

Dec. 7 2021

Transition Notes:

The Transition Committee consists of the presidents of the Peninsula HOAs and was formed by the Master Association Board to:

- facilitate the election of a Master Association Board
- ensure that at the point of transition, the new Board could manage the Master Association on a day to day basis while they organized, learned the By-Laws and the functions of the Master Association Board, and determined how they wanted to handle the day to day governance on a long term basis.

The Transition Committee appropriately left all the long term governance decisions to the new Board.

The following information will provide an overview of the facts and issues. The Board will find additional issues after they assume control on December 13th.

I. Contracts:

There were four major contracts in 2021: Security, a Management, Accounting, and Landscaping.

1. Security: the current Security Contract was due to expire in December. The current Master Association contracted with the current security provider through 2022 at an additional yearly cost of \$47,000. The contractor cited increased costs due to higher salaries paid by competitors and in hiring new workers in this post-pandemic workplace. This contract has a 30 day no fault cancellation clause which will allow the new Board time to study the parameters of the Security contract and make an informed long term decision.
2. Management and Accounting: the Master Association has entered into a contract with a local management company who is already at work. The management firm will provide a manager on site for 4 hours a day, five days a week, who will perform the tasks formerly handled by Royce. The management firm will also handle the bookkeeping as well as a number of other tasks for the Board. This contract has a 60 day no fault cancellation clause which will allow the new Board time to study the parameters of the management contract and make an informed long term decision. The management contract has increased the budgeted Management and Accounting costs by \$11,300
3. Landscaping: the current landscaping arrangement with the golf course will continue until the new Board has had time to study the situation.

II. Other Budget Items

1. When evaluating budget increases, you can use the fact every \$1,000 of the Master Association budget costs each Peninsula lot owner approximately \$2.10 per year. (This is based on 473 Peninsula lots)
2. The 2022 budget is a standstill budget from 2021 except for increase to two items:
 - i. The Security item increased to \$202,000 from \$155,000.
 - ii. The Management and Accounting items were folded into Management and increased to \$38,000 from a combined \$25,700.
3. Roadway Reserve and Boardwalk Reserve:

The Master Association comingled the Roadway Reserve and Boardwalk Reserve in the same account. The new Board should consider setting up two separate accounts for the Reserves and

determine if the yearly allocations budgeted to these reserves are sufficient.

Notes:

- i. The Master Association Board informed us that the Boardwalk Reserve was used up during Hurricane Sally repairs.
- ii. The Master Association Board informed us that the Boardwalk can no longer be insured.
- iii. The Master Association commissioned a 2021 evaluation of the roads in the Peninsula. Their written report is completed and will be made available to the new Board.

4. Insurance:

We were informed that the common areas insurance was included in the overall policy of the Peninsula Golf Club. The \$11,000 Common Area Insurance item budgeted in the Master Association budget was a partial assignment to the Master Association of the total cost of the Peninsula Golf Club insurance policy. The new Board will have to shop the cost of insuring the common areas.

Note that not all common areas had been identified and/or deeded to the Master Association – we have been told this process is being worked on and will be completed by the transition date.

5. Utilities:

The new Board should ensure that the utilities for the Security shacks, gates, and the common area irrigation pumps have been placed on separate electric meters.

6. Budget and the number of lots in the Peninsula:

The draft 2022 Master Association budget is attached for your convenience. The portion of the Master Association budget allocated to each lot is obtained by dividing the total Master Association budget by the total number of Peninsula lots.

In the draft 2022 Master Association Budget, they used the number of 461 lots to parcel out the cost to each HOA: the final number of lots will be somewhere in the mid 470's and will lower the cost basis per lot. The number of 461 lots was used because the lots in the new Peninsula Villas HOA may not be immediately paying Master Association dues as noted in the footnote on the draft Master Association Budget.

III. Other Items:

1. Security:

The operation of the back gate is an ongoing issue which the new Master Association Board needs to review and decide how it should function.

- We have heard that the back gate may function as a garage door opener where anyone can use a typical garage door opener and have it "learn" how to open it.
- We have heard that some contractors have used this method to obtain access to the back gate.
- There are a number of Peninsula residents who would like the back gate to be manned similarly to the front gate. At the current security contract price, it would cost \$202,000 a year to man the back gate for 24 hours a day.

Since every \$1,000 of the Master Association budget costs each Peninsula lot

owner approximately \$2.10 per year, the \$202,000 cost of operating the back gate 24 hours a day would cost each Peninsula lot owner approximately \$424 a year.

You can prorate this cost to obtain a cost estimate for manning the gate at 12 or 16 hours a day.

- Another option is to redo the back gate so that it only can be opened with a physical transponder that does not have a learning option. This would require a change in the back gate controls as well as Peninsula lot owners purchasing an appropriate transponder for their vehicle.
2. Several Peninsula HOAs have had problems with flooding due to drainage issues that the new Board will have to review and resolve.
 3. Several of the storm drains in the Lakes subdivision have had to be rebuilt and/or repaired over the last couple of years. The new Board should consider having the condition of the storm drains reviewed as they evaluate setting reserves amounts needed to handle long term maintenance costs.
 4. The new Board will need to determine to what extent they are going to enforce the Maintenance Covenants and formalize the process and procedures used for enforcement.

