To: Owners

From: Dan Sheridan, OMI-COA Board President

Date: December, 2022

Re: COA Dues Increase

As you know, in the past 5 years, we have experienced two hurricanes which have affected Southwest Florida in general and Marco Island in the particular. Over this same period, housing values have increased significantly. Consequently, insurance costs continue to skyrocket. In 2017, insurance costs represented 17% of our budget. Insurance is now over 40% of our budget. The projected increase in insurance costs for 2023 together with other increased costs in other areas, led the Board of Directors, at its meeting on December 1, to vote to **increase the COA annual dues from $7000 to $8000 ($250 quarterly increase to $2000 per quarter) effective January 1, 2023**.

Fortunately, our buildings and grounds sustained minimal damage from Ian, thanks in large part to our installation of Category V roofs, windows, sliders and doors in the aftermath of Irma. On the other hand, damage to the shops (Boardroom, Smith House, Bakery, etc.) was considerable and they are just now coming back online.

Our Treasurer and past President Jim Panici put together the attached slides to demonstrate the impact of increased costs on our budget. With a projected insurance increase of over $53,000, each unit’s pro rata share of the increase for insurance *alone* would be an additional $744. The $1000 annual increase helps cover the increased costs of operation in all areas (insurance, building maintenance, legal fees, water and sewer rates, internet and television, etc.).

The Board is mindful that the COA fee was increased last year. As owners, Board members do not want to pay any more than necessary. However, we believe that raising our fees to cover increased costs, while still maintaining our necessary contribution to our reserve, is the most fiscally prudent path forward and protects all unit owners’ substantial investment in our property.

The Board realizes this is a significant increase and there is never a good time to raise fees. However, we believe it necessary to remain fiscally sound. Through our COA fees, we must not only cover our current operating costs, but also fund our reserves for capital expenditures and deferred maintenance. Florida Statute Chapter 718.112(2)(f).

A healthy reserve is imperative to cover future capital expenditures and deferred maintenance (roofs, elevators, railings, awnings, concrete, pavement resurfacing, masonry pavers, fire suppression and life safety systems, lighting, stucco, cement and siding, painting, and any other deferred maintenance or replacement cost expected to exceed $10,000) while minimizing assessments to owners. A healthy reserve is also important when owners go to finance, refinance or sell their units.

Our insurance agent at Statewide continues to put our insurance out to all available carriers that write for the Marco Island market. There are fewer and fewer insurance companies that continue to write policies in Florida and in our market (daily rentals). As we know from Irma, it is vital to have an insurer that will be there and come through for us when a claim comes in. The Board, in conjunction with Resort Management, will continue to monitor our insurance costs, seek the best policy for our needs and monitor all of our other expenses to help hold the line on costs wherever we can.

If you check around the island, the increased fees due to insurance and other escalating costs are widespread with many COA/HOA’s experiencing 24-50% increases or more. Our increase is just over 14%. What also helps set us apart is that we do not have routine assessments than many other COA/HOA’s.

Included in the new dues structure will be the switch from cable (15 MB/s) to fiber optic (1,000 MB/s) service for better internet and TV connections and speed. We will receive new wifi 6 wireless routers, voice activated remotes and a cap of 4% on future annual increases (vs. 5% under our current agreement which expires this month). Owners who want to opt for DVR service can do so through Summit Broadband for a nominal additional cost.

In May, 2022, in response to the Surfside Condominium collapse, the Florida Legislature passed a law known as SB 4-D. The law requires, among other things, condominium buildings that are 3 stories or more to have periodic structural inspections by a licensed architect or engineer to determine whether the buildings have “substantial structural deterioration.” For buildings within three miles of the ocean, like ours, the first inspection (aka milestone inspection) must be conducted within 25 years of the certificate of occupancy and every ten years thereafter. The Board voted on December 1, to seek estimates for the milestone inspection and to pay for the initial inspection from our reserve rather than an assessment to owners. The new law will also require structural integrity reserve studies to insure the reserve has adequate funds for future major repairs and replacement of the common elements.

If you should have any questions or concerns, please do not hesitate to contact me at dsheridanq@aol.com

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