

**DRAFT**  
**PALMETTO HALL PLANTATION OWNERS' ASSOCIATION**  
**ANNUAL MEETING MINUTES**  
**DECEMBER 1, 2010 – 7:00 p.m.**

A pre-meeting presentation was held by Peter Nardi, Community Relations Manager for PSD #1, on the water supply situation and planning.

The major points were:

1. Older wells drawing water from the upper floridan aquifer are experiencing salt water intrusion. This is being caused by excessive withdrawals from the same aquifer in the Savannah area. Over recent years several wells have been lost as a drinking water source and the projection is for essentially all to be lost in the coming years.
2. An alternative of removing water from a deeper middle floridan aquifer and treating it with reverse osmosis has been successfully developed. It currently supplies 3 million gallons per day and replaces essentially 3 of the lost wells.
3. A third source of water is purchased from Beaufort Jasper Water Authority. They offer water that has been removed from the Savannah river.
4. A new technique to store potable water in an aquifer is being developed to have needed water available for peak use periods during the growing season.
5. Water conservation is becoming increasingly important. For our situation, efficient irrigation practices are key.

POA President Bob Richardson called the meeting to order at 7:15 p.m. in the Palmetto Hall Clubhouse. He then thanked Pete Nardi for his presentation and welcomed those present. BOD members present at the head table were Ron Smetek, Vice President; Joe Bogacz, Treasurer; Bob Gentzler, Secretary,; Scott Slawson and Art Loeben, Members-at-Large. Marion Gorczynski, Association Manager, was also present.

Art Loeben announced that there was a quorum. Bob Richardson called for any further nominations from the floor. There were none.

Bob stated that 2010 has been an interesting year for the BOD, finishing up financially stronger than when we started. He then thanked all Committee Chairs and members for their efforts and work during 2010. He especially thanked, at this time of year, the Holiday Decoration Committed, headed by the Baninos, for all their work.

Bob then listed the things accomplished by the BOD in 2010:

1. Negotiated and executed a contract with Hargray for the expansion of high speed internet service within the community.
2. Finalized a Storm Water easement agreement with the Town of Hilton Head that will transfer the responsibility for storm water facilities, catch basins and piping

maintenance to the Town. Potentially this will provide cost savings for Palmetto Hall in the future.

3. Finalized documents with the Town of Hilton Head to install a “click to open” gate system to allow the Fire Dept. access to the Plantation via the ball field. There will be two gates; one to access Ft. Howell, and the second to access the ballfield.
4. Digital cameras have been installed at both gates that access the golf courses and at the ballfield.
5. Negotiations are taking place with Time Warner Cable for a new contract to provide more income to the POA.

Bob said issues surrounding the airport loomed large in 2010 and the POA dealt with both the Town and County Councils on these issues. Members of the BOD took an active role to ensure that future airport impact on PH will be minimized.

Bob then commended the office staff for their help and efforts during 2010.

The 2009 Annual Meeting minutes 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, approval was unanimous.

## **Finance**

Joe began with a few background notes so that everyone was on the same pages regarding the financial situation:

1. This is our fourth year of managing our accounts in-house with QuickBooks and the result of that change continues to be positive. The Treasurer, the Finance Committee, and the office now have more accurate and up-to-date information to direct the community's financial operations.
2. The Finance Committee manages community investments and recommends institutions and deposit selections. It has been over a year since PH moved away from an outside investment advisor. At this point Joe recognized the Committee since he would be referring to them and their activities several times during the evening:
  - The Finance Chair is Rich Miller who heads the group and presents the budget plan to the Board.
  - Working with him are Rick Kasper who pulls the budget together;
  - Kathy LaBonte who does a monthly reconciliation of our accounts;
  - Kevin Lee and Diane Sala who oversee our investments;
  - Jerry Kileen who tackles special projects

3. During the calendar year Joe reports to the Board on a cash basis, which improves everyone's understanding of our financial position. Year end reports and tax preparation continues to be on an accrual basis.
4. In March of this year, outside accountants Cherry, Bekaert & Holland completed their review of our books for 2009 and concluded that we are "... in conformity with generally accepted accounting principles." Their full report has been on the POA website on the Finance Committee page if you wish to go into more depth. A full audit will be conducted by CB&H in 2011.

This year a change in timing was made which gave the committee chairs more current information and also tightened the overall preparation cycle. Joe pointed out that the responsible committee for each account is shown in the third column of explanatory budget comments.

Joe stated in mid-August, Finance Committee member, Rick Kasper issued the annual budget kick-off letter which alerted everyone to the overall schedule and that also initiates committee financial preparations. A month later - in mid-September - Rick sent each committee head their 8 months actual budget report. Each committee head prepares and returns to Rick a forecast for the remaining 4 months of 2010 together with a budget number for 2011. During this time other Finance Committee members work as needed with the committee chairs to assemble the numbers and associated explanatory comments.

In late September, Rick and Rich pull everything together into a final document which the Finance Chair presents to the Board in mid-October. The Board approved budget is mailed to everyone as part of their Annual meeting package. Joe said, you should fully understand that the budget is both a collaborative and a bottom up process. The Board's role is to review and approve the budget, the actual revenue and expense amounts are determined by each committee head.

Joe then stated he would go through the Balance Sheet and then the 2011 budget. He requested that everyone hold questions until the end.

### **BALANCE SHEET**

He started with our Current Asset balance of \$255,785 as of September 30, the amount of money we have on hand to last the remaining 3 months of this year and to begin next year. He noted that it is up from 2009 which has allowed us to make an additional \$20,000 transfer into your Capital Reserve account. Through September 30 we moved \$60,000 into Capital Reserves and as of November 30 that number is now \$80,000 and that is a development that we all can be pleased with.

It takes about \$52,000 each month to fund our community operations and we need another \$50,000 on hand to begin the next year until assessment checks start arriving. That accounts for about \$210,000 of that balance, plus we have heavier than normal end-

of-year expenses - deer culling @ \$7,500, carryover CB&H billings of \$3,000, office PC replacement @ \$1,500 and so on - which amount to another \$20,000. We will see additional funds from gate receipts and assessment income trickle in over the remainder of the year and I projected to the Board last month that we hope to have a free cash balance of around \$27,000 at the end of the year.

In Capital Reserves, as of September 30, the balance was \$891,472 but the POA has added to that a \$20,000 recent transfer so now we have \$911,472 or \$1,740 for each residence. This is up \$89,379 from the end of last year which is a combination of \$80,000 in contributions plus \$9,379 in interest income. Interest rates - as we all know - are distressingly low. Your investments are in federally insured CD's and a money market and our primary goal is capital preservation. No withdrawals from Capital Reserve were made during this year.

Joe said as a reminder, while \$900,000 is a healthy number we still have to face the reality of a \$1 million + road repaying undertaking over the next few years.

## 2011 BUDGET

Joe then shared some property numbers and attempted to put next into proper perspective. These factors drive some of our revenue numbers and are an indicator of the economic health of our community.

	<b>2010 YTD</b>	<b>2009 YTD</b>	<b>2008</b>
Property Sales	25	19	26
New Construction	1	4	8
<i>New constructions were around 20+ in earlier years</i>			

## EXPLANATORY COMMENTS TO 2011 BUDGET

Joe stated the two pages in the annual meeting package are the same document that Rich Miller used when he presented the budget to the Board in October. He said this is simply a budget and we know unforeseen events will happen as next year unfolds that will impact this upward and downward. This plan reflects a 5% conservative increase - about \$26,000 - in your annual assessment.

### **INCOME**

*Line I-101 Community Services Residential* – The Budget team recognized that 2011 may be as difficult a year as 2010 and held to a collection assumption of less than 100%. As noted, the budget number includes a default on 2 lots and 10 homes. This closely parallels this year's actual experience as we now have 10 homes in various states of foreclosure. For 2010, we expect to meet our original budget number of \$578,700 and much of the credit goes to the POA office staff for working with our homeowners and arranging workable payment arrangements.

*Line I-103 Decal Income* – This is pegged at \$57,000 - the same as our 2010 full year forecast - as we expect construction activity, the main driver here, to be the same as this year.

*Line I-103.1 Gate Receipts* – For 2011 we are looking at \$53,000 - the same as our 2010 full year forecast - as we expect the overall community activity to be the same as this year. A major driver of this income are commercial deliveries and ad hoc contractors and this activity is indicative of overall community economics.

In earlier years these two accounts were together and in very good years yielded over \$200,000 in annual income. Our combined 2010 budget number was \$100,000 so, looking at a total of \$110,000 for 2010 and 2011 isn't a disappointment.

*Line I-101 Community Services – Golf Course* – This line displays the contribution Heritage makes to our community: specifically 36 holes @ the developed assessment of \$1,260 for \$45,360.

These 3 lines equal about 95% of our community's total income for 2011.

## **EXPENSES**

*Line E-108 Grounds Maintenance* – This is the Ocean Woods contract for upkeep our common areas with maintenance and plantings. The 2011 budget number is based on the service contract plus a 0.5% escalator less \$5,160 which is charged to Heritage for shared maintenance. This number is about \$400 greater than our 2010 full year forecast.

The next 3 are new accounts that deserve a quick comment:

*Line E-108.1 Tree Care* - Note that in 2010 we split this account and added E-108.1 for Tree Care. The 2010 and 2011 budget was \$10,000 and \$11,000 respectively however, we expect to spend only \$1,368 this year.

*Line E-108.2 Residential Mailbox Maintenance* – This is a new account with \$11,000 designated to improve the overall look of our community through refurbishment and replacement of residential mailboxes.

*Line E-108.3 and E-108.4 Drainage and Airport Screening* – These are 2 new accounts each with \$6,000 with the intention of improving plantation drainage and possible screening of any airport issues.

*Line E-109 Heritage Shared Maintenance* – This is a contra account with line I-202 and balances out what we spend on shared maintenance items (repairs, utilities) on common areas with what Heritage reimburse us. We have \$8,500 in both accounts and there is no change from the 2010 full year update.

*Lines E-201 & 202 Electricity and Water for Irrigation* – For both utilities we’re looking for 2011 to be very close to 2010, with electricity to be 10% over the 2010 running rate. On a combined basis our 2011 utility cost is projected to be \$24,000, versus \$22,000 for 2010 full year forecast. This compares very favorably to the original 2010 budget number of \$27,500.

*Line E-401 Security/Roving Patrol* – Projected spending for 2011 will be \$300,000 and this represents a 3% Securitas contract increase for next year. This is \$13,292 above our 2010 full year projection and this represents a modest increase.

*Line E-501 Personnel* – We added \$7,500 for possible additional hours in 2011 along with possible training in graphics and database applications if the office takes over more responsibilities with the community newsletter and address/telephone number directory along with potential salary adjustments. We do not see any change in the office headcount but additional hours may be needed if 2011 continues as administratively demanding as 2010. This year the group spent quite a few extra hours on assessment collection efforts and administration of the POA website. Additionally, much time is spent tracking community investments and maintaining our Certificate of Deposit records.

*Line E-502 AM Office Expense* – This is office rent and utilities for the facility on Palmetto Parkway and at \$23,000 includes \$5,000 for new PC's and printers and this may not be fully needed as one of the PC's was replaced in 2010 after a motherboard failure.

*Line E-901 Capital Reserve Transfers* – We are looking at maintaining the 2011 contribution at \$80,000, the same as 2010.

These 11 accounts equal a bit less than 90% of our community’s operating expense.

As you look at this, please be aware that the unexpected will happen in 2011. For example, last month we approved \$7,500 for late year deer culling but on the bright side, this may mean that the \$6,500 in the 2011 budget won't be needed, but then the Environmental Committee which initiates the culling isn't always on good terms with the deer tribe.

**Joe then asked for any Questions On the Balance Sheet or On the Explanatory Comments?**

There were a number of questions regarding the mailbox program and the BOD will take them under advisement

Bob Richardson then called for volunteers for the nominating committee for 2011. Ellie Pierce, Marilyn Allpress, Steve Hyslop, John Quinn, Bart Korb and Terry Ennis offered to be on the committee.

The floor was then open to any questions:

**Airport Issue** – Legal guidance was recommended by one owner. A consensus of owners was suggested.

**Heritage Relationship Issues** – were discussed. A full range of approaches were suggested from confrontation to proactive cooperation.

Art Loeben reported that David Henson and Tom Renshaw are the newly-elected BOD members. Bob Richardson welcomed their return to the BOD.

There being no further business, the meeting was adjourned at 8:55 p.m.

Rick Smith  
Secretary