

Canaveral Towers Management, Inc.
Board of Directors Meeting
Tuesday, August 1, 2023, 4:00 PM EST
7520 Ridgewood Ave Assn Recreation Room and Via Zoom.com
Cape Canaveral, FL 32920

Unapproved Minutes - Draft

- I. Call to Order, Certify Quorum, Proof of Notice
JD Bartoe called the meeting to order at 4:00PM. A quorum was certified with JD Bartoe, Jonathan Biard, Karen Witherspoon, and Bruce Bachand attending the meeting in person and the fifth board member Sonia Fatheree attended via Zoom. Penelope Holladay represented Coastal Living Community management, LLC and noticed the meeting 48 hours in advance through email and posted the notice on the board in accordance with FL statute 718.

- II. Minutes Approval BOD meeting 07.10.2023
Jonathan Biard made a motion to approve the 7.10.2023 minutes, Bruce Bachand seconded the motion, and all were in favor.

- III. Old Business
 - A. Assignment of Bank Account Signers
JD Bartoe made a motion to remove Kevin Mann from all signatories on all banks held by Canaveral Towers Management, Inc. Jonathan Biard seconded, all were in favor.
JD Bartoe motioned, in addition to Jonathan Biard and JD Bartoe as signers at Synovus and PNC banks, Karen Witherspoon, Sonia Fatheree and Bruce Bachand be added as signers. Jonathan Biard seconded the motion. All were in favor.

 - B. New Spectrum Contract Discussion

Jorge Fernandez presented to the Board an update on the progress of Spectrum's proposal to upgrade from fiber to COAX. See attached spreadsheet. JD Bartoe explained the construction parameters needed to install fiber.
Jorge Fernandez accepted the action item to investigate the guide and channel line up associated with the proposal. Owners made comments regarding DVR availability and construction. A TIVO device may be purchased to record or the Spectrum app via streaming is alternative for on demand viewing.

- IV. New Business
 - A. 2023/2024 Budget
 1. Jonathan Biard stated a budget meeting planning meeting will be noticed in two weeks.
 2. Penelope Holladay explained how to go to the Canaveral Towers new web page through Coastal Living Community Management. She made a request to cancel the mycanaveraltowers.com website which was granted. Penelope Holladay stated the new reserve study is on the Canaveral Towers new web page.
 3. Jonathan gave a short explanation of the reserve study and explained that the pooled cash report will show what is expected to be replaced in the next thirty years, year by year.

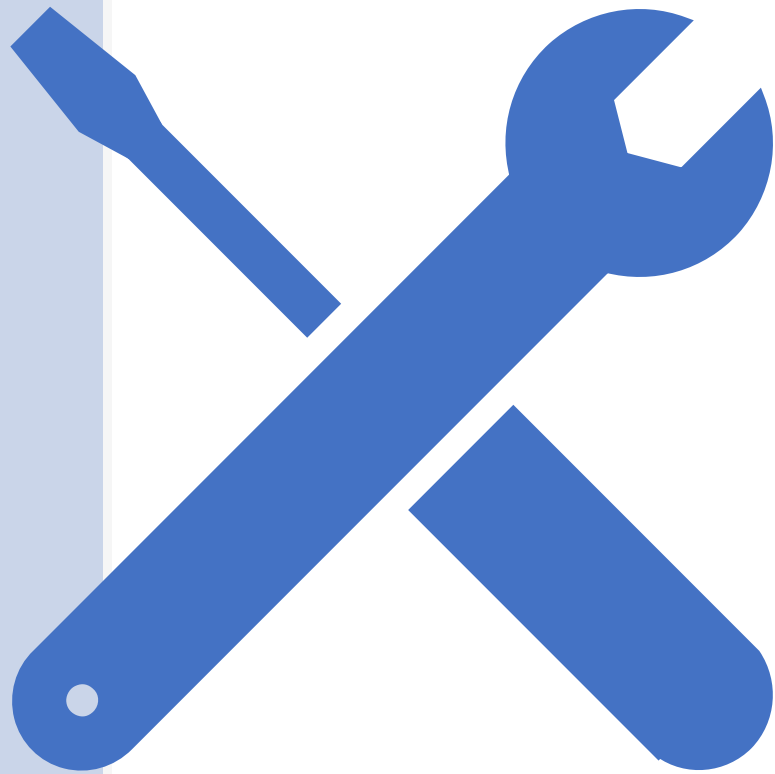
- V. Karen Witherspoon gave a presentation to the Board (Attached) pertaining to Canaveral Towers Vendor v/s Employee role and future endeavors. Karen moved to eliminate employee relationships to vendor relationships. Jonathan Biard seconded. JD Bartoe called for discussion prior to the vote. Bruce Bachand countered Karen Witherspoon's presentation with contradictions such as current maintenance may not need a growth

position, the current position provides stability and longevity, and a HR company can provide the required HR components to manage the employee positions for a fee. Jonathan Biard made comments such as: Outside vendors do not require any HR expenses billed to Canaveral Towers, any employee may give notice and leave at any time, so longevity is a moot point. A vendor model would provide coverage for the current maintenance staff in their absence. Sonia Fatheree had no questions or comments. JD Bartoe presented his report, attached, which demonstrated the difference between employee and vendor and supported retaining the employee model. The floor was opened to the floor and the members made comments about the pros and con to a change in the employee model. The original motion was still before the board. JD motioned the vote be delayed for further research. With no second, the motion did not carry. Karen Witherspoon, Jonathan Biard and Sonia Fatheree were in favor of changing the employee model to vendor. JD Bartoe and Bruce Bachand were opposed. The motion carried.

- VI. New Action items
Assigned in III. B

- VII. Adjournment
The meeting was adjourned at 7:15 PM.

Respectfully submitted,
Penelope Holladay, LCAM
Coastal Living Community Management, LLC



Maintenance Management at Canaveral Towers

Recognizing Best Practices for the Future

Karen Witherspoon, Vice President

.. and a village of supporting experts!

Contents



Project Scope and
Focus



Today's
Challenges



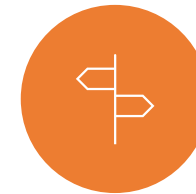
What the Experts
Say



Choosing the Best
Vendor Role Type



Financials



Next Steps



Appendix

Project Scope and Focus

- The CT Board met on April 24 in a closed Board meeting to discuss personnel topics. Through our discussion 4/5 BOD agreed that the current employee staffing modeling needs to change to a vendor model, and this conversion would be aligned with the FY24 Budget on 10/1 due to the financial impact.
- Due to other priorities, we intentionally waited until July before formalizing the project details and sharing a specific proposal for the conversion.

Focus of this project is on the type of Vendor role that will meet the current, and future, business and financial needs of Canaveral Towers – both the corporation and the community.

- It's important to keep in mind that what made sense 5, 10, or 20 years may no longer make sense for CT's needs today or in the future:
 - CT is going through a significant modernization of core systems (elevators, fire pump, generator, and many more); knowledge and experience of old systems is becoming less important.
 - Many current, and most new systems will be managed and maintained by third-party vendor contracts.
 - Financials continue to change over the years making it important to revisit previous expenses to ensure they still make sense.
 - Multiple building / janitorial services available locally providing the type of services CT requires that were previously harder to find and hire.
- This project and today's presentation will not discuss specific people.

Challenges with Today's Model

CT does not have a Human Resources department

- Most volunteer Board members have no HR Dept Training or specific Employee Relations (ER) experience. Note: ER is a specific HR discipline, not a general management skill.
- Most volunteer Board Members are not well versed in current Labor Relations, Laws, Policies, or Practices.
- Most Volunteer Board Members do not have time to properly manage an employee considering all the other top priority projects that need Board attention. Current Boards should not burden future Boards with unnecessary work when there are other equal or better options.
- It is extremely challenging to manage employees as a long-term sustainable management practice that can be done well, especially when volunteer Board members often change each year. Employees often end up being poorly managed with little or no opportunity for performance feedback, professional growth, or regular reviews to ensure fair pay.

Maintenance Manager Role is misclassified as Exempt/Salaried Employee.

- Scope and definition of current role requires a Non-Exempt/Hourly classification.
- Current Exempt/Salary classification creates unnecessary risk and liability to CT for fines or legal action. (See Appendix.)

As one of our volunteer Board Members so eloquently stated: “Canaveral Towers should not have ‘employees.’ We are not a company that has a human resource department.”

Additional Challenges with Today's Model

Maintenance roles have been poorly supported / managed for many years:

- **Safety and Liability:** Not required to wear protective gear or clothing during regular work hours which increases risk to employee for injury and health problems, as well as CT's potential for liability.
- **Safety and Liability:** Not provided or required to complete ongoing safety training, especially for high-risk liability areas. (For example, slippery open roof with no edge barriers.)
- **Professional Dev & Growth:** Compensation levels not reviewed on an annual basis together with an outside professional council, nor updated to stay current with market value to ensure fair pay. The Employment contract was last updated in 2011 and has not been properly extended through mutual written agreement as required in terms.
- **Professional Dev & Growth:** No written Performance Review in previous 10 years.
- **Professional Dev & Growth:** Little or no opportunities for professional development (training, skill development, certification) or growth.
- **Professional Dev & Growth:** Disciplinary issues last updated in 2011 employee contract and only provide a list of behaviors or actions considered egregious in nature (drinking, drugs, crimes, insubordination, etc.). Out of date with current issues like bullying, sexual harassment, retaliation, and engagement of other employees or vendors. No documented disciplinary guidelines for dealing with different degrees of issues or for managing documented performance issues.
- **Risk and Liability:** Not required to ensure permits are always pulled or displayed for all projects in accordance with local regulations and laws creating unnecessary risk and liability for CT.

Here's what
the Experts
say. . .

- President's Forum: *"Get out of the employee business! Expense, risk, and liability for Association and Board volunteers is too high."*
- Local CAMs: *"Management of employees creates additional administration, costs, and Association liability. That's why all CAMs are vendors, because it is more scalable and the best option for busy condo associations."*
- Internet Research: *"Employees are considered the most expensive cost to any company and most risk."*

Choosing the Best Role Type

Role Type	Best Practice Criteria for which role to select	Beneficial or Required for CT
Independent Contractor (IC)	Organization requires specialized skills or expertise for a specific project or short-term assignment.	No
	The work can be completed remotely or outside of organization's premises. If IC is highly supervised or their work is highly controlled, the organization will be at risk legal issues and fines for misclassification as IC instead of an employee.	No
	Reduced administrative burden, as the vendor handles their own operational and logistical matters.	Yes
	Reduce organization's risk and liability as vendor takes responsibility to ensure proper certification, insurance, and licensing. (May create a heavy burden for IC to personally handle and manage all these directly.)	Yes
	Work does not limit or restrict IC's ability to provide services to multiple clients across multiple industries at the same.	No
Vendor	Reduced administrative burden, as the vendor handles their own operational and logistical matters and often has supporting services for any workers they hire.	Yes
	Cost-effective solution, leveraging the vendor's infrastructure, resources, and insurance.	Yes
	Typically has multiple providers who can provide backup or coverage when the primary provider is sick or on vacation, at no additional cost	Yes
	Outsourced services allow for flexibility, scalability, and cost savings that can be adjusted as needed.	Yes
	Vendor may offer specialized expertise or experience in delivering specific services or product.	Yes
	Vendors typically have access to a broader range of skills and capabilities through a network of vendors.	Yes
	Reduces risk and liability as the vendor takes responsibility to ensure proper certification, insurance, and licensing.	Yes



Financials

- \$115K+ current investment for all Maintenance roles including benefits and non-cash compensation (Does **NOT** include any costs for ongoing maintenance work like landscaping, mowing, irrigation, pest control, pool, etc.)
- Cost Impact to Owners: ~ \$109+ per month of dues

Assets and Taxes: Unit 110

Unit 110	Estimated Value / Cost	Annual Value	Comments
Sellable/Market Value	\$ 500,000.00	N/A	Based on 6 local comps from licensed Real Estate agents as of July 2023. 3 of the comps support a market listing value of \$559,000.
Monthly "Long-term Resident" Rental Estimate	\$ 3,300.00	\$ 39,600.00	Based on 4 local comps from licensed Real Estate agents as of July 2023. One comp recommends monthly rental rate of \$3,800.
Monthly Beach Rental Value	\$ 4,583.33	\$ 55,000.00	Local CT Property Manager: The ground floor 2-bedroom condos are averaging \$55,000 YTD and this is after you take out the 12% tax that needs to be remitted to the state/county.
Property Taxes	\$ 4,526.06		Source = FY23 Actuals

Maintenance Role Expenses and Benefits



Annual Expenses to CT Owners	ONSITE Maintenance Roles (2)	Vendor Maintenance Role
All Payroll Expenses (Payroll, Taxes, Benefits, Insurance, Bonus, Workers Comp Insurance, Payroll Processing)	\$ 53,934.78	\$ 48,480.00
Onsite housing and expenses of Unit 110 provided by CT as a benefit (non-cash compensation)	\$ 61,348.06	\$ -

Total Investment: \$ 115,282.84 \$ 48,480.00

- Vendor quote(s) based on most current Task Lists of Maintenance Manager and Janitorial Roles to ensure apples to apples comparison
- One vendor currently leading in interview process, and was recently “highly recommended” at the President’s Forum
- Cost estimate of \$115K estimate is on the lower side as validated by our Financial Advisory Board / CPA
- All numbers are sourced from FY23 Actuals, FY24 forecast projections, and have been confirmed by our Financial Advisory Board who is a CPA

Options and Recommendations

Most Condo Associations are recognizing best practices of leveraging a vendor model, and many are moving away from a dedicated onsite Maintenance Manager. Most-cited reasons are administrative burden, unnecessary costs, risk, and liability.

Option 1: Vendor Model

Recommended. . .addresses major challenges

- Convert all roles to work for a local vendor – no people changes required! (Note: some vendors do not provide medical insurance. Workers would need to find and purchase their own medical insurance that meets their needs.)
- Unit 110 still planned to be used as benefit (non-cash compensation) tool with a continued impact to all Owner's dues of ~ \$109 per month.
- Addresses all of the Challenges listed on the previous slides that we are facing today.

Option 2: Independent Contractor (IC)

Not recommended. . .more risks than advantages

- Convert Maintenance Manager role to IC to reduce risk and liability for CT – no people changes req'd! (Heavy burden on each IC to set up their own company, track & manage monthly taxes, find & manage their own medical insurance, obtain licenses, ensure proper company liability insurance, etc.)
- Unit 110 still planned to be used as benefit (non-cash compensation) tool with a continued impact to all Owner's dues of ~ \$109 per month.
- Would hopefully address "some" of the Challenges listed on the previous slides that we are facing today.

For Future Consideration: Should CT convert Unit 110 into a Beach rental property and leverage income to offset maintenance expenses and offset future due increase of approximately \$100 per month.

Next Steps

1. Finalize selection of new vendor and start working with Vendor and current employees to make the transition prior to 10/1 start of FY24 Fiscal year. Reminder: no change to our great people – just a better way of paying and managing services.

Appendix



Exempt (Salaried) White Collar Workers vs. Non-Exempt (Hourly) Blue-Collar Workers

Non-management employees in production, maintenance, construction and similar occupations must be classified as an hourly employee

Official Classifications from the U.S. Department of Labor website: <https://www.dol.gov/agencies/whd/fact-sheets/17a-overtime>.

The exemptions provided by FLSA Section 13(a)(1) apply only to “white-collar” employees who meet the salary and duties tests set forth in the Part 541 regulations. The exemptions do not apply to manual laborers or other “blue-collar” workers who perform work involving repetitive operations with their hands, physical skill and energy. FLSA-covered, non-management employees in production, maintenance, construction and similar occupations such as carpenters, electricians, mechanics, plumbers, iron workers, craftsmen, operating engineers, longshoremen, construction workers and laborers are entitled to minimum wage and overtime premium pay under the FLSA, and are not exempt under the Part 541 regulations no matter how highly paid they might be.

Misclassifying Employees: The Consequences

Misclassifying employees can have serious repercussions for an employer. With all the new and existing legislation and regulation, employers all over the country are exposed to risk.

- Misclassified workers can sue under 29 U.S.C. § 216(b) and be awarded back pay for up to 3 years, including legal expenses associated with defending against lawsuits or labor investigations.
- The court can add more penalties to the employer for liquidated damages in an amount equal to the owed unpaid wages, essentially doubling the amount owed to the employee.
- For those employers who are found to have willfully and/or repeatedly misclassified workers as exempt/salaried, there are civil penalties of up to \$1,000 for each violation.
- These employers can also be criminally prosecuted and wind up with a fine of \$10,000 and/or time in prison.
- Beyond federal penalties, many states may have their own additional fees.
- States are especially motivated to see employers correctly classify workers as non-exempt/hourly because they stand to gain more in taxes if employees are paid more for the overtime they work.
- Besides financial penalties, employers should not underestimate the pain of damage to reputations. When workplaces ignore things like the exempt/salaried duties test and incorrectly classify staff, they are denying them money. They may also be denying their staff vacation time, and benefits if exemption/salary status is a determination for eligibility.

Consequences of Misclassifying Independent Contractors

(yet continuing to manage work like an Employee)

Misclassifying workers can have serious repercussions for an employer. With all the new and existing legislation and regulation, employers all over the country are exposed to risk.

- Legal investigations: Misclassifying workers may prompt government agencies to investigate the employer's practices, leading to potential legal actions.
- Penalties and fines: Employers may face financial penalties and fines for misclassification, including back taxes, unpaid wages, and other benefits owed to the misclassified worker.
- Unemployment insurance: Misclassified workers may be denied access to unemployment insurance if they lose their job, placing financial burden solely on the worker.
- Workers' compensation: If a misclassified worker sustains an injury on the job, they may be ineligible for workers' compensation benefits, potentially leaving the employer liable for medical expenses and lost wages.
- Payroll taxes: Misclassification may result in employers failing to withhold and pay payroll taxes, leading to potential penalties and liabilities.
- Employee benefits: Independent contractors are typically not entitled to benefits such as health insurance, retirement plans, or paid time off. Denying these benefits to misclassified workers may lead to legal action or worker dissatisfaction.
- Reputation damage: Misclassification practices can harm an employer's reputation, leading to negative publicity and loss of public trust.
- Worker dissatisfaction and turnover: Misclassified workers who are managed like employees but lack the benefits and protections may become dissatisfied, leading to increased turnover and associated costs for the employer.

Pros/Cons of hiring Vendor roles

Pros	Cons
Vendor Accountable Through Statement of Work.	Less long-term commitment and tribal knowledge. However If The Job Is Not Done To CT Specifications, Payment Can Be Withheld.
No costs associated with Payroll Taxes.	
Minimal Administrative Costs.	
No costs associated with Health Insurance Costs.	
No costs associated with Workers Comp Insurance Costs.	
No costs associated with Employee Benefits Provided Including Paid Time Off.	
No costs associated with Unemployment Benefits - Saves \$\$\$\$\$.	
Reduces Legal Liability - Safe Work Environment, Fair pay, Protection form Employment Discrimination, Unjustified Termination, Protection From Employee Retaliation.	
CT Sets the terms of the Vendor Relationship and lists the duties in a Contract.	
Enhanced Efficiency; Vendors pay for their own training and they can spend more of their working hours completing the tasks they were hired to do.	
No costs associated with Overtime. Vendor is Paid for Scope Of Work and Their Only Focus is To Get The Job Done In A Timely Manner.	
Specialized Skills For Particular Jobs.	
When the main person goes on Vacation, the Vendor Provides a Replacement to ensure coverage.	
Hiring a vendor allows the employer to set the terms of their employment relationship and greatly reduces their liability if a claim is made against them.	

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	Cost-effective solution, leveraging the vendor's infrastructure, resources, and insurance.	Yes
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	Vendor may offer specialized expertise or experience in delivering specific services or product.	Yes
	Vendors typically have access to a broader range of skills and capabilities through a network of vendors.	Yes
Employee (hourly)	Reduces risk and liability as the vendor takes responsibility to ensure proper certification, insurance, and licensing.	Yes
	HR department is in place to handle increased administrative responsibilities, such as payroll taxes and employment benefits.	No
	Organization can provide sustainable management practices to ensure employees receive fair pay, regular performance reviews, good professional development and growth opportunities, especially when organizational leadership changes.	No
	Organization can support additional financial costs associated w/ providing benefits, insurance, paid sick and vacation time off, and other employee-related expenses.	No
	Limited flexibility in adjusting workforce size, structure, or costs due to long-term commitment to individuals.	No
	Work often more specialized and specific to organization, requiring special knowledge, training, or certification that is hard to find locally.	No
NOTE: BOD already agreed to move away from employee model in 4/24 meeting	Work requires significant supervision, guidance, and control over work schedule, tasks, and methods to be successful.	No

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Spectrum Proposals		Current COAX	COAX	FIBER	FIBER	Note 1
Costs		100 Mbps July invoice	500 Mbos Ultra	500 Mbos	1 Gig Mbps	
TV		\$ 15.34		\$ 9.50	\$ 9.50	
Internet 500 Mbps	\$ 989.00	\$ 45.93		\$ 11.11		
Internet 1 Gig	\$ 1,169.00				\$ 13.13	
Wifi (buildout)				\$ 34.00	\$ 34.00	
		\$ 61.27	\$ 55.00	\$ 54.61	\$ 56.63	
Per unit cost for 110		\$ 0.70	\$ 0.63	\$ 0.62	\$ 0.64	
Cost per unit plus tax		\$ 61.97	\$ 55.63	\$ 55.23	\$ 57.28	
Monthly Cost		\$ 5,453.03	\$ 4,895.00	\$ 4,860.50	\$ 5,040.50	Note 3
Taxes and Fees	10%	\$ 550.39	\$ 494.07	\$ 490.58	\$ 508.75	Note 5
Monthly Cost		\$ 6,003.42	\$ 5,389.07	\$ 5,351.08	\$ 5,549.25	Note 7
Cost per unit	88	\$ 68.22	\$ 61.24	\$ 60.81	\$ 63.06	

One Time Install Charge \$ - \$ 1,750.00 \$ 1,750.00 Note 2 / 6

Door Fee Incentive/3 free months \$ 17,800.00 \$ 16,000.00 \$ - Note 4

Notes

1. We can start with 500 Mbps but wiring supports 1 Gig if needed so I asked for an estimated cost (not in proposal).
2. One Time Charge \$1,750. Large construction cost being absorbed by Spectrum...I asked if they could waive this fee.
3. We would go month to month on our current plan until the fiber buildout is complete 120 days.
4. Once we accept the new Fiber service, we get 3 months free....\$16k savings which is almost equivalent to the door fee incentive.
5. Taxes and fees estimated on current invoice
6. Estimated construction time is 120 days.
7. 60 month contract fixed price, no increase

Cash flow comparison for a 5 year contract

	COAX	FIBER
1/1/2025-12/31/2025	\$ 67,902.24	\$ 64,213.01
1/1/2025-12/31/2026	\$ 71,297.35	\$ 64,213.01
1/1/2025-12/31/2027	\$ 74,862.22	\$ 64,213.01
1/1/2025-12/31/2028	\$ 78,605.33	\$ 64,213.01
1/1/2025-12/31/2029	\$ 82,535.59	\$ 64,213.01
	\$ 375,202.72	\$ 321,065.05

Cheaper for Fiber over 5 year fixed cost vs coax 5% increase per year \$ 54,137.67