



Village News

A Publication of Waterside Village

September 2008

The Current Newsletter

Your Board has prepared this issue even if it is only one month after the last newsletter. The last issue was received by owners with very positive comments. There are a lot of activities going on at Waterside and we are sure that everyone is concerned about the hurricane season. So far we have not sustained any damage, with the exception of the TV antenna internal circuitry that needed to be replaced. Let's hope that this issue will provide as much information on what's going on at Waterside. The main topics this month include the current insurance coverage for the Association and an explanation of the foreclosure and short sale processes, and a series of shorter topics.

Ask the President

Since the reopening of this section on Waterside website in July 2008, over 800 owners have reviewed questions and answers provided by the Board. This is a very strong sign that our owners are interested in what's going on at Waterside. It does require a lot of time from your Board, but due to the interest we are pleased with the positive impact, as this ensures a greater transparency of the affairs of Waterside.

This allows direct questions to the President, and as long as the questions are signed, the President will provide an answer to the







specific request. (If you have not yet registered on our official website, please go to watersidevillage.com and click on "Communications" tab, and then choose "Message Board." Click on "Register" –top right of screen – then follows the instructions. Once registered, contact the office to be added to the owners group, then you will see the "Ask the President" link on the Message Board.)

This private section of Waterside's website was introduced for owners only as a respectful way for an exchange with your Board. By using such an approach, owners have access to a straight answer from their Board and not from the rumor mill.



2008/2009 Operating and Reserve Budget

Yes, it's one more budgetary year. We all know that our fiscal year runs from November 1st to October 31st of the following calendar year. The material that covers both the operating budget (maintenance fee) and the portion for the reserve was sent to all owners during the week of September 15, 2008. The Board scheduled a meeting to approve the budget to be held on October 27, 2008 at 7:30PM at the Club House. Until that meeting, owners can ask questions on the "Ask the President" section of Waterside's web site.

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Owners' Email Addresses

If you do not receive the various Association communications via a personal email, this simply means that we do not have your email address on record. Please rest assured that your email address is confidential and every emailing is on a one-to-one basis, so other owners do not get access to your

email address. Please contact the office to let them know your email address.

Owners Who Lose Their Key

During office hours, the owners may have access to the office and the office staff will be pleased to help in such a situation. If the office is closed, other than the President, none of the Board members nor office staff have access to keys. The security guard cannot be of any help either. One suggestion is that you provide a spare copy of your key to someone you know on site, or you should simply hide an extra key. Otherwise, when the office is closed and you lose your key, you are on your own.

Please make sure the office has two full sets of any keys necessary to open your unit in the event of an emergency. If you change your locks and no new keys are provided to the office, if an emergency requires entry to the unit and a lock must require a locksmith, the owner will be responsible for the cost.

Florida Rooms

Thanks to many owners who have replaced their Florida rooms conforming to the new standard type, they have contributed to the value of Waterside in general. We encourage all remaining owners of C, D, DD and some of the B units to commit themselves to the improvement of their living space and to the general look of Waterside. We are aware that some of you have already made plans to do so. We simply need to increase the number of owners that are at that stage of committing themselves to the investment. When showing the site to potential buyers or to Realtors who work mainly the Waterside market, and when

visitors develop an interest in Waterside, it is a great selling tool, not only for units under consideration, but to attract buyers to Waterside. Show pride of your unit and surrounding area.

Ongoing Projects



Presently there are so many things going on at the same time you need to be at Waterside to appreciate all the improvements. We have included some pictures, with more on the official website.

1) Ground Surrounding Building Foundations

Some of our buildings were showing the base slab, which if not repaired, would lead to future difficulties and also lead to termite infiltration. Sand or a specific type of soil is being applied by Larry and Joshua. They are also installing extensions to the end of downspouts to move water away from the foundation.

2) Sidewalk Repair

We managed to find a firm that will repair our damaged sidewalks for a reasonable cost.



The portions that need to be repaired have been identified by Daniel and our Vice-President Mr. Gaby Belanger. The work is underway and over 2,000 square feet of sidewalk will be replaced

during the last 2 weeks of September at a cost of \$13,000.00.



This project was long overdue, as some of the areas constituted a hazard for our owners and visitors.

3) Gate Damage from a Power Surge

We did have to incur substantial costs to repair all of the electronics, from the card reader to the television that monitors the traffic. Even the office computer that stores all the data needed to be reloaded, as that office computer communicates with the outside reader. This special expense was the result of one of the electrical transformers near Waterside property being hit by lightning that created a power surge.

Daniel, our Manager prepared an insurance claim with the help of our broker for a total of close to \$7,400.00. We got confirmation that the full claim was accepted, less the applicable deductible of \$1,500.00, and we received payment on this claim.

4) Painting Program

A contract has been awarded to Coast to Coast, a general contractor. They started the work on Wednesday, September 17, 2008. They will be painting buildings 39, 40, 41, 42, 43, 44 and 45 for a total cost of \$30,000.00. They will also do the caulking on top of the shutters (which were not done during the original installation of the shutters) at no additional cost and the caulking

around the windows. Benjamin Moore has agreed to guarantee the paint left over in the previous program. The warranty provided by both the contractor and Benjamin Moore is valid for a seven-year period.



Manager Daniel Harvey and Vice-President Gaby Belanger have also prepared the painting schedule for the 2009 and 2010 program which include buildings that were last painted in 1997 and in 1998. (Yes, that far back!) In 2008/2009 we will paint buildings 10A, 10B, 10C, 21A, 21B, 21C and buildings 22A, 22B and 22C. During the 2009/2010 we will paint buildings 11A, B, C, 12A, B, C and 20A, B and C. In 2011/2012 the common area buildings will be painted. A new program will be initiated for the budget year 2012/2013 with buildings that were painted in 2004. We hope that an 8 year-program would be maintained by future administrations.

5) Sprinklers Major Overhaul

Over the past two months major work was done on the sprinkler system and it is now completed. Close to \$20,000.00 was spent on this improvement program, and from a visit to Waterside in mid-September, the President was greatly impressed by the quality and appearance of our grounds, considering the summer season when it is normally harder to keep it in good shape.



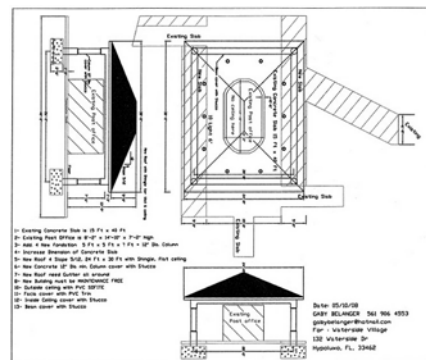
Larry and Joshua conduct a “wet check” program where a full section of the site is done every week; then on a five-week cycle, the full site is done. This definitely does a lot for the quality of our grass and also does reduce the number of work requests from owners.

6) Asphalt Refresher

Asphalt material is generally costly, but we have received some competitive bids for the completion of this project. Your Board is still examining those and a decision should be made before end of September.

7) Postal Kiosk

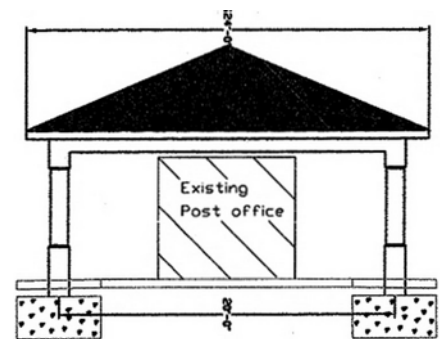
Thanks to the work by Gaby and Daniel, we finally signed a contract for the construction of the postal kiosk. Work should start as soon as a permit is obtained from the Town of Hypoluxo. The architect and engineer specifications and drawings are completed.



Total cost will exceed the budget by \$1,750.00 for a total of \$ 37,750.00

and is inclusive of all costs, with the exception of the electrical work. We wanted to delay the electrical until the structure is in place in order to determine exactly what will be required. It is a huge structure that requires 4 circular columns of 22 inches, as it needs to resist hurricane winds.

The structure will match the current Waterside design, meaning the column will have a stucco finish and the roof will have the same pitch as all other roofs. Roof shingles will be of the same color and quality as the other buildings. The overall size is 24 feet by 30 feet.



A special thanks to one of our owners Mr. John Park, who is a general contractor. Mr. Parke has devoted a lot of time and effort on this long outstanding file to reduce costs and to follow up on design. Daniel, Gaby and John managed to get the commitment from the US Postal agency confirming that they will replace the current postal boxes at no cost to Waterside when our portion of the work is complete.

8) Electrical Work

A contract worth \$4,800.00 was awarded to Aero Electric for the replacement of the office electrical panel which was overloaded, and to connect the guard house and the gate operation to the propane gas- operated generator that feeds the office. This will allow Waterside to maintain its gate operation during power outages,

improving the security during power outages, and reduce security guard costs for those periods.

9) Pools and Spa Heat Pumps

Your Board is currently reviewing proposals and bids to convert our propane gas system for our pools and spa to electrical heat pumps, five of them in total. A decision should be made before the end of September, and if approved, the installation would be completed before the need for the peak heating season.

10) Awnings

Management is currently getting proposals for the replacement and repairs of some awnings that urgently are in need of repair or replacement.



The program will include five large awnings and some small domes. This is part of the 2008/2009 budget. We are starting with the ones that are the most deteriorated, recognizing that there are another 15 to do. They all cannot be done at the same time.

Emergency plan

We used our draft of the emergency procedure for the first time with Hurricane Fay. A check list was followed by Daniel and the staff as a tool to make sure that nothing is left unattended. During the preparation for that possible hurricane hit, Waterside personnel

did have to remove a lot of flower pots, tables and chairs, and finally a large inventory of bicycles, some of them abandoned or appeared so. These bicycles were moved next to the garbage compound. We ask all owners to look at those, and by the end of November any unclaimed bikes will be given to a charitable organization.

Shutters

As part of the emergency plan, Gaby Belanger went around all buildings to verify if shutters were properly closed at vacant units. Owners need to make sure that when they leave for an extended period of time during the hurricane season from June to November to properly close their shutters. A total of 43 shutters were not closed properly, so the maintenance staff did close them.



This is a disturbing situation. If one shutter in one given building is not closed properly, the whole building is at risk of exploding.

The Board will make a recommendation on a possible fee to be charged to unit owners that require Waterside staff to close their shutters. We have no interest in doing so, but we do need to ensure that your asset is well protected.

Electricity Cost Increase

The latest on the electricity cost increase is as follows: in August, a typical 1,000 kilowatt-hour monthly

bill was increased by 8% to bring it from \$102.63 to \$110.77. In January 2009 the cost will go from \$110.77 to \$120.93 or a 9% increase. Finally in June 2009 the cost will go to \$122.36. This represents a total increase of 19% in less than a year. Some of these increases are to cover fuel cost increases and also to the expansion of some nuclear and other power stations. Unfortunately they do not give us the benefit when the fuel cost goes down and when some of their equipment is fully paid.

Waterside Insurance Policies and Coverage



As mentioned in the last newsletter, owners need to check with their insurance broker about the new State law that requires individual unit owners to provide

\$2,000.00 of "special assessment" coverage per occurrence. The Association should also be named as an additional insured. We will provide more information on this new law requirement. The coverage is mandatory, and if the owner does not provide the Association with evidence of the existence of such policy, then the Association can "force place" and under the new law the owner will be charged and must pay.

We do not know how much this coverage will cost or if it will be available from all insurance companies. First, we hope you do have insurance coverage, and that you will contact your insurance broker about this new policy/law required. This insurance policy shall be part of the HOA and provide for a minimum coverage of \$2,000.00

The Association's insurance broker is Mr. Bob Bandell who has acted for the Association for many years, and was the broker involved when the 2004

hurricane did substantial damage to Waterside.

The following insurance policy coverage is maintained by your Association:

A) WIND. This is the most costly insurance policy of the Association and costs tend to fluctuate on a yearly basis depending on the hurricane season damage and claims value for the whole of Florida. Currently the yearly cost is \$193,646.00. This insurance policy runs from May 1st of every year to May 1st of the following year. It covers damage being the result of heavy winds or hurricanes, but does not cover if the damage is the result of flooding.

The deductible is either 3% or 5% of the building value depending if the claim is the result of a strong wind or the result of a hurricane. For insurance purposes a building with units type A, the insured value is \$503,826.00, or an average of \$62,978.25 per unit. For a B type building the insured value is \$641,817.00, or an average of \$80,227.12 per unit. For a C type building the average per unit is \$87,309.20, and for a D type unit it is \$94,332.00. For a DD type of unit the average is \$107,423.40. These averages were calculated by an independent evaluation firm as required by the law. It was done last April, and has no relation to the market value nor the value for Town tax purposes.

The deductible is not applicable on a per-unit basis but on a building basis. For a B type building the total deductible would be \$32,090.85, even if there is only one unit or portions of the roof damage. We do not want to discuss the logic of such deductible. Just for your information for insurance purposes,

the units 801-802 and 803 have a total evaluation of \$335,851.00, say times 5%, then the deductible will be \$16,792.55. In case of complete destruction the net insurance proceed will be \$319,059.00 if we compare to -- say the office building which is a B type -- the deductible would be \$32,090.85 and in a case of a complete destruction the net insurance proceed would be \$609,727.00. Probably the B type can be rebuilt for that proceed, and the DD type could be rebuilt for their net proceed. Let us know your opinion. The insurer is Citizens.

B) GENERAL LIABILITY. This is a policy issued by Philadelphia Insurance Company and it runs on the same time frame as the wind insurance. Total cost for that policy is \$77,285.35 and as it title says, it is a general liability insurance that covers possible claims resulting from "bodily injury," "property damage" and "personal and advertising injury." The coverage limit is up to \$2,000,000 depending of the section and goes as low as \$5,000.00 for Medical Expense.

C) UMBRELLA. The insurer is Chubb and runs for the same period. It is really an addition to the General Liability policy. The premium per year is \$7,200.00 and the limit is \$10,000,000, but only kicks in after the General Liability. This is the reason why there is no relation to value of coverage and cost.

D) BOILER. This policy covers our equipment at a cost of \$2,438.00 per year. This policy covers situation like the last power surge that damaged the gate and related equipment. Deductible on this policy is \$1,500.00

E) DIRECTORS & OFFICERS. This policy covers the Directors and

Officers from claims raised by an owner or an outsider against the Directors and Officer. It covers acts of your current Directors and past Directors as long as the policy is maintained and extended for multiple years. It cannot be a new policy, as previous Directors' actions would not be covered. The cost of this policy is \$2,946.00 and no owners should take office without the existence of such coverage. Departing Directors should make sure that the policy coverage is extended.

F) CRIME. This policy only costs \$574.00 per year, and covers the employees, directors or officer's theft.

Collection, Foreclosures and Short Sale Process



Foreclosure is a hot subject these days. Waterside has 5 units under foreclosure procedure at this writing.

There is 1 type A unit, 1 B type and 3 type C units. We do not have the right to publish the unit numbers, but these can be found on State or County websites.

The collection of the Association dues is the back-bone and blood of its operation. Without this it cannot provide the service that the owners are entitled to and it becomes a burden for the good paying owners. Waterside has always complied with the requirements contained in its governing documents, and the applicable section of the statutes, so once a unit owner becomes delinquent in the payment of assessments, the Association initiates a collection process that can lead to a claim of lien on a given unit.

The claim of lien is the document that perfects the Association rights by notifying anyone perusing the public records that Waterside has a claim

against a particular unit, or that someone else like a mortgage company has a claim against, for unpaid assessments or other dues. The claim of lien is recorded in the public records of Palm Beach County, in the same place and in the same manner as a deed or mortgage.

Recording a claim of lien does not mean a lawsuit has been filed against the property owner. However, Waterside must record a claim of lien before filing a foreclosure lawsuit. It is the same process for a bank or a mortgage company. Only one foreclosure procedure was initiated and executed by Waterside during the last 5 years. All of the current foreclosure procedures were initiated by banks and mortgage companies.

A foreclosure lawsuit is the process through which the claim of lien is enforced. The completion of the process may take some time. Currently due to the high number of foreclosures in the State of Florida, the process may take up to 18 months. Palm Beach County has only one judge assigned to foreclosures. This does not help to speed up the process and the various associations are penalized by this situation. The successful outcome of a foreclosure lawsuit is a judgment ordering the clerk to sell the unit at a public auction, and there are many steps required to get to that stage. At the auction anyone interested can attend and participate in the process.

For the cases that exist at Waterside we do have to say that the banks or mortgage companies definitely have an interest in the proceeding, as they were the ones that initiated the process. Waterside also has an interest and does need to express it to the court in order to make sure

that our dues be recorded and not extinguished. We need to be named as defendants in the foreclosure lawsuit and prove that Waterside's claim of lien is superior to those interests. We normally end up in the third row: the mortgage company or a bank comes first, then the Town and other tax authorities, then finally Waterside.

In most foreclosure lawsuits, there will be three likely outcomes:

- 1) Waterside will be paid. Under a bank foreclosure the only amount that Waterside will receive is the lower of 1% of the mortgage value or 6 months' of regular assessments and will lose anything else due on special assessments and dues on shutters. Now we do understand why Waterside cannot be in the financing business like we did for the shutters or the hurricane.
- 2) Waterside can take title to the unit at the public auction. This is unlikely for Waterside as we are not in the business of buying and selling units. We do not have sufficient cash to do this, nor do we want to take the risk. All bidders must pay cash or in a form acceptable to the clerk.
- 3) The property is sold to a third party. In such cases Waterside has no right to screen the buyer and the buyer may be an investor that simply wants to make a flip.

The current foreclosures are all of the first mortgage initiative; Waterside must decide on a case per case basis on how to conduct itself. It is a business decision and a difficult one to take. If the mortgage value is less than the fair market value and the buyer does pay fair market value than Waterside will receive more than the minimum stated above. When the banks take title, they have the obligation to pay

the monthly assessment. Considering the actual housing market and the high number of foreclosures, a short sale approach may be the best one for the unit owner and the bank. In this case it is preferable for a potential buyer to use a real estate agent that will conduct the process. In this case a potential buyer will contact the owner of a foreclosed unit and make him/her an offer and see if the bank will accept the offer before the completion of the foreclosure process. Considering the number of properties on the market right now, banks may take substantially less than the mortgage value in order to speed up the process and recover at least a portion of its mortgage due, the Association will also have to make a business decision in the case of its dues.



If current owners, or if you know someone interested in buying using the short sale approach, you should contact a real estate agent and see what may be available at Waterside. The real estate agent would know how to get the information on which unit is currently under foreclosure at Waterside.

The foreclosure process is a very long process and everyone loses under such a procedure: the bank loses money, the owner loses their property and their credit rating, the Town loses some taxes due, and finally Waterside loses in the whole process.

Let's hope that this situation will be kept to a minimum at Waterside. Our performance so far is way below Florida average. This is a good reflection on the quality of our owners at Waterside and also their respect for their fellow owners, as some of the foreclosed unit owners continue to pay their regular assessment and other dues.