GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.
Minutes of the Meeting of the Board of Directors
June 1, 2017

John Rasmussen called the meeting to order at 10:07 a.m. on the date above noted at the location and time specified in the notice of meeting.

Those present were:

John Rasmussen, President
John "Randy" Kuhl, Treasurer (via phone)
Bryon Smith, Secretary (via phone)
Carl Bauer, Director
Tom Leiser, Director
Andrew Smith, Association Attorney
Chris Gourdie, General Manager
Carol Post, Bookkeeper

Earl Monari, Glenn Norton, Joyce Morris and Richard Moore were absent.

The President announced a quorum was present and that the notice for this meeting was posted in accordance with the bylaws and statutory requirements.

Under provisions for owner comments, there were no owners present to address the board.

The minutes of the February 2, 2017 and February 14, 2017 board meetings were then presented to the board. There being no corrections to the minutes, the president stated that the minutes of the February 2, 2017 and February 14, 2017 board meetings stand approved as submitted.

Randy Kuhl then gave the treasurer's report. The Association ended April with surplus of income to expenses of $66,719. Operating cash was $1,154,536 and cash in reserves totaled $609,856. Reserve funds are up $58,621 since the beginning of the year. Mr. Kuhl stated that overall, year to date, expenses are running close to the amounts budgeted.

Chris Gourdie then presented some highlights of the general manager's report. He stated that since preventative maintenance work is temporarily suspended on the lakelofts, the carpentry crew has been getting ahead on the multi-unit buildings, working on walkways, landings and balconies. Work is continuing at the lakelofts on an as-needed basis. In grounds, Mr. Gourdie stated that since the department has been laying down pine straw and using three carts for spraying, they have been staying on top of weed control. The crew has already completed one cycle of detailing, which usually takes most of the year. The irrigation crew has only three valve banks left to convert from hydraulic to electric.

Under administration, Mr. Gourdie reported that Ryestone, the company that purchased unit 3563 after the Association foreclosed on it, is still working on getting the prior owner out of the unit. Sales have been vigorous since the last board meeting. Several of the purchases have been by investors who plan to rent the units.

Mr. Gourdie then presented suggestions for amending the Association's rental policy, stating that one of the newer owner investors had used its own vendor to complete a background check, then put the tenant in the unit without Association approval. When the Association used its provider, the results showed two felonies, one of which was not listed on the other vendor's report and the other which was listed but was not identified as a felony. Mr. Gourdie stated that even though the owner has been notified that the tenant does not pass the criteria to rent at Grenelefe and must leave, the owner is still lobbying for the tenant. When a similar situation arose several months ago with Westgate's vendor, Heike immediately began using the Association's vendor for all her tenant background checks. Mr. Gourdie felt that many of the newer owner investors wouldn't be this cooperative. Therefore, he suggested stating in the rental policy that owners who wish to run their own background checks must use an Association-approved vendor. Attorney Smith stated that rules changes are made at the board level, but that meetings where rules changes are considered must be noticed at least 14 days in advance.

A question was raised about whether disallowing tenants with criminal backgrounds violated the Fair Housing Act and Attorney Drew Smith stated that the key is in how the criteria are being applied, that the rules must be applied in a uniform way, based on the crimes committed rather than discriminating due to any protected class.

Tom Leiser asked when the tenant in question's lease is up. Mr. Gourdie stated that he hasn't responded back to the letter from the rental agent yet, but that leases are usually seven to twelve months. He said the owner is making an effort to comply in the future by using the Association's vendor, but Mr. Gourdie felt it wasn't his place to bend the rules. Randy Kuhl stated that the Association should not overlook violations to the policy, that the tenant needs to be removed, and Carl Bauer stated that he doesn't want selective enforcement, either. Tom Leiser suggested having Mr. Gourdie respond to the owner representative's letter and say that the tenant needs to be removed within 30 days. Randy Kuhl questioned whether the Association would incur liability by allowing the tenant to remain for 30 days. Drew Smith stated that the Association's letter does not need to state a time frame, that if the owner does not comply, the attorney will send the next letter, and it will have a time frame. It was decided that a board meeting would be scheduled in three or four weeks to discuss the amendments to the rental policy, and in the meantime, Mr. Gourdie would locate some other reputable vendors for background checks, to give owners a choice.

Mr. Gourdie then reviewed some proposed legislative changes, one of which was imposing a term limit of eight years on board members who serve two-year terms. Drew Smith stated that prior terms served would count toward the eight years, but the law wouldn't affect existing terms. Randy Kuhl stated that considering prior terms served would make the law have a retroactive effect. Mr. Smith agreed and stated that that is the lawmakers' intent. Mr. Kuhl stated that for someone like Mr. Bauer, the law could be job-threatening if he can't fulfill the requirements of his position. Mr. Smith agreed that Westgate would be put in the most awkward position, but that the way the proposed law is worded, it only applies to two-year terms, that there would be no term limits with one-year terms. Mr. Gourdie asked about changing the bylaws to state one-year terms or waive term limits, and Mr. Kuhl stated he would rather waive term limits than go to one-year terms. He suggested having Drew look at how to exercise the waiver.

The next item on the agenda was a report on insurance renewals. Mr. Gourdie stated that property insurance premiums decreased by 12.4%, from $220,000 to $196,000, that the general liability decreased from $49,000 to $45,000, and that the umbrella increased from $16,000 to $18,000. He stated that Tom Leiser had questioned why the Association's directors and officers policy had a $1,000,000 limit, that a lot of the boards he has sat on have higher limits. The Association's limits were increased to $3,000,000, with a premium increase of approximately $2,000.

The next item on the agenda was a report on the lake lofts. Mr. Gourdie stated that at the last report, the decision had been made to take care of safety issues, but hold off on putting time and money into maintenance. At the board's instruction, Mr. Gourdie acquired bids from three contractors to do the work there, since Association carpenters are not licensed contractors and couldn't pull permits to make structural changes. He obtained per-unit bids from W.R. Martin, Mark Brandel and Colorado Construction in the amounts of $39,000, $27,500 and $25,500 respectively. However, as was stated at the last board meeting, the proposed work would constitute a change in the common element. Therefore, Mr. Gourdie also contacted a contractor in the Florida Keys who does work for Topsider Homes, the manufacturer of the lake lofts, to get an estimate of what the cost would be to fix the lake lofts using the original support design. His estimate came in at $65,150 per unit. Mr. Gourdie also tried to obtain two appraisals, but was only able to get one, which placed a fair market value of $26,000 on one lake loft. There is currently $19,794 in the lake loft reserve account.

Mr. Bauer asked how many structures are currently unsafe, and Mr. Gourdie stated that none are unsafe, but that there is a tilt to the floors and other issues, and the Association has an obligation to stop further degradation. Mr. Gourdie indicated that the roofs were replaced in 2004 and 2005, and that when they have to be replaced again, the cost will be approximately $5,000 each. He explained that in the event the cost to repair the lake lofts exceeds the fair market value, the Association has the option of terminating the two lake loft condominiums.

A discussion then ensued regarding termination. Mr. Gourdie asked about what options there are for termination. Mr. Smith explained that whether or not the Association does a special assessment, the lakelofts are going to have to be fixed or they are going to continue to deteriorate, and that regardless of what the Association does with the units, it will likely be looking at an economic waste termination down the road. He stated that a termination would require a 66 2/3 vote of the membership. Mr. Bauer asked if that would be 66 2/3 percent plus all mortgage holders, and Mr. Smith explained that although the Association's documents bring in the mortgage holders, Florida Statutes don't, and the Statutes trump the documents.

Mr. Smith explained that the Association would have to have a buyer to put money into the termination plan, that the Association can't put together a termination plan without someone willing to put the money behind it. He stated that it would be best to have close to a universal buy-in, which means a termination plan that would be sufficient to pay off all mortgages and have enough funds for the owners to be willing to move on, that they are not losing their investment. That would help the Association avoid expenses of someone challenging the termination.

Mr. Rasmussen stated that he couldn't see Westgate, Feltrim, or the seven private owners spending $25,000 per unit on a special assessment to have the units repaired, and Mr. Bauer stated that the fact that Westgate owns the lakefront, the adjacent land and the roads could be a deterrent to finding a buyer. Mr. Rasmussen asked what would happen if the owners aren't willing to fund repairs but there is no one interested in purchasing the property. Mr. Smith stated that then the Association would be acting as buyer and have to come up with the dollars to put behind the termination plan. Once the Association owned the land, it would put it on the market to sell it.

Randy Kuhl suggested that the board propose a special assessment in the amount of $25,000 per unit, the amount of the lowest bid to make the necessary repairs, and if the owners voted no, the Association would be relieved of the responsibility to repair at that point. Mr. Bauer stated that the only realistic plan would be for Feltrim and Westgate to get together with a plan to become the eventual owner to redevelop the area. He has spoken with Mark Waltrip, and Mr. Waltrip wants to possibly communicate with Feltrim when he gets back into town next week and see if they can come up with something. Mr. Bauer stated that if that isn't feasible, he feels the Association should raise the reserve portion of the maintenance fees by more than the 10 percent allowed, as a plan B. Mr. Smith explained that that could be accomplished with a special meeting of the owners of the two lake loft associations.

Mr. Gourdie asked if the Association is at fault for not trying to raise the dues, and Mr. Smith stated that it is worthwhile to start planning for making repairs or securing money for a buyout, one way or the other. Mr. Rasmussen laid out a plan of getting a meeting together for the two lake loft associations, figuring out how much of an increase to suggest and getting something in place before the fourth quarter to raise the rates. Mr. Gourdie asked how much they should be raised, and Mr. Bauer asked how much would be needed to fix the windows and make the needed repairs. Mr. Rasmussen asked how much the fees are, and Carol Post stated that they are $663 per quarter. Mr. Rasmussen suggested increasing the fees by 50%. Mr. Gourdie stated that the Association carpenters could complete repairs on the cosmetic items on approximately eight units per year, at a cost of $3,500 each or $28,000 for the year. Adding to this amount the cost of future roof replacements, since one roof has already failed, the Association would need a total additional amount of approximately $1,000 per unit per year. Mr. Rasmussen then suggested an increase of 30%.

Mr. Rasmussen suggested putting the special assessment to a vote of the membership, and Mr. Kuhl agreed. Mr. Smith recommended having the special assessment and the rate increase considered at two different meetings. Mr. Rasmussen suggested having the meeting regarding the rate increase before the end of July and the vote on the special assessment later.

Mr. Bauer asked why the two lake loft associations only have access to $19,000 of the reserve funds, but the other sixteen associations have access to the full $600,000. Ms. Post explained that the lake loft owners do not contribute to the multi-unit building reserve, the laundry room reserve and the multi-unit roof reserve and therefore don't have access to those funds. Likewise, the multi-unit owners do not contribute to the lake loft reserve and therefore don't have access to those funds. All owners contribute to the parking lot reserve, the landscaping reserve and the office and maintenance equipment reserve, and all the owners benefit from those reserves, but those funds are only to be used for their designated purposes. Mr. Bauer asked why the multi-unit owners have approximately $400,000 between their building and roof reserves and the lake loft owners have only $19,000. Ms. Post explained that there are 747 multi-unit owners and only

34 lake loft owners. Tom Leiser made the calculations and stated that the two amounts average out to almost the same amount per unit, approximately $600.

Mr. Gourdie then verified that a meeting would be scheduled before the end of July for a vote on a 30% increase in maintenance fees. Then a second meeting would be scheduled between July and November for a vote on a special assessment, and that language would need to be added in that for the $25,000 special assessment, owners would have to approve the change in the design of the support system. Randy Kuhl suggested giving the owners a choice between having a special assessment for the change in design or a special assessment for bringing it back to the original. A discussion ensued, and it was decided to have the one vote contingent on the other, with the first question being whether or not to approve the design change, and if yes, proceed to the vote on the $25,000 special assessment and if not, to proceed to the $65,000 special assessment to bring the units back to the original specifications. It was further clarified that the 30% increase in fees would go straight into the reserves and be for the purpose of performing the non-structural repairs currently needed, and the special assessment would be for the contractor costs to rebuild the support system.

Mr. Bauer asked if there could be a vote to pool the reserves, which was discussed several years ago, and Mr. Smith explained that there could be, and the change would be effective from that date forward, but that the funds collected previously would have to be used for the purposes allocated at the time they were collected. Mr. Kuhl stated that he was opposed to changing to the pooled method, that every maintenance program would have to be rewritten because funds would be taken from other programs and funneled into the lake loft repairs.

The next item on the agenda was trash disposal service options. Mr. Gourdie reported on the problems the Association has had with people throwing trash outside the dumpsters and presented the board with a picture taken May 7 showing the four east side containers full and trash all over the ground. He explained that the Association has had to bring people in on the weekend to trailer trash away. The Association currently pays approximately $31,000 per year for residential trash. He stated that compactors would be a cleaner option and that the representative with Republic indicated that the Association has reached a point that compactors would now be economically feasible.

Mr. Gourdie stated that he had spoken with two vendors, Republic Services and Green-up, to do cost comparisons for the different options. He stated that the cost to purchase two compactors would be approximately $89,000, with installation costs of approximately $6,380. The monthly service fees on the two compactors would be approximately $3,185, or $38,220 per year, plus repair costs. He indicated that the annual fee to lease two compactors would be approximately $47,700 with Republic Services and approximately $33,720 with Green-up.

Mr. Gourdie also presented the board with options for curbside trash pickup. The cost to build trash can sheds and purchase four trash cans per building would be $44,080, plus $48,720 per year for the trash removal service. If the Association chose valet trash service, similar to what is done at Aspenwood, the cost for the sheds to hold the trash, two tow-behind carts and the installation fee for the compactor would be $18,920. If Green-up provided the service, the monthly cost for disposal would be $6,462 per month, or $77,544 for the year. If Association personnel provided the service, the set-up costs would include purchase of a full-size pickup truck to pull the carts, totaling $20,460 in set-up costs. The monthly cost for disposal would be $4,195 per month or $50,340 for the year.

Randy Kuhl pointed out that both Green-Up and Republic Services offer five-years leases on their compactors, and that with set-up, a five-year lease would represent a $200,000 investment, which he wasn't comfortable with without knowing the outcome. He asked if it would be possible to experiment with a compactor on the east side for six months and see if it works before making a five-year commitment. Mr. Gourdie said he could ask for six months or a year. Carl Bauer asked if there was room to add more dumpsters, and Mr. Gourdie indicated only on the west side. Mr. Kuhl said a compactor would solve the problem of people not breaking down their boxes, but not solve the furniture problem. It would also take care of the problem with birds getting into the dumpsters and people dumpster diving.

Mr. Bauer asked about the possibility of the Association getting a garbage truck and driving the trash to the dump, and Mr. Rasmussen estimated that a garbage truck would cost around $250,000. Mr. Kuhl asked if they sell garbage trucks at the auction where the Association sold its lift. Mr. Bauer suggested checking on it and looking into getting a trash compactor in the meantime. Mr. Gourdie stated that the east side is not set up for a trash compactor at this time, and the Association would have to invest some money in a concrete slab, removal of trees and adding pavement. Mr. Kuhl asked about using the space across from the current location to try out the compactor. Mr. Gourdie said we could check it out. Mr. Rasmussen instructed Mr. Gourdie to see what it would take to remove the four cans from the east side and put in a trash compactor and bring it back to the next meeting.

The next item on the agenda was purchase of a Kubota cart. Mr. Gourdie explained that the 1997 cart needs to be replaced, that the Association is wasting money on repairs. He stated that the Association received $10,985 for the old lift, which went back into the equipment reserve. The price on the RTV500 Kubota utility vehicle that he wants to purchase is $9,681. Randy Kuhl moved and Tom Leiser seconded a motion, which was approved unanimously, to authorize Mr. Gourdie to make the proposed purchase of the Kubota cart.

The last item on the agenda was appointment of the budget committee. Treasurer Randy Kuhl stated that he would like the same people who were appointed the previous year to serve with him. This was Carl Bauer, Tom Leiser and Earl Monari, and Randy Kuhl would serve as chair.

At 12:25 p.m., Randy Kuhl moved and Carl Bauer seconded a motion to adjourn, which was approved unanimously.

Respectfully submitted,

Bryon Smith
Secretary