DRAFT
PALMETTO HALL PLANTATION OWNERS' ASSOCIATION
ANNUAL MEETING MINUTES
DECEMBER 4, 2008

POA President Art Loeben called the meeting to order at 7:15 p.m. in the Palmetto Hall Clubhouse and welcomed those present. He stated the purpose of the meeting was to vote on two proposals and elect three new members to the Board of Directors (BOD). POA Attorney Brian Pitts confirmed there was a quorum.

Other members of the BOD present at the front table were Bob Richardson, Vice President; Pete Smith, Treasurer; David Henson, Secretary; Rick Smith and Tom Renshaw, Members-at-Large; and Marion Gorczynski; Association Manager. Tom Black, Member-at-Large, was absent due to illness.

The minutes from the 2007 Annual Meeting that had been sent to members in advance were presented for approval. Fred McNamee made a motion to accept the minutes; John Grindstaff seconded the motion which was unanimously approved.

President's Comments

Art thanked all the volunteer Chairs of the various committees and remarked that it would be impossible to run Palmetto Hall in the cost-efficient manner that we do. He then said a sign-up sheet would be passed around the meeting for volunteers for 2009.

Art then pointed out that the Nominating Committee had put forward a list of seven nominees for the three BOD positions to me filled and requested any other nominations from the floor. There were none.

Art thanked the 2008 Nominating Committee for the great list of candidates and asked for volunteers for the 2009 Committee. Pete Smith, Jim Ward, Ellie Pierce, Gayle Fisher, Terry Ennis, and George Banino volunteered and were accepted.

Art then reported that the major focus of the BOD in 2008 was to recommend the most prudent financial responsibility for repaving of the roads. After considerable review, the BOD was recommending two separate initiatives that together would raise the necessary funds:

1) a 0.25% transfer fee on sold properties, and
2) a special assessment on property owners of $800 - spread over four years with no interest.

Financial Report and Presentation of 2009 Budget

Pete Smith, POA Treasurer, opened his comments by relating that when Steve Kiritsy resigned last October and then POA President Fred McNamee asked him to replace Steve, he accepted after making sure Joe Bogacz would stay as Chair of the Finance Committee. Joe stayed as Chair and Lorie Smith stayed on the Committee to help with updating the Investment Policy Statement and RFPs. Bob Bird joined the Committee to help with the investments, Patti Zensinger helps with bookkeeping reconciliations, and Rick Kasper heads up Budget preparations.

Pete stated that Joe and the Committee have done a great job, as have Marion and Katie and the newest addition to the office staff, Courtney Struna. Pete thanked all of them for their patience and help all year. He then gave a summary of the POA'a current financial position and a brief overview of the 2009 budget, as follows.

We are completing our second year doing the accounting in-house, using Quick Books software. To make sure we had not made any big mistakes or gotten off track during 2007, the BOD authorized an outside audit be done in January 2008. When it was completed in February, the CPA found our work to be "in conformity with accounting principles generally accepted in the USA". The audit is posted on the website. It shows revenues exceeded expenses by $3,153, with no tax liability for that year, and Owner's Equity of $698,915.

Pete pointed out that while there are many accounting lines in our budget sheet, the POA is not a big business. Our revenues and expenses for 2009 are each budgeted a little over $700,000….and through September this year the balance sheet shows our Owner's Equity at $773,679 and our Capital Reserves at $753,672,

The 2009 budget was developed by the Finance Committee based on expenses through August 31 and it was approved by the BOD on September 16….a month earlier than previous years. The 2009 budget calls for revenue of $712,096 (1.1% less than the 2008 budget). 92% of our revenue comes from three areas: (1) annual assessments paid by property owners, (2) annual assessments paid by Heritage, and (3) "home building related" accounts….decal/gate receipts, closing fees, and ARB submittal fees.

Home building sales dropped off precipitously in 2008, resulting in revenue from the "home building related" accounts being off badly. For decal/gate receipts, the 2008 year-end estimate is $107,000….$53,000 less than budgeted. In preparing the 2009 budget we could not see this account coming back strong and we have budgeted for only $100,000 of expected revenue. This compares to decal/gate receipt revenues of $208,000 in 2005; $180,000 in 2006; and $150,000 in 2007.

To protect ourselves from the ramifications of this…. and how the weak economy/recession could affect us in other ways (for example collecting annual assessments) and to give us some assurance that we can continue building up our capital reserves, we have had to raise annual assessments for 2009 by 15% to $1,044 for developed properties, $783 for undeveloped properties. This will provide us with $509,472 from us owners and $37,584 from CNL/Heritage.

On the expense side, the 2009 budget shows $706,588 (1.8% less than the 2008 budget). This includes moving $60,000 from Operations to Capital Reserves.

Much like the revenue side, a large part of our expenses (77.5%) occurs in three areas: (1) $271,440 for Security where Marion, John Reda and his committee did a good job renewing the contract with a 1.7% reduction, (2) $121,960 for Grounds Maintenance where Jim O'Neil and the Maintenance Commitee did a good job negotiating a new contract with a 4.7% reduction, and (3) $107,392 for the Association office….. payroll, rent, electricity, phones, supplies, postage, et al.… where Marion and Katie kept a tight rein on expenses. We added to our office space, rent is up, electricity is up, and we added Courtney to the staff in September. Remember, we brought all bookkeeping and accounting in-house last year, eliminating the $18-20,000/year we had been paying a contractor

The 2009 Budget shows a $5,528 surplus on the bottom line and again sets a goal of moving $60,000 into Capital Reserves. As a change in presentation from previous years' budgets, previous budgets have shown interest earned on Capital Reserves as Operations revenue and then going over to Capital Reserves at year-end. Since that interest is never really in Operations (it stays in the Capital Reserves fund all year), we have not included it in revenue or expense in the statement of Operations for the 2008 estimate or the 2009 budget. As shown in the footnote, we estimate that we will have interest of approximately $24,800 in 2008 and $28,000 in 2009.

With regards to Capital Reserves, we are happy to report that we have not lost a penny on our investments in spite of the current economic conditions in the country (unlike most of us with our own investments!). The Finance Committee, working with the BOD, revised and updated the POA Investment Policy Statement early in the year and it is posted on the website. Obviously, it's very conservative with the priority "preservation of capital".

We started the year with $76,036 in Contingency Reserves and $622,134 in Capital Reserves for $698,170 in total. In January we melded the Contingency Reserves into the Capital Reserve Fund, primarily to simplify records, reporting and accounting. During the year we moved a total of $40,000 from Operations into the Capital Reserve Fund, compared to our goal of $60,000. Through October, earned interest of $18,143 gave us $756,313 in Capital Reserves, which is $58,143 more than we had at the beginning of 2008 and about $104,000 more than we had at the beginning of 2007.

There were no withdrawals or expenditures from Capital Reserves this year except one. At the end of October, the heating/a.c. unit in the gatehouse failed. It was beyond repair and had to be replaced at a cost of $3,800. That amount was paid from Capital Reserves in November.

We have a handout that shows the activity in Capital Reserve funds from Jan 1st thru Oct. 31st. It will be part of the package of record for this meeting. You are welcome to take a copy if you'd like.

The Capital Reserves are currently invested in a variety of instruments. Nine certificates of deposit (CDs) laddered out twelve months, two money market accounts, three Auction Rated Certificates (ARCs), and cash of $50,000. This month one of the ARCs will be redeemed for its full value of $50,000 and the proceeds will be invested in a CD. The other two ARCs are to be redeemed at full value during the first week of January.

Pete ended his report with a plea for a few of you former CPAs, bankers, or financial planners to step up and help with this “not big”, but important, business of managing the POA’s finances.

<u>Owners’ Questions</u> (Related to Budget/Finance)

Art opened the floor to questions regarding the 2009 budget and the POA’s financial status, including the pending covenant amendment instituting a transfer fee and the proposed special assessment – which were yet to be voted on by attendees. A number of questions and comments ensued, including:

Mark Szen asked if, due to the low gate receipts, rates could be raised. Art responded that the Security Committee had reviewed the rates and decided not to raise them in order to stay competitive with other plantations.

Brad Tufts questioned what the BOD does when assessments are not paid. Art said that after a certain amount of time it is turned over to our attorney who puts a lien on the property. Palmetto Hall generally does not foreclose. We wait to see if the property does go into foreclosure from the mortgage company.

Dave Pierce stated that he had recently repaired two pot holes on Lenox Lane and that paving is only ¾ - 1” thick rather than the normal 2”. He stated that Lenox Lane is one of the areas that the C2 study said needed work soon.

Marge McDougal stated that as a realtor she has found that a transfer fee does not affect sales negatively. She reported it does not normally come up as an obstacle in sales transaction and is an item that is negotiable.

Ron Smetek asked how confident the BOD was with the engineering firm’s recommendations and estimated costs, i.e., are we budgeting enough? Art asked Joe Bogacz to respond and Joe stated that C2 literally walked each inch of the roads plus the Finance Committee had reviewed other numbers regarding the cost of asphalt, etc. They were all around the same final numbers being used in the POA’s projections.

Ron then asked if any of the funds are going to activities other than road improvements. Art responded that the purpose of the funds is for the roads. He also stated that if any money was left after ten years, maybe/possibly it could be used for other things. Art also pointed out that any capital expenditure other than repairs/replacements over $50,000 must be approved by the membership – not just the BOD.

Gayle Fisher asked if future boards could use the money for other purposes. Art responded that anything is possible, but the $50,000 limitation provides property owners control over other uses.

Jeff Dibiasio asked if that $50,000 was limited to one project or spread over a number of projects. Art responded that it was for each project.

Art then stated that property values will go down if the roads become shabby and full of pot holes.

Jo Ann Day questioned why the language in the board package was so purposely broad. She said that at the first meeting no mention was made of signs or beautification. Art explained that future boards should not be limited to other possibilities but that the intention of the funds is for the roads.

Terry Ennis suggested that the issue be tabled, rewritten to show the funds as being used only for roads, and circulated to members for another vote early next year. Art explained that it could not be tabled at this time because 180 votes had already been received (from non-attending members) and tabulated.

Becky Cederholm asked if a meeting could be held in March to vote on the issues with revisions. Art said that was possible but the vote had to be finalized for the issue first.

Dan Whitman asked if there were already 180 votes in favor of the issue. Art responded that 180 votes in total had been received by mail and tabulated but the count was being finalized during the meeting. Dan also said there was a proposal voted down a few years ago for parks, trails, etc. Art again stated that the purpose of these funds is for roads.

Further discussion and comments took place along the same lines.

Ballots were then collected from members and the meeting broke for a short recess while the votes were counted.

Election Results

After the recess, Rick Smith, of the Nominating Committee, reported the results of the votes.

The three candidates who were elected to the POA Board of Directors for three year terms by the highest percentage of the vote – in no particular order - were:

Joe Bogacz
Scott Slawson
Ron Smetek

Both of the ballot initiatives failed to pass as 75% approval was needed for passage. The final vote counts were:
Special Assessment - 59.1% in favor (146 – 101)
Transfer Fee - 60.1% in favor (149 – 99)

Art welcomed the three new members to the BOD and advised them the next meeting is December 16 at 9:30 a.m. at the POA office.

There being no further business, the meeting was adjourned at 9:00 p.m.

David Henson
Secretary