



HOA OPEN SESSION BOARD MEETING 05/20/2021 MINUTES

I. President's Welcome and Call to Order

President Himmel called the meeting to order at 6:10 pm, requested that all households sign-in so that the number of households attending can be documented for the record and noted that this entire meeting is going to be tape recorded for the purpose of preparing the meeting minutes.

Special thanks to Donna McLellan, Janine Hyde, Pamela Anonsen and Bill and Connie Schaeffer for Christmas decorations at the front entrance.

Although not listed in the Preliminary Meeting agenda an open forum during which Homeowners may request to address the Board will be held after the Business section of the meeting is completed and Homeowners will have 5 minutes to address the Board.

II. Introduction of Board Members and Guests

The following Board Members introduced themselves: Lee Himmel, President; Frank Ford, Vice President; Phil Mustico, Treasurer; Nina Paterno, Secretary. Also in attendance is Seascape Community Manager, Jonathan Poole.

III. Confirmation of Quorum of Board Members

President Himmel noted for the record that a quorum of the Board was present.

IV. Approval of Prior Annual Meeting Minutes:

A) Board Meeting Minutes for October 15, 2020

President Himmel motioned that the minutes be accepted into the record as written, and the motion was seconded by Vice President Ford.

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B) 2020 and 2021 Executive Session Meeting Minutes

President Himmel motioned that the meeting minutes for all closed sessions held in 2020 and to date in 2021 be officially entered into the record as written, and the motion was seconded by Treasurer Mustico. President Himmel noted that these meeting minutes have been posted to the HOA webpage and thanked Matt Noble for his work as the web master for the HOA.

V. Business:

A) Open Business from previous meetings:

1) Bench Updates:

a) Memorial Plaque: The plaque in memory of Homeowner of Danny Mullaney was ordered on February 9, 2021 from the Rocky Mountain Plaque Company and when delivered, the HOA will ask Danny's wife on which bench the family would like to have the plaque installed on which may be the pond two bench that is closest to their home.

b) Pond Four Bench: The fourth bench was ordered on February 16, 2021, is due to be installed on June 4, 2021. Special thanks to Treasurer Mustico and Homeowner Lance Lamers for donating and installing the pavers for the benches at ponds three and four.

2) Pool Updates:

a) Construction Services, Inc. is scheduled to install a grill on the existing door and a vent roof to cool the pump room to prevent pump damage, and the work which cost \$1,400 should be completed before the pool opens.

b) Treasurer Mustico confirmed that the pool will open on Friday, May 28, 2021 and close on September 11, 2021 with pool hours from 7 am to 9 pm.

c) Delaware State Guidelines Update: State guidelines no longer require any volunteer work to keep the pool open. Guidelines will be posted at the pool. Special thanks to the Homeowners who had volunteered to test the pool water. Once a day testing by the pool company fulfills the current requirement.

3) Level I Reserve Report:

a) Annual Board Review: While reviewing the actual Budget reports for the calendar year 2020 and in preparation for the development of the 2021 budget, the Board performed their annual review of the Level 1 Replace Reserve Report. That review included:

i) Comparing it to the projected replacements for the current year and identifying any impacts to that year's budget.

ii) Identifying Capital Expenses as any item costing more than \$1,000 and/or with a life expectancy greater than three years.

iii) Determining the impact of proposed expenditures for that year to the overall Level 1 report prior to the approval of invoices.

iv) Obtaining approval for any New Capital Expenditure by the majority vote of homeowners prior to their final approval.

b) The following is a summary of their review:

i) An adjustment was made for the year 2040 in the amount of \$800 as only 3 of the 4 benches in the Level 1 report have been purchased as the date of their review.

ii) An adjustment was made in the amount of \$830 for item #20- the pool pump as the pump was recently replaced in 2020; The \$830 was moved from year 2025 to year 2030.

iii) The first significant withdraw of funds from the Reserve Account is expected in calendar year 2025 for approximately \$12,000 for such items as the

replacement for the pool sink and shower fixtures, repointing the entrance monument masonry, replacement of the irrigation controller and asphalt sealing/coating for the pavement/paths to name a few.

iv) It is still recommended, including by the State of Delaware, that the Reserve Report be officially repeated every 3 to 5 years. The Board recommends reviewing the report again in three years, since this was the first report.

c) The Board also identified the following items that will need to be included in the first revision of the Level 1 Report as these were not included in the first report:

i) The cost of maintaining front entrance and terrace lighting to include transformers, wiring and fixtures newly installed in 2020 should be added to the report.

ii) Under storm water management, the cost of maintenance and management of the two pond final outfalls should be added to the report which would include, for example, repairs to the geotextile fabric and rip rap protection to prevent erosion. These types of repairs may be required approximately every twenty years based on the average life expectancy for this infrastructure.

iii) Also, under stormwater management, the cost to repair any failed stormwater pipe concrete seals in the common areas leading to the ponds should be added to the report. These types of repairs may be required approximately every twenty years based on the average life expectancy for this infrastructure.

President Himmel reminded Homeowners that the Replacement Reserve Account is a “restricted account” and the use of these funds for anything other than for capital replacements can have serious tax code implications for our HOA. Guidelines typically require that maintenance activities, partial replacements, minor replacements, capital improvements and one-time replacements be excluded from the Reserves.

4) Status of Developer Projects not yet turned over to the HOA:

a) President Himmel noted that on November 24, 2020, the Board sent an email to developer Robert Kleinpaste, his representative Bill Wallace, and builder Alan Halle requesting a complete set of construction plans for the community, both hard copies and electronic files. The developer replied that he would provide the drawings once the pond three and four as-built drawings are completed.

b) On May 1, 2021, the Board sent another email to them again requesting a complete set of construction plans for the community and also requesting a schedule for the completion of all projects not yet turned over to the HOA. To date, the Board has not received any plans or a reply to the May 1, 2021 email.

c) Note that the developer must post construction bonds prior to construction and the bond money is not released back to the developer until all construction per the

approved plans is completed, inspected and approved. If the work is not completed by the developer, for example, the ponds and final outfalls, Sussex County SCD would use the forfeited bond money to complete the work.

d) The list of outstanding projects includes:

i) Completion of Blue Hen Drive construction: As Homeowners are likely aware, the final paving of Blue Hen Drive was completed earlier this week and the road will be transferred to the Town of Selbyville who is responsible for the long-term maintenance of this public road.

ii) Storm Water Management Ponds and Final Outfalls including as-builts, required SCD (Soil Conservation District) repairs, final SCD inspections and approvals, and transfer of land to the HOA.

a) Board members met with SCD Inspector Chris Zakrocimenski and Certified Construction Reviewer Todd Frichtman and reviewed the condition of the ponds and final outfalls. Based on this preliminary inspection, SCD prepared a formal report to the developer/builder listing repairs that will be required at the ponds including the repair of eroding slopes. The repairs listed also included the repair of the two final pond outfalls and the repair of three failed concrete pipe seals – two at pond two and one on a homeowner lot.

b) Following the October 15, 2020 Board meeting, several Board members met with Homeowners to review their concerns regarding on-lot drainage problems that, despite, in some cases, repairs by the builder or developer, have yet to be completely resolved. So, the Board also had Chris Zakrocimenski and Todd Frichtman inspect the on-lot drainage problems, providing an assessment of the cause(s) and possible solutions for the Homeowners to pursue.

iii) Removal of temporary construction road and restoration of open space and homeowner lots: The developer has not provided a completion date for this work.

iv) Open space land transfers to the HOA: The developer has not provided a completion date for the transfer of the open space parcels to the HOA. To date, the HOA has a record of the land transfer of two open space parcels to the HOA- the open space parcel at the pool and one parcel of woods.

5) HOA Service Contracts Summary: this subject was not covered at the meeting.

6) Pond Aerators:

a) The pond four aerator is not running and requires a replacement motor which has been ordered. The motor is under warranty and has been returned to the Wisconsin company for inspection and replacement. As the company is behind in servicing motors,

no set date for confirming the motor replacement under warranty, and shipping of the new motor is available at this time. Envirotech does not believe that this will adversely affect the pond ecosystem because, at this time of the year, the aerator serves an aesthetic function only.

Some communities do have a spare motor or an entire spare aerator unit on hand for situations like this. Note that the spare motor alone would cost approximately \$3,500 and is only one of over twenty different mechanisms that comprise the fountain aerator. Whether the community would want to go to the expense of back-up units can be discussed in more detail with Homeowners at a future HOA meeting and associated costs and supply sources could be further investigated.

b) The Board recommends that based on potential savings, as the community has already discussed, the fountain aerator run-time for all four ponds should be decreased from the 12-month schedule to 8 or 9 months a year. As Envirotech is now preparing an updated complete list of the pros and cons of running the aerators all year versus 8 or 9 months of the year, the Board recommends waiting until that information is available before any community decision is made.

c) The pond two aerator currently has a different nozzle, while the original nozzle replacement is on order. If Homeowners are interested, more information about nozzle types and costs can be researched and then discussed in more detail at a future HOA meeting. It is the intent of the Board, at this time, for all fountains have the same nozzle.

d) A discussion with Homeowners included concerns with the quality and timeliness of services provided by Envirotech.

7) Architectural Review Committee Update:

At the 10/15/2020 Board meeting, many homeowners expressed their concern that some additional effort be made to ensure that all homeowner's comply with the Lighthouse Crossing Bylaws and Declaration of Restrictions as they undertake their individual home and property improvement projects.

a) Homeowner John Dorsey has volunteered to serve on the Architectural Review Committee (ARC). Treasurer Mustico will continue to represent the Board on the committee, and Walter Hyde will continue to serve as the chair of this committee. John and Phil will be providing additional oversight during the actual construction phases on certain projects, and the ARC committee will decide which projects will require the additional oversight to confirm compliance.

b) Walter Hyde advised Homeowners that the most up to date ARC guidelines are available for download from the HOA web page, and that no construction company signs are allowed on lots. He also stated that if the community is interested in changing some of the guidelines a committee could be formed to review and make recommendations for changes to the guidelines.

8) Financial Report Updates

a) Year-to-date Budget Report:

i) Homeowners received a copy of the 2021 budget when they received their invoices from Seascope for the HOA dues for calendar year 2021. The budget included a comparison to the previous year 2020, and included a complete accounting for all invoices paid from 01/01/2020 through the closure of books ending on 12/31/2020.

ii) Treasurer Mustico presented the 2021 Year- to date budget report which will be made available for download from the HOA web page. He emphasized that he monitors costs very closely to avoid cost overruns and was able to defer the routine maintenance for the pond one aerator until next year and was able to put that savings toward purchasing the fourth bench. The cost of pool repairs as lower than budgeted so that savings was put toward keeping the pool open an extra week through September 11th. However, overall, pool costs have increased because there is a shortage of chlorine which is now more expensive. He reserves account has a current balance of \$141,000.

b) Dry Storage Lot Report: Treasurer Mustico stated that the lot is currently full as one vacated slot will be going to the next Homeowner on the waiting list. He noted that three Homeowners are behind in paying their fee for the storage lot which is \$50 per year and Jonathan Poole has sent out second notices. The Board noted that as spraying the lot for weeds is now included in the Sullivan landscape contract, with the associated cost savings over last year, it is anticipated that the storage lot fees will cover the cost of the lot maintenance. If costs exceed the fees, the Board would recommend that the annual fee be raised.

c) A discussion with Homeowners included consideration of charging higher fees for the RV storage lot to offset expenses. The Board emphasized again that if expenses exceed the fees the fee will be increased. Homeowners noted that the RV lot could be expanded to create more spaces.

d) Financial Outlook Report and proposed dues increase:

i) Vice President Ford reviewed that Chart #1 projects our financial outlook if we keep the dues at \$750 per year while our expenses are projected to increase by 2.5% each year based on inflation. Note that in addition to Homeowner dues, income for 2020 also included the settlement fee of \$500 for each of 18 homes that sold that year. As all houses are now built and occupied, the HOA will no longer have any income from settlement fees. HOA income from now on will only be the HOA dues of \$750 per household which does not cover the cost of the current service contracts for landscaping, the pool, the ponds and final outfalls and fountains. Therefore, over the next several years it is projected that there will be a steady increase in deficit each year until the checking account runs out of funds by the end of 2024.

ii) A substantial dues increase would be required in 2023 to prevent a deficit from 2024 through 2027, since we would not have enough annual income from HOA dues to cover the anticipated annual budget for the service contracts. Note that our projected numbers are based on a perfect picture: costs remain stable, inflation is fixed at 2.5%; nothing needs replacing prematurely; and we do not spend any money on any new community enhancement projects.

iii) Chart #2 shows our projected financial outlook with a \$125 increase in HOA dues to \$875 annually for years 2022 – 2025. By 2026 an additional increase in dues of \$45 to \$920 annually would be required or HOA income will not cover the anticipated annual budget to cover the cost of the service contracts. Again, note that our projected numbers are based on a perfect picture: costs remain stable, inflation is fixed at 2.5%; nothing needs replacing prematurely; and we do not spend any money on any new community enhancement projects.

iv) The total cost of the dues increase to \$875 for four years from 2022 through 2025 would be \$500 per home ($\$125 \times 4 = \500). If the second dues increase to \$920 was then approved for 2026 it would raise the total cost of both increases to \$840 per home over the six years from 2022 through 2027 (2022 -2025: $\$125 \times 4 = \500 plus 2026 – 2027: $\$170 \times 2 = \340).

v) Without the second increase in dues by \$45 to \$920 beginning in 2026, the deficit for 2026 would be \$7,169.00 instead of \$9.00. The deficit in 2027 would be \$9,891.00 instead of \$2,731.00. Our checking account funds would be reduced to 20,111.00 instead of \$34,431.00.

vi) If the dues are not increased until 2024, the total cost of the dues increase for four years from 2024 through 2027 would be \$1,045.66 per home. ($\$16.63 + \$165.85 + \$335.92 + \$527.26 = \$1,045.66$).

vii) The Board believes it is better to increase dues slowly beginning in 2022, rather than waiting until funds are depleted and then raising dues more substantially all at once. The cost difference from raising dues in 2022 compared to waiting and raising them in 2024 shows that it is cheaper for households if dues were raised in 2022 to \$875 and the \$920 in 2026.

e) A discussion with Homeowners included:

i) consider changing Bylaws to charge the \$500 closing fee for the HOA at the time of home resales also. Currently home resales are not charged that closing fee.

ii) are decreasing costs possible such as decreasing the number of months the aerators are run at the ponds?

iii) consider twice a year or quarterly dues and how might that impact paying invoices throughout the year. Late fees are charged if dues are late being paid. The Board noted it could impact the HOA ability to pay invoices throughout the

year. The Board also noted that hardships are reviewed in coordination with Seascape Community Management which collects the dues.

iv) consider charging more RV lot storage fees.

v) in preparing the annual budget every year, a list of enhancement projects could be created and the budget and dues reviewed to determine if any potential enhancements could be accomplished in any given year.

vi) a number of expenses in 2020 exceeded the budget and came out of the checking account which used to have the additional income of \$500 per home closing fees, but no longer has that additional income. The current Board has no plans to exceed this year's budget without bringing any proposed items to the Homeowner for their approval.

vii) are there any expenses that could be saved by doing some work ourselves.

VI. Open Forum

a) As a quorum of Homeowners were not represented at the meeting a vote could not be held to increase dues in 2022 by \$125 to \$850 annually. This vote could be done at the Annual meeting in June if a quorum of Homeowners was present. Otherwise, the Board will coordinate with Community Manager Jonathan Poole who will prepare a ballot for Homeowners to vote utilizing the Election Buddy Program. The Board requests that all Homeowners make sure that Jonathan Poole has their specific contact information so that he can either email the ballot to the primary email address for their household, or mail the ballot to them depending on their preference.

b) consider different time of the year for the Homeowner meeting or having an on-line meeting to increase homeowner participation.

c) Will the pond filament be replaced? The Board clarified that the maintenance of the monofilament is in the Envirotech contract and the need for that work to be completed has been reviewed with Envirotech. Pond one is currently being treated for algae. The Board also noted that they have expressed concerns to Envirotech regarding the quality and timeliness of their services.

d) Due to the health risks from goose feces, goose control options were discussed including swan decoys, addling eggs, flight control chemical applications, and continuing monofilament grids at the ponds. The Board is preparing a list of options and associated costs, most of which would be added to the Envirotech contract, and will present that to Homeowners for their approval. It was noted that flight control causes a stomach upset for the geese when they eat the grass and a homeowner objected to its use.

e) Again, concerns were expressed with the quality and timeliness of services provided by Envirotech. The Board has identified two other companies that provide the same services as Envirotech and will recommend that those companies be considered by the next Board before extending the Envirotech contract for another year.

f) The HOA could sponsor a day when Homeowners could access felled trees in the woods to chop up trees for firewood. This would only be allowed when and where sponsored by the HOA and waivers would be required. The current Board has done a survey of dead/dying trees in the HOA woods, and inquired whether the developer would consider felling those trees, but he did not agree to that. Note that the majority of the open space wooded areas have not yet been turned over to the HOA. This long-term management of the open space woods will need to be addressed by the HOA.

VII. Set date, time and location of next Association meeting.

The 2021 Annual Homeowners meeting will be held Thursday, June 24, 2021 from 6 to 8 pm. Inquiries have been made to determine whether the Selbyville United Methodist Church might be available for that meeting, as the donation to that organization for the use of their facility is less than the fee to hold the meeting at the VFD. A meeting notice and preliminary agenda will be sent to all Homeowners at least ten days prior to the meeting. The Board wants to emphasize that the Annual Meeting is a very important meeting for the HOA and encourages all Homeowners to attend.

The Board encouraged Homeowners to consider volunteering to serve on the next Board of Directors and forward their nominating statements to Community Manager Jonathan Poole. The Board noted that per the Bylaws, Board members serve until their replacements take office.

The next regular Board meeting will be held as determined by the next HOA Board of Directors

VIII. Adjournment: President Himmel adjourned the meeting at 8:24 pm.