- Trash Area: Recycling is picked up one time per week on Tuesdays. Recycling products no longer need to be separated between paper, metal, tins, plastics, BUT they still need to be separated from Trash. Although the trash room is cleaned monthly, please pick up any trash that may be out of containers.
- Laundry Room: If you use the laundry room, please clean up after you use it.
- Noise: Please be considerate of the noise level. Gatherings, particularly on the Dock and other outside areas should quiet down 9:30/10:00 during weekdays and by 11:00 on weekends. Again, please be considerate of your neighbors while enjoying the property.
- Website: USE IT! The website is updated often by Owner Bart Jones. Please refer to the website for questions about the Association.
- Emails: Please do not "reply all" as this clutters up email accounts.

10. ADJOURNMENT

There being no further business of the Harborside Condominium Trust, the 2013 Annual Meeting adjourned at 7:00 PM.

Minutes prepared and submitted by Lesley Management, Inc.

Attachments:
Letter to Harborside Owners – July 30, 2013
Proposed 2014 Budget

HARBORSIDE CONDOMINIUM TRUST

July 30, 2013

Dear Harborside Owners,

The purpose of this letter is to provide you information regarding the financial status of the Harborside Condominium Trust, specifically the 2013 budget projections based on our financial statements as of June 30, 2013. We are also providing the proposed budget for 2014. Also included is a status report on the Dock Accounts and Capital Reserve Projects. For reference, we invite your attention to the March 8, 2013 *Trustee's Letter to Harborside Owners*, which summarized our financial performance for 2012. Also attached are the Minutes from the 2012 Annual Harborside Owners Meeting.

2013 Budget Status and Year-end Projection:

Our assessment of the **Operating Account** follows:

1. The January 1, 2013 beginning Operating Account balance was $17,785.10 (carryover from the 2012 fiscal year). Projected 2013 revenues of 21,746 (should be $217,746) will exceed budget by $7,671. In addition, the Trust received a personal loan of $27,567.50 to cover unexpected expenses associated with water penetration through the foundation and crawlspace of the B Bldg in February 2013 from owner Joyce Raymond. This loan is being repaid over the course of 2013.
2. Based on expenditures to date:
   a. We are projecting over-runs in Snow Removal ($347), Maintenance/Repair ($35,000), Cable TV ($1,183), Telephone Conference ($479), Landscaping ($110), and Electricity ($722).
   b. Major expenses contributing to the Maintenance/Repair line item were: B7/8 deck repair ($4,027), B Bldg water drainage ($27,568), A/C Bldg walkway/roof/railings ($32,163), D1 entry stairs ($5,965), D2/3 replacement of window trim and siding ($3,187.45), and installation of illuminated exit signs ($7,137).
   c. We are expecting an under-run in Office Expenses ($1,750), Water & Sewer ($1,119), Gas ($553), and Cleaning ($500).
   d. All other expense lines are tracking to budget.
   e. Therefore, our total projected over-run in the Operating Account is approximately $35,000.

Our assessment of the **Reserve Account** follows:

1. The January 1, 2013 beginning Reserve Account balance was $35,661.48, of which $35,650 is dedicated to offset the Flood Insurance premium ($40,000) due October 2013.
2. To date we have deposited $9,000 into this account and anticipate additional deposits of 30,317.50 by year end for a total of about $39,317.

3. From this account, there have been withdrawals of $16,000 for maintenance and repairs and $9,000 to Joyce Raymond (partial repayment on the personal loan). We will repay the remainder of $15,567.50 on the personal loan over the remaining year and into January 2014.

Proposed 2014 Budget (see attached): We are projecting a 2014 total budget of $267,726 vs. the 2013 budget of $210,075 (an increase of $57,651 or 27%). The budget increase includes the following:

1. Operating Account increase of $40,000 for the flood insurance premium. This means that Flood Insurance accounts for 74% of the total budget increase. While we are working to reduce this expense, we must project a 2014 budget to cover the full amount.
2. Operating Account increase of $10,000 in Maintenance/Repair to a total of $55,000.
3. Reserve Account increase of $10,000 to a total of $45,650.
4. There were also some other changes in the Operating Account lines that resulted in a net decrease of $800 for those lines.

Recap of the Special Assessment/Marblehead Bank Loan: As a reminder, we are currently under a Special Assessment to repay an $110,000 loan from the Marblehead Bank effective December 1, 2011 through January 1, 2014. The purpose was to satisfy 2011 Unpaid Invoices; Emergency Fireproofing to Unit B9, Building B Crawlspace, and Building B Mechanical Room; Building B Drainage; Sea Wall Repairs; Securing of Building B Footings; and, Building B Fire Escape Modification plans. We will complete this Special Assessment in January 2014.

Anticipated New Special Assessment/Bank Loan in 2014: As we close out this year, we are facing three major financial challenges:

1. Coverage of our Operating Budget over-run, currently projected at $35,000.
2. The painting project that has been delayed until later this year. We expect to complete that project by mid-2014 at a cost of approximately $45,000 depending what carpentry repairs will be necessary.
3. Completion of the long planned B Bldg fire escape project. At the moment, we do not have a projected cost and will not likely know an estimate until later this year.

As a result of these expenses, we anticipate that we'll have to secure a bank loan which will require a new Special Assessment.

Status of Harborside Dock Committee (HDC) Accounts: As of June 30, 2013, the HDC Operating Account balance is $19,052.56. Therefore, the HDC is fully capable of meeting expenses for hauling the docks this fall and splashing them next spring. As of June 30, 2013, the Reserve Account balance is $4,470.80, following the purchase and installation of the new gangways and lighting. Currently the HDC is looking to install lighting for the flag poles. Still, the reserve is in good shape, and the HDC will begin saving for a new north float.

Status of Capital Reserve Projects: We have again this year deferred the repair or replacement of the north retaining wall between Harborside and the Boston Yacht Club. We will continue to monitor the site conditions. In addition, we have deferred B Building roof replacement; D-1/D-

2/D-3 total deck refurbishment; seal coating and lining of the parking lot; addition of blue stone at the C Building entry; replacement of ceiling at entrance to Building C and by Trash Room with bead board or exposed beams; and, replacement of the Car Port Ceiling, which is asbestos.

In conclusion, 2013 has been very challenging financially. We continue to try and make quality repairs and maintain upkeep of our infrastructure. We are also mindful of the need to ensure our property keeps pace with increasing property values. We have a unique and beautiful place to live, and we believe these expenditures are prudent and will serve us well in the years to come.

Thank you,

The Trustees

Attachments:
Trustee's Letter to Harborside Owners, March 8, 2013
2012 Annual Meeting Minutes
2013 Budget/2014 Projected Budget

Harborside Condominium Trust

		2013 Budget	2013 Projected Year-End	2013 variance	2014 Projected
REVENUES					
A.	Condominium Fees	$ 210,075	$ 217,746	$ (7,671)	$ 267,726
B.	Special Assessment (Loan)	58,080	58,080		1,499
C.	Other	-	27,568	(27,568)	-
TOTAL INCOME		$ 268,155	$ 303,394	$ (35,239)	$ 269,225
EXPENSES					
A.	Administrative				
	1. Insurance Expense - Master Policy	$ 55,000	$ 55,000	$ -	$ 55,000
	Insurance Expense - Flood ($40,000 partially offset by $35,650 from 2012 Reserve				
	2. Savings - **For year 2013)**	4,350	40,000	(35,650)	40,000
	3. Management Services	9,300	9,300	-	9,300
	4. Tax & Tax Preparation	150	147	3	150
	5. Office Expense	2,000	250	1,750	500
	6. Legal	4,000	4,000	-	4,000
	TOTAL	$ 74,800	$ 108,697	$ (33,897)	$ 108,950
				-	
B.	Utilities			-	
	1. Electricity	$ 3,100	$ 3,822	$ (722)	$ 3,800
	2. Water & Sewer	7,500	6,381	1,119	6,500
	3. Cable TV	5,300	6,483	(1,183)	5,800
	4. Telephone Conference	1,100	1,579	(479)	1,600
	5. Gas	1,000	447	553	500
	TOTAL	$ 18,000	$ 18,712	$ (712)	$ 18,200
C.	Common Services				
	1. Rubbish Removal	$ 5,100	$ 5,100	$ -	$ 5,100
	2. Snow Removal	7,000	7,347	(347)	7,000
	3. Exterminating	1,500	1,500	-	1,500
	4. Landscaping	8,500	8,610	(110)	8,500
	5. Cleaning & Bulbs	5,000	4,500	500	5,000
	6. Fire System	500	500	-	500
	7. Heating Systems	1,000	1,000	-	1,000
	TOTAL	$ 28,600	$ 28,557	$ 43	$ 28,600
D.	Docks				
	1. Fee	$ 5,400	5,400	$ -	$ 5,400
	2. Insurance	2,625	2,625	-	2,625
		$ 8,025	$ 8,025	$ -	$ 8,025
				-	
E.	LOAN			-	
	1. Loan Payments	$ 58,080	$ 58,080	$ -	$ 4,800
	TOTAL	$ 58,080	$ 58,080	$ -	$ 4,800
				-	
F.	Maintenance/Repair			-	
	1. Labor & Materials	$ 45,000	$ 80,000	$ (35,000)	$ 55,000
	TOTAL	$ 45,000	$ 80,000	$ (35,000)	$ 55,000
				-	
G.	Operational Reserves			-	
	1. Reserve Contribution	$ 35,650	$ 5,650	$ 30,000	$ 45,650
	TOTAL	$ 35,650	$ 5,650	$ 30,000	$ 45,650
				-	
				-	
		$ 268,155	$ 299,696	$ (31,541)	$ 269,225