NORTH SHORE CONDOMINIUM HOMEOWNERS ASSOCIATION
ANNUAL MEETING
10:00 AM, July 8, 2017, Newport Recreation Center Room 117

Members Present:

66A Elliott Black	76G Gillian Pack	96A Reuben & Carla Johnsen
66E Rose Ebel	85C Roger Leo	96C Phyllis & Barry Winters
66F Rosie & Michael Hereford	86A Dick & Betty Jo Otten	96E Sidonie Eaton
76B Ed Hallahan	86D Carolyn Bryan	96H Rafael Miranda
76E Brian & Mari Kramer	86E Karen Eibner	
76F Rich & Carol Sumner	86F Barbara Lewis	

Proxies Presented:
66C Cheryl Cornelison proxy to Board of Directors
85D Sharon Findling proxy to Board of Directors

Others Present:
Lee Hardy, Yaquina Bay Property Management, Inc.

Call to Order/Establishment of a Quorum:

Rafael called the meeting to order at 10:00 AM. Eighteen of thirty-two members were present in person or by proxy, constituting a quorum.

Minutes of 2016 Annual Meeting:

A motion was made, seconded and passed to approve the minutes of the 2016 annual meeting as presented.

Financial Report:

Rafael delivered a presentation, including charted data that described the history of reserve fund expenses for the last year as well as a 5 year projection of estimated costs and projected life span of various components of the common area. His presentation will be available on the website.

He discussed the advisability of a formal reserve study. The last one was performed in 2011. He suggested the deck maintenance should be done more frequently than has been done in the past and noted other items that should be priorities in the near future, including exterior stairs, gutters and downspouts and the asphalt. A reserve study should be performed in 2018 so that proper budget planning can be done going forward. He noted he produced a 5 year plan while he was president in the past, but there have been none since then. Some work was done in recent years that was not part of the 5 year plan. Changing the paint color scheme was one such task, but owners praised the color changes.

Rich questioned whether the reserve study would be done with a physical inspection or a table-top extrapolation of costs based on the original study. Another owner asked if the reserve study in 2011 was effective and accurate. If it was not, should the HOA consider another company to do the study? Lee noted that the physical inspection is necessary and valuable so that anomalies or areas of accelerated deterioration can be identified and addressed. Rafael said his 5 year plan was based on the 2011 original reserve study, and the study proved to be accurate.

The 5 year projection Rafael presented shows estimated expenses for different common area maintenance tasks. He discussed the upcoming priorities which include the south wall of the 85 building which has areas of bubbling paint and the 96 building fences and decks. There are also decks on the 66 building where the finish is peeling.

Rafael said that he felt the recent $400.00 special assessment levied to complete the roof and other issues that arose could be returned to or credited back to the members. Lee said that state law prevents refunding assessments, but the monthly reserve levy could be reduced for a few months to credit the levy back to the members.

In summary, the next priorities for common area maintenance include the 85 roof which is 20 years old now, the painting of the 96A-D building which should be done in a couple of years, yearly maintenance for the decks, asphalt restoration, exterior stair repair or replacement and gutter/downspout replacement.

Lastly, Rafael provided a chart showing the allocation of the operating fund to various operating expenses on the basis of an average cost per unit per month. Operating expenses include hazard, liability, earthquake and flood insurance, landscape maintenance, annual reporting fees, utilities, pest control, bank charges and management fees. Lee noted that the operating fund ran short last year due to increased costs of insurance when the coverage was expanded to include earthquake, increased landscape maintenance costs and some unanticipated maintenance costs related to corroded plumbing and other contingencies. Funds were borrowed from the reserve account to cover these items, and it is being repaid to the reserve account this year.

Betty Jo asked about landscape maintenance between 86A and the 76 building where there is bark mulch and overgrown shrubbery. Should this not be included in normal landscape maintenance? Rafael said he would look at it.

Rafael noted there is a $10.00 per unit per month surcharge to the owners of the 96 building units because there is a sewer lift station in place that serves just those two buildings. Lee noted there is work done on that station each year and that the biggest culprit that hinders its operation is the accumulation of grease in the lift station. If the station alarm light or siren activates, Lee needs to be called.

The budget for the operating account is pretty tight. In the past the $280.00 per month assessment was allocated with $180.00 going to reserves and $100.00 going to operating expenses. With the expansion of the insurance and higher landscape maintenance costs, the allocation is now $160.00 to reserves and $120.00 to operating expenses. Lee noted that there used to be a surplus at the end of each year in the operating account in the amount of between $10,000.00 and $15,000.00. There is no surplus accruing now.

New Business:

Allocation of Dues: Carol introduced a discussion of the allocation of monthly dues among the units which vary in size and complexity. She said that dues should be proportional to unit size and discussed the perspective of comparative deck sizes, age and maintenance requirements. Roger noted the current dues levels seem very reasonable compared to other HOA's in the area. Members and directors present discussed the pros and cons of factoring costs per building and insured values into the allocation of dues. Barry suggested that insured values take into account insurance coverage versus the impact of catastrophic loss. Rafael said he thought that changing the assessment process going forward would require dissecting every maintenance task which would be complicated.

Carol thought that, if dues were increased, the 66, 76 and 86 building owners should pay $10.00 less per month toward reserves than the 85 and 96 building owners. Lee noted that all owners have an equal undivided interest in the common areas, both general and limited, and that is the basis for the equal allocation of assessments to all members. Reuben noted that expenses for the buildings housing the smaller units have in the past far exceeded the expenses for the buildings housing larger units. So any analysis needs to start from date of construction and factor in what has historically spent in order to present a fair picture.

Rafael asked members present how many want to carry this discussion into the future. Five were in favor and eight were opposed.

Insurance: Coverage for the HOA has been increased to include all-in coverage for hazards and earthquake and flood coverage. The increased premiums may require increasing the portion of dues allocated for operations. Roger had provided a detailed analysis of the current insurance and options, and Rafael provided an executive summary of that analysis. The analysis described the current hazard/fire coverage and earthquake/flood coverage. The new policy shows a decrease in the deductible from the former coverage which required a 10% deductible. Roger summarized his research and noted that the HOA may be able to apply to FEMA for insurance to cover the deductible on the earthquake policy.

Rich noted there were some assumptions in the analysis that may not be accurate. Specifically the time to rebuild listed as a number of years does not take into account that there may not be water or electric service available for 2 years. He suggested approaching the risk evaluation by not assuming a total catastrophic loss but rather a lesser one. Ensuing discussion included perspectives on constructive total loss versus partial loss, lowering the deductible by paying a higher premium and either obtaining a loan for the deductible or insuring for it through FEMA.

Rafael said it would take several years to accrue the deductible and asked if members wanted to increase dues by $13.00 per month to achieve a lower deductible. The operating account is already short by an average of $10.00 per month per unit. Do we stay insured now and start accruing the deductible, or do we cancel the earthquake coverage and wait five years until the deductible is in hand and secure coverage then? Ed said it would be nice to have the board present the options in 3 or more clear bullet points. Another question raised was what the cost to insure the deductible would be. Members discussed the possibility of levying a special assessment at the time of loss, securing a loan or a line of credit or buying insurance when the deductible is on hand. Rafael asked members present how many want to continue with the current insurance. Nine indicated they did and four indicated they did not.

A motion was made, seconded and passed to increase the operating portion of the dues by $15.00 per unit per month, effective August 1, 2017 to cover current insurance premiums. In the meantime, FEMA will be contacted to see what the cost to insure the deductible would be. Roger noted that it may be the end of the year before the City of Newport can establish the city's policy on the FEMA maps that are in the process of revision right now.

Election of Directors:

Nominations were opened and a request made for volunteers for the positions of five directors. Barry said he will not remain on the board, and all thanked him for his contribution over the years. Roger, Elliott, Rafael and Karen volunteered to continue to serve on the board. Betty Jo Otten volunteered to serve on the board as well. A motion was made, seconded and passed to elect all five volunteers by acclamation.

Adjournment:

A motion was made, seconded and passed to adjourn this meeting at 12:02 PM.

Lee Hardy
July 8, 2017