

CLIFFTOPS PROPERTY OWNERS ASSOCIATION

BOARD OF DIRECTORS MEETING

February 13, 2004

Board of Directors

President	Ed Jackson
Vice President	Andrew Bouldin
Secretary	Henry Blizzard
Treasurer	Jim Anderson
Director	Dennis Raines
Director	Henry Chase
Director	Dale Cermak

Minutes

BOARD MEMBERS PRESENT

President, Ed Jackson
Vice President, Andrew Bouldin
Secretary, Henry Blizzard
Treasurer, Jim Anderson
Director, Dennis Raines
Director, Henry Chase
Director, Dale Cermak

Property Manager Present

James B. Tripp

Call to Order

The meeting was convened at the Clifftops Lake Clubhouse at 2:00pm.

Approval of the Minutes

Vice President Andrew Bouldin moved to approve both the January Board Meeting minutes and the minutes for the Community Meeting. Henry Blizzard seconded. There was no opposition and the motion passed.

Treasurers Report

The following is the Treasurer's report as delivered by Treasurer Jim Anderson:

We are seventy-two days into the accounting year with the following positions in the income/expense categories. Income has reached forty percent of our annual budget. This is largely due to the fifty-eight members who chose to pay their association dues in advance. We have one member who has reached the sixty-day delinquent mark.

Expenses are on target at 16.7%. This is deceiving because we have all of the Property and Casualty insurance premiums for the year to be paid on Monday. Let me remind you that these are annual occurrences, and they will initially distort our expense ratios.

It should be noted that all expenditures are subjected to intense scrutiny. By this procedure, we are often able to refine our costs. Examples of this scrutiny are:

1. A renegotiated fee for the bi-annual audit.
2. The scheduling purchase of mowers and sulkies at a time that allowed us to take advantage of a promotional sale period.
3. Upgrading group medical benefits with a lower premium.
4. Benefiting from a lower worker's compensation rating factor.
5. Getting a favorable premium renewal package on our insurance coverage.

All of these savings are a direct result of the efforts of Jim Tripp.

Suzan Thompson provides accurate data that produces the information you receive and is a resource of historical significance. My thanks go to both Jim and Suzan for a job well done.

Managers Report

Property Manager Tripp began by stating that the board asked him to do some research on the back gate. Tripp explained that he researched the books at Clifftops, including past minutes and other Association documents. Tripp was able to find this issue as a point of interest in 1999 when association attorney J. Harvey Cameron wrote a legal opinion regarding lot eighteen-westlake. Cameron's opinion was that since it is a residential lot, it could not be used for a back-gate. The gravel driveway may be used as an emergency exit to Otter Falls Road. Tripp stated that in 2002 the board tried Cameron's opinion and went to the Franklin County Regional Planning Commission asking that the gate be allowed and to have it rezoned. There was discussion at the Planning Commission meeting indicating that, at some point in the future, the Clifftops Board may want a useable entrance onto Otter Falls Road. The Commission ultimately voted not to allow useable gated access onto Otter Falls Road and the existing gate to be used for emergency access only. The Commission clarified their decision by stating that if Clifftops had road damage, and the residents could not enter or exit from the front

entrance gate, then they would authorize the back gate to be utilized during that period of time until the emergency was resolved.

Tripp continued by stating that he went to Franklin County and spoke with Building Commissioner Mark H. Dudley and the Road Commissioner John Woodall. They both explained to Tripp that this issue had been brought before the Planning Commission and the Road Commission in the past and were surprised that this issue was not laid to rest. Tripp explained to them that he was tasked to find Franklin County's position on the back gate being utilized as an entrance / exit. Tripp stated that their position had not changed and the Otter Falls Road gate may be opened only during an emergency situation and with approval from the Commission. The only way Franklin County would even consider an entrance or exit on to Otter Falls Road, Tripp continued, is to remove the gate entirely, allowing open access to the public, and that all Clifftops roads that are in Franklin County be brought up to Franklin County's road specifications. Tripp referenced a letter written by Building Commissioner Mark H. Dudley dated March 2, 2005 further explaining Franklin County's aforementioned position. The letter was made available to the board and association members. Tripp stated that this issue has been brought to the Commission on three occasions and each time has been turned down.

President Ed Jackson asked if it is allowable to have the back gate serve as an emergency exit. Tripp responded in the affirmative. From the gallery Judy Magavero asked if we would need to obtain permission from the county first. Tripp explained that although permission is required, in an emergency situation, the Commission may be contacted after the gate has been opened.

Two people from the gallery asked if they were allowed to ask a question. President Jackson asked them if they could wait until the end to which they agreed.

Strategic Planning Committee Report

President Jackson stated that the agenda had been changed to include a Strategic Planning Committee report.

Treasurer Jim Anderson stated that the following Mission Statement is an attempt to bring the Strategic Planning Committee and the Finance Committee in unison in the attempts to create a fair and representative report that will provide budgeting information to realistically anticipate dues increases.

Anderson then read the following in its entirety:

MISSION STATEMENT OF THE STRATEGIC PLANNING COMMITTEE

The purpose of a Strategic Plan is to provide the Board of Directors with the necessary information to ensure that not only the physical assets of the Association are preserved and maintained at a level that protects the property values of the owners as well as the common areas

of the Association, but also includes anticipating additional needs of the Association. A Reserve Study is the art and science of anticipating and preparing for those expenses. There is a four-part test to determine which expenses should be funded. First, it must be a common area responsibility. Second, it must have a limited life. Third, the limited life must be reasonably predicable. Fourth, the asset must be above a minimum threshold cost. To that end, the mission of the Strategic Planning Committee is to make recommendations to the Board of Directors for the preservation, maintenance and addition of all physical assets having a useful life of greater than one year and a value exceeding \$500. As an integral part of these recommendations, the Strategic Planning Committee will ensure that replacement costs reflect today's value and technology and are complete with respect to all collateral expenses consistent with the full utility of that asset under consideration. That is to say, reserves for all of Clifftops' assets are to be based on 100% funding. Prior to the July board meeting, the Strategic Planning Committee will submit its recommendations to the Finance Committee, on behalf of the Board of Directors, for review and inclusion into the budgeting process. Any changes to the Strategic Planning Committee's submission will be referred back to the committee for appropriate action.

President Jackson asked if there are any comments to which Director Dale Cermak replied in the affirmative. She stated that, as per her experience in the education facilities industry, she could not support 100% funding. Judy Magavero asked what normal funding would be and Cermak replied that it is between fifty and eighty percent. From the gallery, Mrs. Marjorie Lyman inquired as to what assets are funded 100%.

President Jackson informed that, as of the next meeting, the meeting structure will change to give everyone an opportunity to speak on the issues. He stated that he would provide an outline on that.

Cermak referred back to Lyman's question and stated that the roads are funded at 100%. The other assets, she continued, are divided into two classifications. Things that are critical to living in Clifftops, i.e. the clubhouses, the pool, and the tennis courts, are funded at 50%. Other assets, i.e. the gravel parking area and sand on the beach, those less crucial assets are funded as the money is available. Cermak stated that this would be a major change and reiterates her disagreement with it.

From the gallery Mr. Chuck Clowdis asked if, for example, something happened to the roads and we need \$300,000.00 to repair them, would we take what was in the reserve and a special assessment. Treasurer Anderson asked him to whom he was asking the question, to which Clowdis clarified that he was speaking to the Board in general. President Jackson stated that he does not feel like an emergency like that could happen, but if it did, we would have to fund those emergency items to keep the roads open. Jackson continued that his understanding was that the Strategic Planning Committee is to start to propose funding at 100% as opposed to 50%. This will go to the Financing Committee for budgeting and, as stated by Jackson, it does not mean that this committee is, necessarily, going to vote that the money be spent. He stated that this will give us the opportunity to see how it impacts us, and we'll make those decisions later, however the projections show that, going on just the items that are not 100% now, it does not increase the dues significantly. Jackson stated that it appears to be an increase of five to ten dollars and the board should have the opportunity to review that.

From the gallery, Mr. Bob Thomas requested to speak and was acknowledged by President Jackson. Thomas stated that it was his understanding that, as it was set up in 2000, the Total Reserve was about 35% funded. He stated that at the time there were sixty association members that physically looked at every asset. Their evaluation led them to the conclusion that 35% was the appropriate amount to fund in order to prevent assessments. Thomas stated that, approximately \$135,000.00 of work has been accomplished in the last four years under this amount of funding. Thomas inquired as to why would there be any change considering the good track record that is in place. He also expressed his concern that to fund at 35% was not a board matter. It was voted on by the association members. He felt that a sitting board should not overturn what a majority of members have voted on and approved in the past.

President Jackson thanked Thomas for his comments and Secretary Henry Blizzard asked, for clarification, if he was correct in his understanding that the above mission statement was intended to define the mission of the committee and not to commit the board to 100% funding. Jackson responded in the affirmative.

Thomas said, "If we funded at 100% then we would have \$1,500,000.00 for some Board to build a monument." Anderson replied, "We do not have \$1,500,000.00 of assets to begin with. Thomas then asked, "How much do we have?" Anderson stated, "They are in between \$890,000.00 and \$1,000,000.00 depending on whose report you look at." He further stated that he felt no one was trying to criticize, or to put the matter on a personal basis about all the work that was done four years ago. Anderson stated that four years ago the committee was charged with the responsibility of replacing the assets, as is. He stated that, although challenges arise today concerning the decisions made then, it does not criticize the work that was done then. He stated that Secretary Blizzard is correct; the mission is to look realistically at replacement cost on a logical useful life basis.

Director Cermak stated that the projections provided by Treasurer Anderson puts the starting reserve balance at \$1,003,438.00 in 2027, \$1,182,263.00 in 2028, and \$1,292,992.00 in 2029. Treasurer Anderson noted, "...after the \$1,100,000.00 that you were talking about the very next year, it goes down to \$600,000.00, so let's be honest about the numbers here, shall we?" President Jackson reported that the next paving job will be in 2008, which will be an immediate cost of about \$300,000.00.

Mr. Thomas states that, in his opinion, we should fund the reserve as little as possible, and noted that with projects, such as roads; we know exactly how much it will cost and can plan as such. He stated that, in his mind, the biggest crisis is to hold down the operating budget. He noted that the projections for this year equal \$25,000.00 more than last year, or \$500.00 more a week, and he wanted to know what the members are getting more of for that cost. Manager Tripp explained that Thomas's comment references cash numbers, which is not a fair representation of the percentage increase in operating expenses, and that items that were moved from the reserve budget to operating explains some of the 2004 to 2005 increase. Additionally, it is important to note that every cent goes to benefit the Members of the Association. Budgeted funds not spent in operating the Association, remains in the coffers. Tripp explained that last year there were items in

the reserve budget that should not have been there, and were correctly moved to operating expenses. An example given was tires for the vehicles are routine maintenance items and should not be considered a reserve item. This, along with inflation, gives the appearance of a greater increase in the operating budget than is actually the case.

Thomas expressed that there should be more concern of how much the dues are for the benefit of those on fixed budgets that cannot as easily handle increases or assessments. He suggested looking into new technology as far as security. He stated that there are products out there that will be here every morning, and won't sue you, and you don't have to pay workman's comp to.

President Jackson asked for a motion to stop discussion of the current topic to which Treasurer Anderson so moved. Director Cermak then moved to table the discussion. President Jackson noted that Anderson's motion was still on the table awaiting a second. Neither motion received a second, and the issue was pronounced tabled by President Jackson.

Pool Committee Report

Mrs. Judy Magavero approached the podium to deliver the following report. The graphs in the report below were presented in larger form and explained to the Board and gallery members.

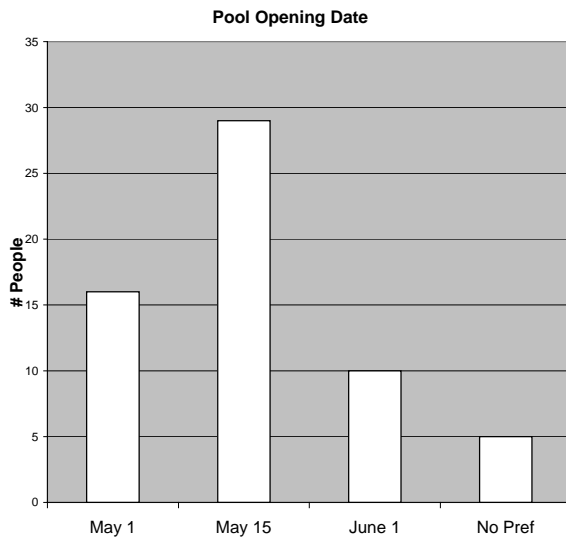
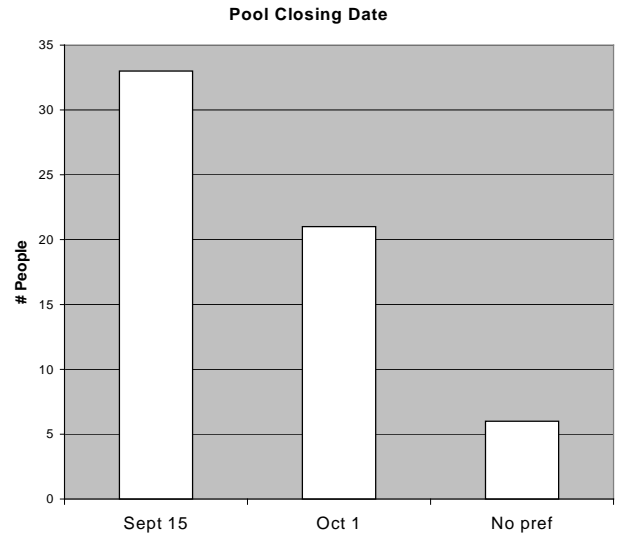
The Clifftops Property Owners Association Pool Committee was charged with the duties of making recommendations to the CPOA Board as to the use of the Pool area and reporting any safety issues.

This committee initially met on January 20, 2005. Major concerns were the pool water temperature and water loss. Jim Tripp, CPOA Manager, expressed the view that he had heard complaints about the water temperature from only 2 people. (We reminded him that 3 members of the Pool Committee had expressed dissatisfaction with the water temperature to him.) The committee felt that it was essential to survey the CPOA membership to gauge member satisfaction with the temperature.

Several factors in controlling the pool temperature and expenses are length of the pool season, the opening date of the pool, and the period of time for which the pool is heated. It was decided to survey member satisfaction with the pool temperature, preference for the **2006** opening and closing dates, and frequency with which member families use the pool. We were required by Mr. Tripp and the Board to survey member willingness to pay for an upgrade to the pool facility.

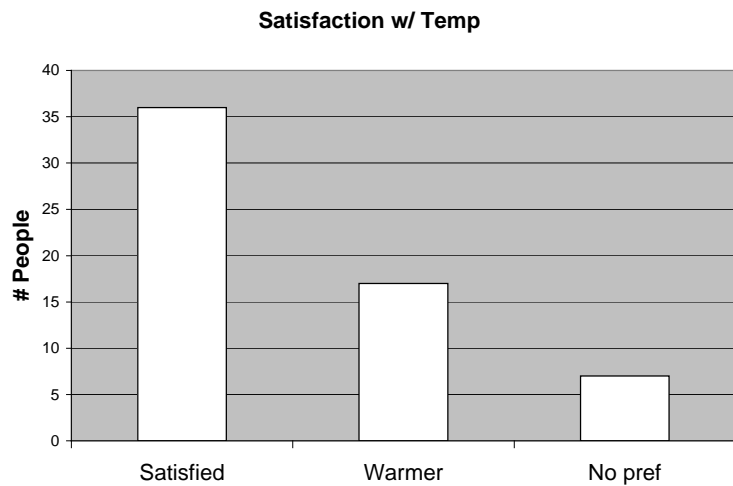
A survey was included with the February CPOA Newsletter. 60 responses were returned from the mailing to all CPOA members.

Results of the survey clearly show a preferred opening date of May 15.

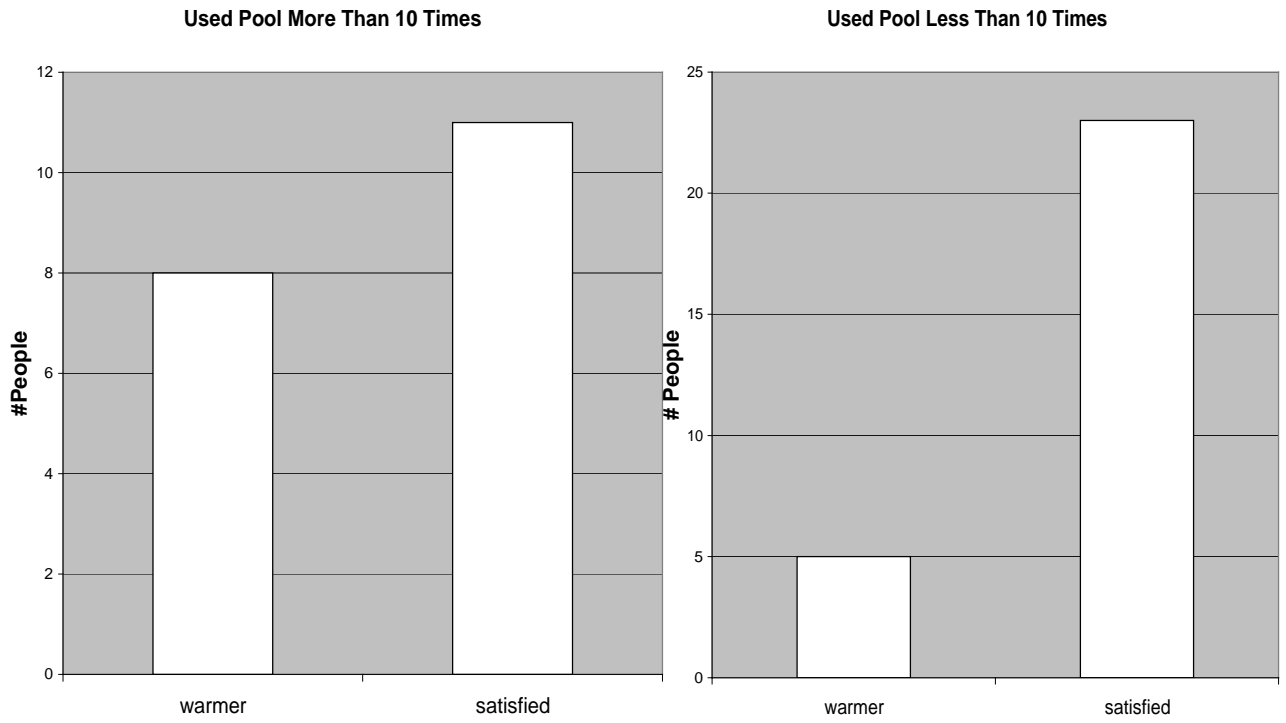


Members also show a preference for a September 15 closing date.

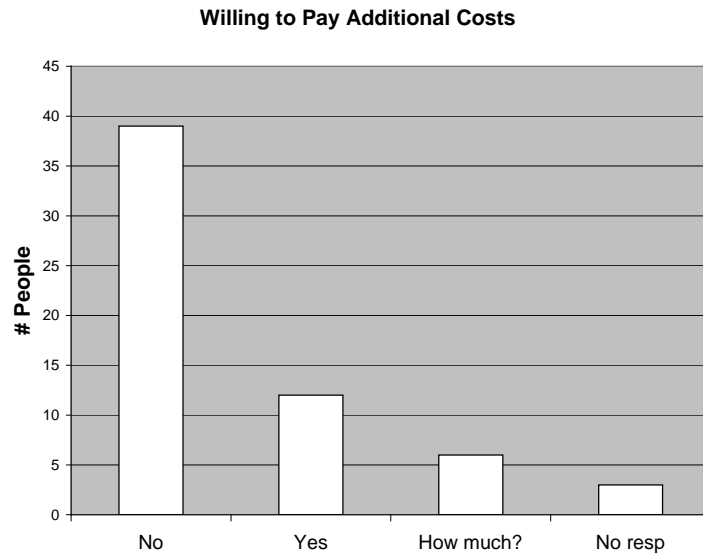
17 members, who stated a preference, would like the pool temperature to be warmer. 36 respondents are satisfied with the pool temperature. It should be noted that the survey question asking members if they would be willing to pay for an increase in temperature had a significant impact on responses.



Members who used the pool the most frequently are much more likely to prefer a warmer pool.



A majority of respondents are unwilling to pay more to warm up the pool, especially without knowing what sort of costs might be incurred. Six members asked "How much".



A conclusion of this committee is that members have an interest in moderation of the pool temperature, especially in the morning, but do not wish to see dues increased and do not want hot tub temperatures.

In our initial meeting, the committee discussed information provided by Jim Tripp on heating pools. There were many drawbacks including cost, safety, and requirements of our insurance company. Initially, it seemed that a pool cover would not be acceptable to the insurance company because inexpensive bubble covers are a high liability.

The U.S. Department of Energy-Energy Efficiency and Renewable Energy highly recommends the use of pool covers. They state that covering a pool when not in use is the single most effective means of reducing pool heating costs. A cover reduces evaporation, the greatest source of heat loss. They also reduce expenses by keeping the pool clean, reducing the amount of chemicals and filter maintenance needed. Water use is also reduced.

We have recently obtained information about Coverstar pool covers that are available through a local pool company. These covers are acceptable to insurance companies and actually provide greater safety than an uncovered pool.

Mr. Tripp has discussed with us leakage that has developed in the pool, evidenced by a sharp rise in water usage. Repair of the leak will require removing the stone deck to repair or replace original pool plumbing. Our committee hopes the Board will recognize the logic in installing a pool cover when replacing the pool deck. A cover would help maintain comfortable pool temperatures reached naturally through the day while decreasing propane usage early in the season. Improvement in daily maintenance of the pool throughout the season would be a strong benefit to our Association.

Our committee would also like to recommend the use of comment/feedback cards at the pool so CPOA may better serve member needs.

References used in preparation of Mrs. Magavero's report were the US Dept of Energy-Energy Efficiency and Renewable Energy at http://www.eere.energy.gov/consumerinfo/factsheets/pool_covers.html and Charles J. Cromer, Ph.D, P.E. "Solar heating of swimming pools: A question and answer primer" at <http://www.fsec.ucf.edu/solar/APPS/POOLHTG/en6.htm#Cost>

Social Committee Report

Mrs. Sylvia Anderson approached the podium and delivered the following report:

The Social Committee met last week to plan the following activities for 2005: The Committee members are Bo and Ed Jackson, Nancy and Wayne Bradshaw, Earnie Lumpkin, Andrew Bouldin, Sylvia and Jim Anderson, Lelia and Henry Blizzard, and Earl

Williams. We have four new members of our committee. They are Joe Wehrmeyer, Cheryl Lankhaar, Elaine Goleski, and Howard Smith.

1. Memorial Day Celebration – May 28th – Jim and Sylvia Anderson, Hosts
2. 4th of July Celebration – July 2nd - Andrew Bouldin, Host
3. Newcomers Brunch – September 3rd – Joe Wehrmeyer and Cheryl Lankhaar, Hosts
4. October Fest – October 8th – Ed and Bo Jackson, Nancy and Wayne Bradshaw, Hosts
5. 1st Fridays are going strong and will continue.

Howard Smith proposed the idea of having a CPOA float in the Monteagle and Sewanee 4th of July parade. Obtaining a float was discussed as well as a place to store one from year to year. Howard accepted the Chairmanship of a Float Committee with Andrew Bouldin as Co-chair. They will gather information for this project and report back to the Social Committee at the next meeting. The Float Committee will meet on April 3rd.

The committee then discussed Clifftops sponsoring a team in the Grundy County Relay for Life scheduled for June 3rd at Gruelti-Laager Walking Track. Elaine and Sylvia will Co-chair the committee to investigate the possibility of sponsoring a relay team. Sylvia will ask Jim Tripp to put an item on the website asking for volunteers to participate on a team.

We are also working on ideas to incorporate activities for children and grandchildren into our functions. We would like to use the newsletter to ascertain names and ages of our kids to use in our planning.

Our final item was the possibility of having a Wine Tasting sometime in April. Ed Jackson is checking on this.

As you can see we are ambitious in our planning and are looking forward to having a great time as well as participating in Sewanee and Monteagle activities and giving back by participating in the Relay for Life Fundraising for Cancer Research

President Jackson commented on what a good job the Committee did this last year.

Secretary Blizzard moved that the use of Clifftops' name be granted to those participating in the Relay for Life. Andrew Bouldin seconded the motion and the motion passed without objection.

Clubhouse Usage Committee Report

President Jackson reported that the Committee has had a preliminary meeting to discuss the direction of the Clubhouses. He stated that two items of importance were discussed. The first item Jackson mentioned was an idea for each of the clubhouses to have one door

accessible with the front gate clicker. The committee will research the funding for this endeavor.

The second item of importance was the issue of adding furniture to the Lake Clubhouse.

Jackson reiterated that the committee is just beginning their preliminary work and when they have exact figures they will report back to the Board.

Old Business

Manager James Tripp explained that the information on tree removal has been posted and delivered to the Membership in a variety of mediums including newsletter, website, and discussion at several meetings. He stated that Sequatchie Valley is on a five-year plan and will not cut again at Clifftops for five years. Tripp reported that SVEC has marked the trees to be cut with a pink ribbon and have requested that Members who take issue with a particular marked tree may add a green ribbon to the tree. Sequatchie Valley will talk to the owner of the trees marked with a green ribbon before acting on it. Tripp states that they are very sensitive to the feelings of the owners and will make every effort to discuss their plans with any who wish to speak to them.

Manager Tripp stated that he has received comments of concern regarding the trees that line the entrance to the property. He reported that they are either in the lines now or will soon grow to be a problem. He further explained that the lines in jeopardy are the main three-phase power that feeds the most of the property. If power is lost there, most of the community will be without electricity. Tripp explained that though the entrance trees will be removed; there will be discussion with a professional landscaper to determine what would be the best replacement for that area, considering aesthetics. He stated that Sequatchie Valley may begin their work soon. From the gallery Mrs. Lyman asked if they would be doing any pruning also. Tripp explained that they have a 40-foot right of way (20ft on any given side) and that they would indeed be pruning within that area.

New Business

President Jackson revisited the idea of restructuring the Board Meetings and gave a brief overview of the new structure. He stated that Vice President Andrew Bouldin will include the new structure in the next bulletin. Jackson stated that he had used this structure in the past and it worked quite well. Jackson explained that it will include discussion from the audience, on a controlled basis, on each of the issues that will be addressed. The meeting Agenda will be made available a week in advance for the association members to review. The members will have an opportunity to change the agenda to include issues that they choose to address, provided that the issue in question is not one that has already been dealt with. Issues must be presented two weeks before the meeting in order to change the agenda. If a member would like to speak on a topic, they will fill out one card per each topic and turn it into the Board before the meeting begins.

As the Board addresses each issue they will refer to the cards allowing gallery members to speak, for three minutes, to express their opinion on the issue at hand. Jackson explained that those who do not turn in a card will not be recognized to speak. Jackson stated that if a speaker simply repeats what a previous member has stated, they will be asked to take their seat and the meeting will continue. Jackson said that people from the audience will not be permitted to interplay with each other. It will be presented to the Board and a decision will be made.

Jackson moved on to the last item of new business and recognized Treasurer Anderson. Anderson stated that as most already know the Federal Deposit Insurance Corporation insures up to \$100,000.00. He stated that Clifftops has money scattered to all the banks locally and one in Winchester to remain under that limit. He explained that there is a provision called the Depositor's Insurance Fund, a separate company that insures deposits in excess of \$100,000.00 so that the money can be kept in one location, thereby yielding a higher rate of return. He continued that an insurance policy is issued to the depositor, in this case Clifftops, and is paid for by the bank to the insurance carrier, Kansas Banker's Surety, an A++ company. Anderson then moved to take advantage of that provision. Director Dennis Raines seconded the motion and it passed without objection.

Discussion

Mr. Jerry Shattell approached the podium to address the Board. Shattell explained that he was made aware that the perception is that he wants the back gate open. He stated that this is not true, and he just wants it made available for emergencies. President Jackson stated that he appreciated Shattell for clearing that issue up.

Shattell then questioned how much was spent for road patching to which Treasurer Anderson replied that it is about \$18,000.00. Shattell then asked if we can get them to come back and do a better job. Jackson stated that he hopes that problem will be eliminated once the construction is completed and there are no more big trucks. Property Manager James Tripp stated that we budget large amounts of money to repair large sections of road by adding to what has already been paved. He explained that in between, repairs to areas of roads that fail will continue as needed. Some failure is due to but not limited to poor compaction and water damage. He continued that often a road failure may not become evident immediately, but when it does occur, the area is patched and during the subsequent major overlay the road is corrected to an even greater level. Treasurer Anderson reiterated the hope that soon there will be fewer large trucks that cause such damage. Shattell explained that at his facilities he will have the pavers dig it all out and properly patch it. Tripp asked if the patching that Shattell referred to was on roads or parking lots to which Shattell said they are parking lots. Tripp stated that he is familiar with parking lots as well from previous work experience and that maintaining parking lots is a very different process from roads. He stated that typically a road is not maintained the same way as a parking lot. Shattell then stated that at his facilities he has them do it right the first time and gets a warranty. Tripp then explained again that parking lots and roads are two different things when it comes to paving and that it is

incorrect to assume that they did not do it correctly. From the gallery, Mrs. Judy Magavero suggested that we look at areas where french drains may be needed. Tripp stated that he has been addressing that problem in the worst areas and will continue to address the issue.

Shattell moved to another topic by inquiring as to whether or not anyone has spoken with the Fire Marshall about assessing the fireplug situation. Tripp stated that he has spoken with the Fire Chief on one occasion and has been trying to get in touch with him ever since the last Board Meeting to no avail. He stated that the Fire Chief has yet to return his calls, but as soon as he does, Tripp will provide a report on the situation.

Shattell then wanted to know if a truck with a tank on it was still in discussion. Tripp stated that it had not been discussed since the last meeting. The Association does not have properly trained staff to man any sort of fire apparatus, nor would it be beneficial to the community to have to deal with the liability of operating such equipment to extinguish a fire. He recommended that the issue be laid to rest.

Shattell expressed that we pay a lot of money for someone to sit in the gatehouse and wave as residents go by. He further stated that there are times when there is no one at the gate and it is accessed by the clickers alone. He stated that at the busiest times there is no one manning the gate so inquired as to why we have hired guards. He stated that we could save a lot of money and Tripp agreed that money may be saved but that a majority of the homeowners would not be willing to do away with a person at the front gate. Tripp rebutted that at the busiest times, there is security. In fact, he stated, he brings on extra personnel when it is busy. He explained that he is aware of when many people will be on the property by the guest lists that are turned in. Treasurer Anderson stated that he can vouch for that because he is the one that signs the checks for the extra work.

Shattell took his leave of the podium and Mrs. Marjorie Lyman approached. She stated that a major reason to have a man at the front gate has been to make a log of the contractors that are working on the property in the hopes of deterring vandalism and outsiders using the facilities.

Lyman stated that it was her impression that during strategic planning it was decided that the dues would stop increasing for some period of time. Treasurer Anderson stated that it was his understanding that there would be no dues increase in 2006 and 2007, but Lyman replied that it was supposed to be 2005 and 2006 and that we are off one year. President Jackson said that the aim is to have a dues increase and then skip a couple of years.

Lyman stated that in 1999 or 2000 it was decided that Clifftops Avenue would be repaved in five years and would like to know why it has been moved to 2008. She expressed her surprise that it has been changed to 2008 and stated that she doesn't feel like it will last that long. President Jackson assured that it will be watched very carefully.

President Jackson asked if there were any more questions or comments from the audience. There was no response.

Adjournment

Treasurer Jim Anderson moved to adjourn the meeting. The motion was seconded by Secretary Henry Blizzard and was passed without objection at 3:07p.m.

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