

BOARD OF DIRECTORS

November 11, 2003

7:00 P.M.

Call to Order: The President, Endell Stevens called the meeting to order at 7:00 p.m. on November 11, 2003 at Holley by the Sea Recreation Center.

Roll Call/Determination of a Quorum: Present were Board members: Mr. Crouch, Mr. Gregory, Mr. Parenteau, Endell Stevens, and Mr. Pinter. Quorum present. **Mr. Crouch stipulated the meeting notice was posted.**

Reading of Minutes: Mr. Crouch read the minutes of the October 14, 2003. President Stevens said with changes to last month's minutes I request a motion to accept minutes as amended? Mr. Gregory-I moved to accept the minutes as amended. 2nd by Mr. Crouch. Motion passed 4-0. Motion passed by Mr. Parenteau, Mr. Gregory, Mr. Pinter and Mr. Crouch.

President's Report: President Stevens review the proposal for the grey water issue resolved.

- Assessments were mailed
- Contacted sheriff in lieu of Barbara Walker's resignation. The sheriff will be working with us on crime prevention and neighborhood watch.
- Next month's meeting cancelled due to Holidays
- Ken Griffin cut all grass across highway in Holley By The Sea for free
- 50 people showed up for the newcomer's meeting.

Treasurer's Report: Mr. Parenteau reported as of October 31st there was \$425,528 in the operating fund and \$963,123 in the reserve fund. Mr. Parenteau presented the financial statement for October. Mr. Parenteau stated that the reserve funds should be separate from the operating funds as they are used for different purposes.

He stated that the improvement fund was never voted on by the membership. Its purpose was not for deferred maintenance or capital expenditures but for capital improvement. According to our governing documents Article 5, Section 4, collecting monies for capital improvement required a vote of the membership. Also the board did not have the power or duties and therefore the authority by itself to collect money for that purpose. According to Florida statute 617.0840 Each officer has the authority and shall perform the duties set forth in the by-laws. Duties are in Article 3, Section 5 of the bylaws.

Further, we have a legal opinion that say the board has the power to spend money on capital improvement without a vote of the membership. According to our by laws, Article 2, Section 5, Voting. Every member of the association, in good standing, shall have the right to and be entitled to vote as the same is specifically set forth in Article 3...All such persons as therein provided, shall have the right and be entitled to vote upon every proposal properly submitted to a vote in any meeting of the association...

Florida Statute 617.830(3) general standards for directors. A director is not acting in good faith if he or she has knowledge concerning in question that makes reliance otherwise permitted by subsection 2 unwarranted.

Subsection 2 talks about information that directors may rely on. One of them is legal opinion. We would not be acting in good faith to rely on that legal opinion. We need to have a vote of the membership and ask them if we can move the monies into the reserve fund.

The red book says to list all items that are deferred maintenance and capital expenditures. We should try to get every item we have. I have picked out as many as I can think of right now, and we have added several items from our projects list. As of now the assessment for the reserve fund would be \$103768.76, which ends up about 22 dollars per lot if we use the straight-line method.

He presented a draft of a reserve fund to each board member.

This is the point where you can help me out. We need to identify every possible capital expenditure and deferred maintenance item. I may have missed something. The starting point for

the reserve is to make sure all items are identified. If you think of anything please contact me and I can add it to our list.

The red book identifies two different methods of calculating reserves. The straight-line method, which we are currently using, and the sinking fund method. There is a third method called the cash flow method. Each method requires we start by identifying all deferred maintenance and capital expenditures. We also have a capital reserve study from cornerstone engineering. This study mostly took into account deferred maintenance items. Currently, are using the straight-line method of calculating reserves.

The basic formula used to determine the straight-line method is on chapter 5, page 18 of your red books. You start with the replacement cost, subtract the amount collected, and divide by the estimated useful life of the item. This will give you the annual contributions needed for each line item. In the past we have not been collecting the funds in that manner.

The engineering-suggested replacement schedule is not recommended by the red book because of cost. The 2000 engineering study was not used and cost the association 5700 dollars. The study didn't take into account all items. This makes me a little leery about doing another study. The reserve fund would have to be looked at every year and adjusted accordingly. The operating fund setup is pretty good. With the reserve fund setup the annual assessment would be much easier to determine. Even if we had to add line items to the reserve the reserve assessment would still be under 30 dollars. Are there any questions? Mr. Stevens said there were no questions and thank you for the report

President Stevens asked for a motion to accept the minutes with changes. Mr. Gregory I move to accept the minutes as corrected. 2nd by Mr. Crouch. Motion passed 4-0. Motion passed by Mr. Crouch, Mr. Gregory, Mr. Pinter and Mr. Parenteau.

Secretary's Report: Mr. Crouch said he had no report other than what he has read.

Internal Vice President's Report: Mr. Gregory said he had no report.

External Vice President's Report: Mr. Pinter reported with the help of Endell Stevens and the sheriff's department to work with us to access our light situation in Holley by the Sea and figure out where and how to place these lights for the safety concerns in our community I recommend we send a letter to Gulf Power requesting a current survey where we have current street lights and have them tell us the cost per lights in order that we establish an assessment to continue to provide safe lighting for all of us.

Manager's Report: Mr. Vickers reported

Item #1- East Bay Boat Dock Project is now complete.

Item #2-Security Gate-we are in the process now of finalizing stages making that gate operational. We are preparing operational procedures to read the barcode cards.

Item #3-Replastering of the Swimming Pool- President Stevens asked Mr. Vickers to tell the members the price Pensacola Pools agreed to do and the warranty over and above what the other people offered. Mr. Vickers said we decided to delay the replastering of the lap pool to proceed with the replastering of the family pool and the Kiddie pool. At the instruction of the Board I went back to Pensacola Pools they were the low bidder of those two pools and gave them the choice of revising their bid. They reduced their bid by approximately \$3,000 and they increased the warranty period from one year to two years and we executed a contract with those folks. Mr. Gregory asked since we took off part of the bid what was the actual bid Pensacola Pools made? Mr. Vickers stated he didn't have the information with him. Mr. Gregory said somewhere around \$28,000? Mr. Vickers said this was correct.

Item #4-Employee Handbook- Mr. Vickers said he submitted the handbook to the AYS employee leasing company and they came back with some suggestions which is provided to you to change

they are minor suggestion and are certainly important enough to incorporate as they requested. Primarily there are 2 major considerations if there is an accident. Every employee will be required to take a drug test within 24 hours of the accident. The other suggestion they gave us that if an exempt employee serves on a jury duty they must be paid for the entire week regardless how much time they spend on the jury service. The third item that they have suggested the family emergency leave federal program we have incorporated those changes and we have included in the report the actual verbatim AYS leasing policy is the federal labor law for your approval. Mr. Gregory question the drug testing concerning the person contributing to the cause of the accident and that is not in the Florida Law and suggested reconsideration with this issue and verify so no legal action can be taken against us. The second is the hourly increments of taking time off. The board had already approved this to take this time with a day off. Mr. Vickers said this was not incorporated on this page however it would be.

Item #5-Natural Gas hook up has been completed. We now have natural gas system for the pool operations. One small component left is the emergency generator hook up converts to natural gas this will be done in the next few weeks.

Item #6-Special Projects- Mr. Vickers asked that we request at least 2 competitive bids for these projects. At this point we have received one bid for item 1 and I would like to have a scope of work done or would like your guidance on 3 competitive bids. Mr. Crouch said shoot for 3 by the 1st of February. Mr. Gregory asked if anything on this list has been done? Mr. Vicker's said the purchase of 5 BBQ grills. Mr. Gregory asked if wouldn't it be better to develop a more define actual scope of work when asking for a bid. For example: the beach repair. This is a large amount of money and you are addressing issues where the EPA issue of beach erosion becomes and issue when refurbishing the current beach excavation. An engineering design needs to set the grade to comply with EPA standards. Whether we pay the amount of \$5,000-\$10,000 to a contractor and ask him to provide an engineering report with the bid. Mr. Crouch suggested the contractor gets all of the permits including the engineering permit should be included in the contract. Mr. Parenteau asked if we are bidding these projects one at a time or are we bidding them all. Mr. Gregory said it would be beneficial to us to have them bid line-by-line basis and we can evaluate every item and negotiate costs on all overhead items. This would able us to look at the line items and the total costs which would occur. We could identify the items and consider on how to do this, engineering job would provide us with break down on specific item storm water issue and a survey on major items.

Item # 7-New Homes built-Year to date which is 93 more than last year.

Item #8- Mr. Vickers provided the board with a report of the programs. This breaks down the various number of programs that we have and these are not audited numbers. Last month in October we had 5,440 people come through the front door. Year-to- date we have had 78,926 people use this facility in one-way or another.

Mr. Vickers said we are planning incorporating for the spring soccer, baseball, football and field & track programs. Mr. Pinter asked if this report was including expenses or is this based on gross revenue? Mr. Vickers confirmed this was gross revenue. Mr. Crouch said we needed to include better and more specific figures instead of a month/year figures to get a better picture of the programs. For example: swimming-certainly this time of year the swimming is lower however, in the summer months it would be greater. Mr. Vickers concurred it would provide a better report however, this was a draft to give the board the idea of tool we can use and we certainly can provide a more concise report on the activities and programs for the boards review. Mr. Parenteau asked about the early usage of the facility. Mr. Vickers said we are getting some usage however we were not monitoring this to strictly.

Mr. Gregory suggested the programs be included in this report to show the participation and revenue growing or going down. Mr. Vickers said we can incorporate this information or any other information the board would like included. The revenue growing cost not growing pass this back to the members and more accuracy incorporated last month and the projections what they

are going to be. This would provide a clearer analysis with specific data. The profit and lost should be posted for the members so they can have a clearer picture on the programs which are profitable or not profitable. Mr. Crouch said we should do this on a quarterly basis instead of a monthly basis. Mr. Stevens's quarterly report. Mr. Gregory said this was a valuable report.

Item #-Budget Report-Mr. Vickers said this report was a simple report provide to show the actual expenses verses the 2003 budgeted expenses and projected amounts for estimated actual expenses.

We don't know if we are going to have another termite problem or other unseen problems. For example we just last month had to replace 1 of our 2 hot water heaters last month at a cost of \$3,500. Mr. Parenteau said this is why it is important we include these items in reserve.

In September I estimated we would have a surplus but we have encounter for example, line item 9 I estimated the accounting services we will be over budget by \$6500 that is a significant amount that is due to the 2002 audit also we have additional expenses for the proxy for the annual meeting. The account services general \$9,000 when the financial manager resigned .We contracted with him to provide financial services on a contract basis and it is a little misleading some of those dollars should be in the payroll numbers. In the contract maintenance line item 13- this line item says this will be \$27,000 over budget but we have some mistakes that we have identified if you drop down to line item 23 it shows we will be \$6,000 under budget we have some missed postings there but it will balance itself out. Here is the big one line item 26- we are going to be \$30,000 or more over budget that is legal fees. We have today or last week we have 73 properties in the legal process. We will recover some of these fees. Mr. Stevens said to make sure that when we say legal fees the board understands that this is not board going to the attorney that this is specifically on the foreclosed properties. Mr. Vickers said this is a collection compliance legal fee.

Mr. Gregory asked if this was including the lawsuit. Mr. Vickers said no this did not include this.

Mr. Gregory commended Mr. Vickers on his savings for doing a good job.

Mr. Pinter moved to accept the general manager's report. 2nd by Mr. Crouch. Motion passed 4-0. Motion passed by Mr. Crouch, Mr. Gregory, Mr. Pinter and Mr. Parenteau.

COMMITTEE REPORTS:

Adult Social Committee-Adell Crouch, Chairperson read her report to the board. (reference items attached herein)

Tennis Committee- No report.

Architectural Committee-Mr. Traynor thanked the board of directors for their support. He reported the architectural committee received 46 complaints and resolved 38 without any of them going to legal. He reported we received 127 phone calls and new home construction has increased 33% during the last 45 months. Mr. Traynor said we have a builder in the community, which has not complied with the covenants Holley by the Sea will retain the \$2,000 deposit. President Stevens thanked the architectural committee and said volunteers are welcomed to join the committee to help resolve problems in the community.

Planning Committee: No report.

Mr. Crouch I move to amend the motion that the board authorizes construction for the multipurpose building with the construction to begin no later than January 2004 to read I move to amend the motion to read planning of the multipurpose building to begin no later than January 2004. Funding to be furnished by the expansion reserve fund, building size and interior design of the multipurpose building to be determined by the planning committee. 2nd by Mr. Gregory. Discussion. Motion passed 3-0. Motion passed by: Mr. Crouch, Mr. Gregory, and Mr. Pinter. Opposed by: Mr. Parenteau.

OLD BUSINESS:

Architectural Rules: Mr. Stevens recommended the board pass the new changes, which is in compliance with the covenants and by laws. 2nd by Mr. Parenteau. Motion passed 4-0. Motion passed by Mr. Crouch, Mr. Gregory, Mr. Pinter and Mr. Parenteau.

Policy and Procedures Manual: Mr. Crouch I move we table this until January's meeting until Mr. Pinter has had a chance to review this changes and continue to work with the draft. 2nd by Mr. Gregory. Motion passed 4-0 by Mr. Crouch, Mr. Gregory, Mr. Pinter and Mr. Parenteau.

Sales of Lots: President Stevens recommended we table this until January meeting. 2nd by Mr. Crouch. Motion passed 4-0 by Mr. Crouch, Mr. Gregory, Mr. Pinter and Mr. Parenteau.

NEW BUSINESS:

Investments: President Stevens recommended investment bankers come in and give a special presentation of different investments they are offering to two board members at a time. Mr. Parenteau suggested the Board have a special meeting to have the bankers present the information to the board and members at this time. Mr. Gregory concurred. President Stevens said we would determine the best day and time for the meeting and proper notification.

Mr. Crouch I move to adjourn the meeting. 2nd by Mr. Gregory. Motion passed 4-0 by Mr. Crouch, Mr. Gregory, Mr. Pinter and Mr. Parenteau.

Meeting Adjourned at 8:48 PM

Respectively Submitted,


Mr. Crouch
Secretary/Parliamentarian

Open Forum