

Minutes of Annual Meeting Wednesday November 16, 2016

(John Curtin via speakerphone)

John Curtin called to order the meeting at 6:25 pm. He thanked everyone for allowing him to participate by phone from Virginia.

John Curtin asked Ron Lambe for certification of proxies. Ron stated that 68 owners attending held 130 proxies.

John Curtin asked for approval of 2015 meeting minutes. A motion was made, seconded and approved.

2017 Budget Philosophy, Ron Lambe explained that as we had done with the 2016 budget, we will continue to fund former "contingency" items in the operating budget. He also explained that legal expenses for dues collections were such that it was impossible to properly budget for those expenses and since the monies received from these legal actions went directly into the contingency account, we would instead of budgeting for these expenses simply pay for them out of the contingency account as they occurred. We will continue to budget for other legal expenses accordingly.

Past dues collection successes and status was reviewed by Gary Okey. We have changed our legal counsel due to communication and other issues with current Hilton Head lawyer. We have retained the services of Mary Sharp in Beaufort. We have been very pleased with the change to date. When we first started to pursue legal actions against non-paying lot owners, we had 20 cases that we felt were worth the effort to collect from. This past year, we added two more cases. We resolved 11 and continuing to work on 4. We have dropped 3 cases. Expenses to date are \$61500, and we have collected \$68500, \$28000 is expected from settlements this year for a total collected of \$96500. Our conclusion is that the efforts we put into collecting delinquent dues is justified. We also think that these actions send a strong message to other property owners who might consider skipping dues payment. As such, we will continue with 4 open cases.

Question- Expenses of new attorney less than former? Not sure yet. Some work will be performed by staff at lower rate.

Question- What about people that cannot be found, how to collect? Not much we can do. If bank owned, dues are paid by bank.

Question-What about large items going in budget? Pete Marzluff: large items like lawn mowers will continue to be budgeted for in the operations budget but larger equipment like back hoes and tractors will need to be funded out of the contingency account.

Question- Can we ask for attorney fees when collecting? Yes we can also ask for interest, court cost. We go after dues, interest and fees though usually settle for less.

John Curtin- Recognizes effort of collections a lot of work time and expense.

2016 Forecast and Review Ron Lambe and Pete Marzluff. Community is in good financial condition. 4 homes under construction, 1 home approved for building and 3 under review adding to great condition. Spending was 1500 greater than budget. Carryover less than thought after hurricane clean up. We have seen increases in the following budget lines maintenance wages, gasoline, diesel, equipment repair and maintenance. Extra 2 dues payments used to buy 2nd install of wood for Magnolia causeway. Revenue +9400. Community service expenses that were up, in particular, insurance and pool chemicals. 2017 budget increase asked for is \$21000. Increased expense lines 16, 17, and 18 salaries. 5 employees who had no raise for 3 years will get an average 3% over a three year period. Most raises are mid-year raises to reduce effect. Increase in security wages again for summer increased coverage at gate Friday and Saturday evenings. Tried this year found no one after midnight so truncated coverage after 6 week review. Medical insurance premiums rising split with employee 50/50. Line 27 tree removal always an issue to be watched. Other items are signage wear and aging, HVAC units aging also. The \$31000 in amenity repairs includes the following items: the last third of the Magnolia causeway, replace wood ramps (2) with aluminum on 2 of our community docks, floating dock decking repair at Huspah, landing bumper repair at Huspah boat ramp, pool deck painting (if a painter can be located), tiki hut inside shelves, 3 swings replaced, road repair Island Way near Johnson lot and cart path damage from hurricane. Budget based on 239 lots dues collected. Contingency to remain at \$400 with a goal of one million, this year added \$130,000 to fund. We relied on the contingency account for the following hurricane damage repair expenses: tree removal \$8900 and excavator rental \$2200.

Projected ending contingency balance is \$783,000 last year \$667K, \$23K more than forecast. Goal by end of 2018 is one million dollars. Once goal is met, we will revisit the amount of we add to our annual dues for contingency purposes. We expect to continue for the foreseeable future to have some amount of money in the annual dues payment for the contingency account.

Gary answered questions regarding contingency fund usage. Possible uses are: replacement and repair of infrastructure, e.g. roads, storm expenses, future amenity repair or expansion, and lastly legal defense fund against a possible new declarant. DB Aster has been fair with POA someone new may want to change rules and guidelines.

Question: Why stop collecting at one million? Answer: Will not stop collecting, but will re-evaluate then.

Pete: Of the \$28000 budgeted for amenity repair (line 39) \$12000 to pool house renovation, River Cabin microwave shelf and cabinet, \$13K to Magnolia Island causeway, \$7400 mower and \$1000 sound system.

How is contingency money invested? 2 multi-year cd's and local money market account. Annual interest increased from about \$6K to \$11K.

Question from Dick Lovett. Was Paul Nowlin compensated for hurricane clean up? Board has discussed and will compensate him out of Contingency Fund. Thank you to Bob Wolfson.

Motion to accept budget and a second. Budget passes.

Projects review: Big Bull bridge wearing repair complete, Magnolia causeway 1/3 complete with the second third of the required wood purchased, pool house kitchen, River Cabin fireplace replaced some parts and logs, also new microwave and cabinet at River Cabin. Storm clean-up from Matthew and two previous storms. Russ Dimke stated a lot of debris still around Beaufort but that our community looks great. (Applause for maintenance department.) Stump grinding continues with new contractor.

Guy Collier requests new and updated gym equipment.

Mrs. Gallup asked about condition of signage at front gate and when can we replace? We have new sign for right side and will order another by year end.

John Curtin Bull Point fared better than other nearby properties. He thanked Board for their work on budget and commitment to community.

Karen McArdle ARB Chairman could not attend due to previous commitment. She wrote a letter read by Ron Lambe. Thank you to Sandy Dimke. 4 homes completed, 4 homes started. Potential for 6 starts in 2017. Reminder to get approval for exterior changes and tree removal of trees over 6" in diameter.

New Board members President- John Curtin, Vice President - Joe Steinheiser, Secretary/Treasurer Ron Lambe, Gary Okey Non-voting member and Robin Brendza Contingency fund committee.

Questions: Ginny Bankov asked if extra payment to maintenance crew has been discussed? Pete Marzluff stated they will get bonus and likely also an extra bonus this year.

Ron Lambe stated the maintenance crew does appreciate your thanks very much. The crew thanks owners for the lunches and gifts they received.

Meeting adjourned at 7:17 p.m. John Curtin signs off and hangs up.