

MINUTES
COLINGTON HARBOUR
BOARD OF DIRECTORS MEETING
TUESDAY, March 14, 2017
9:00 A.M.

Meeting Location: 1000 Colington Drive, Kill Devil Hills, NC 27948

Attendees: Frank Hendricks, Chairman
Hickman Finch, 1st Vice President
John Collins, Treasurer
Sharon Wheless, Secretary
Bill Hentnik, 2nd Vice President
Stephen Ornstein, Assistant Secretary via phone

Absent: Dennis Donaldson, President

Other Attendees: Paul Lyttle, Maintenance Lead
Roy Welch, Security Lead
Teresa Burgess- CHA Accountant
Lot Owners- attendees attached
Elisabeth Silverthorne, Legal Counsel (arrival noted in minutes)

GENERAL SESSION

1. Call to Order

Chairman Frank Hendricks called the meeting to order at 9:07 am.

2. Approval of Agenda

John Collins requested to adjust the agenda and move "Continue with Yadkin/First National or switch banks" under New Business to the Finance & Budget report. This presentation will be made by our Accountant this morning, Motion to approve Agenda with the change by Hickman Finch, motion seconded by Bill Hentnik. The motion was unanimously approved.

3. Approval of Minutes, February 14, 2017

Motion by John Collins, motion seconded by Bill Hentnik. The motion was unanimously approved by all Board Members.

Department Updates

4. Security Department Report

Roy Welch reported that the Clubhouse is not being locked. Paul Lyttle, Maintenance Lead reported the door unlocked on several occasions, as well as the back door open when they arrived in the morning to empty the trash. Roy assured the board that each entry is collected by the security app.

5. Maintenance Department Report

Paul Lyttle indicated that they are working from the list of projects presented at the last meeting. He also indicated that it was time to actively seek to fill the additional position. Sharon Wheless reminded Paul and the Board that this was discussed at the last meeting and the position is already posted on Indeed.com and just needs to be activated. The credentials have been provided.

Sharon Wheless also recommended that Paul review the position description prior to activating it to verify it meets the needs at hand.

There are currently 2 part timers, but one will move to cutting grass. Sharon Wheless suggested that Paul keep a log of the types of tasks that are being completed by the staff in order to assess needs in a more effective manner.

Paul Lyttle provided the hours for the Zero turn mower- 967 hrs. 1161- Tractor. He reported that they seem to be in good working order. John Collins asked if anyone knew the expected life of that equipment. Sharon Wheless referenced the Reserve Study that indicated the useful life of the Zero Turn = 4 years. The remaining useful life as of July 1, 2016 was 1 year. John Collins asked if the board wanted to consider the replacement of the equipment at this time, but Sharon Wheless replied that the Board should have more information regarding our finances before we spend any money. John Collins added that this would be a trade-in and the estimated price was \$10,000, and if we considered a 50% engine life remaining, we could trade in at 50% value or \$5,000. No actual dealer information was provided. Sharon Wheless added that the tractor also shows 1 year as the remaining life in the same report.

Sharon Wheless thanked Security and Maintenance for assisting with the Proxy mailing. (Security & Maintenance exited)

6. Finance Report

John Collins introduced Teresa Burgess, who has been our Accountant for 25 years. He indicated that there has been a struggle to balance our books. Ms. Burgess has completed a 2015 financial report, and distributed to the board.

John Collins presented a pressing issue about our deposits at Yadkin Bank. Yadkin is now First National and they have returned all our funds from our accounts into the Cedars Accounts. Because of that, our deposits are no longer FDIC insured. We are only insured up to \$250K. John presented options to the board to determine where the money should be deposited.

- Southern Bank- sweep account- they automatically spread the money so it is FDIC insured.
- First National - collateralized account- Assets from the bank insure the deposits after the initial \$250K .
- CD's and Bonds - low return and penalty if they are not taken to maturity.

Sharon Wheless commented that the collateralized account appears risky since we are not in the business of Finance and our Treasurer is a volunteer. Teresa Burgess agreed

that it could be risky, but it is better than no insurance. Her recommendation is being fully insured and she echoed Ms. Wheless' concerns about the other options. John Collins indicated that since March 7, anything over \$250K has been uninsured. He is asking for board direction.

When the funds came in from Village Realty, they were placed in a MM and Reserve Account, and they need to be separated. Based on the recent withdrawals from the reserve fund balance is \$335,868 (Yadkin MM, 2 cd's with zenith, designated YRC reserve at Yadkin)

This does not include the \$50K transfer for this current fiscal year.

John Collins indicated that there are checks to be distributed:
Ivan Sawyer - \$61,000 (leaves 20% balance owed)

Ms. Burgess did say there was a transfer she was uncertain about of \$117,849, and John Collins indicated that the \$61,000 he mentioned is a part of that transfer. It is unknown what makes up the remaining amount that was transferred.

Current Balance in all accounts: \$680,619 - per Teresa Burgess.

John Collins discussed reserve accounts owned by the CHYRC.

Sharon Wheless asked for a list of transactions discussed today to determine the reserve account balance. Ms. Burgess said she would provide this. Sharon Wheless referenced last year's on-site reserve study and reiterated the weak position we were in last year. The position is further weakened by the recent withdrawals mentioned. Teresa Burgess stated that managing the reserve funding is one of the most important jobs performed by the board. Burgess agreed to evaluate and provide projections for the Board to review.

Sharon Wheless asked for information on "fundraising " that shows in the balance sheet. No one could provide any information on this item.

Ms. Burgess indicated that the Annual Billing line item tracks back to the Reserve Study, and this indicates when an additional amount is needed from the Club to meet their part of the reserve.

Ms. Burgess asked for clarification on the management fees that should have been paid to VR in December. Sharon Wheless referenced a letter to VR from the CH President stating the end of the contract was Dec. 31, regardless of what happened in removing them from the office physically.

John Collins made a motion to move the reserve funds over to Southern Bank into their sweep account to be 100% insured, and the motion was seconded by Steve Ornstein. Sharon Wheless then asked that the motion be modified at a later time to include the exact amount that gets moved. The motion was carried unanimously by all.

(Teresa Burgess exits the meeting.)

7. Compliance Report

The Compliance Officer was not available for a report.

8. CHA Manager Report

Donna Hatch reported that the majority of her time has been spent responding to lot owner requests about dredging, budget, and the petition.

Ms. Hatch provided information about a report of an unauthorized person entering the Administration offices with a key on Saturday, March 11 around 11:15am. She contacted Roy from Security, and then Randy at JohnsBrothers. Randy advised her to contact the Sheriff's Department and file an incident report. This report is currently under investigation by Deputy Harris.

Bill Hintnick made a suggestion that we change the locks on the doors. Randy at JohnsBrothers has submitted a recommendation to install keyless entry locks because this is not the first report of unauthorized entry that has occurred. Ms. Hatch reported that motion detectors have been disabled in the Manager office, cameras have not been operating, and her door has been open when she arrived in the morning for work. She reported that Deputy Harris indicated there have been other security concerns reported.

Ms. Hatch indicated that Roy from security noticed that the motion detector in the manager office has been removed.

Bill Hintnick made a motion to install the keyless entry devices on the administrative offices, and the motion was seconded by Hickman Finch. The motion was carried with a unanimous vote of the Board.

New Business

9. Petition

Hickman Finch presented the petition from the membership against John Collins since the President, Dennis Donaldson was not in attendance.

(Elisabeth Silverthorne, counsel, entered the meeting.)

Steve Ornstein stated that he did not think this was a valid petition, but he had not received all signature pages. They were provided to the President to distribute to the Board. Counsel did confirm that this is the responsibility of the President to distribute to the board.

Hickman Finch made a motion that we table this issue until the next meeting, so the signatures can be validated, and the President can communicate to the board. The motion was seconded by Steve Ornstein. The motion was carried by a majority vote of the board. Sharon Wheless voted no. All others in attendance voted yes.

10. Relationship between CHA and CYRC

This was placed on the agenda at the request of the President, Dennis Donaldson, but he was not in attendance to discuss. There are a lot of member questions concerning the

CHA and CYRC and he wants to address. For example, we are being asked about the ability of CH to prevent lot owners from sharing in the common properties, and whether or not a membership vote was taken on this.

Elisabeth Silverthorne did indicate these are two separate legal entities.

She encouraged sharing the relationship between the two entities with the membership.

The board is asking counsel to provide answers about: the legality of the relationship, why is it separate, and does that relationship need to be reviewed. She will give a brief description of the current relationship at our next meeting.

Ms. Silverthorne recommended a membership team to determine if this is the structure the current membership desires.

John Collins made a motion to table this until the next meeting, and it was seconded by Bill Hintnick. It was carried unanimously.

11. Additional Dredging Invoice

John Collins presented an Invoice from Ivan Sawyer for dredging in the amount of \$16,250 for an additional 650 yards, and wanted approval from the board to release the check. Sharon Wheless asked if the board has been voting to release previous checks, and John Collins indicated that this is an additional check that is not on the contract. He also has another check that he wants to release based on a report from Hal Goodman on the bulkhead work for \$61,000.

This was work that was completed without an addition to the contract and Hickman Finch indicated that we have to pay our bills. Sharon Wheless suggested that we get an expert opinion to determine if the work invoiced has been completed. We should perform some additional due diligence since CH has spent 165% over the original contract amount.

Sharon Wheless made a motion that we get Hal Goodman perform an evaluation on the dredging project to see what improvements could be made on the process, where the issues occurred, and if we have completed work as indicated by the invoices. The motion was seconded by John Collins, and it was carried by a unanimous vote.

12. Appointment of Inlet Committee

Steve Ornstein presented a recommendation to create committees to oversee large projects and make recommendations to the board.

Steve Ornstein made a motion to create an Inlet Committee to research, plan and oversee all future dredging of the inlet. This committee would be responsible for surveying the inlet on a **regular basis**, identifying areas of concern and developing a description of dredging need. They would then present their findings to the Board and work with the Board to create a bid package. They would also work with CAMA in procuring all proper permits necessary.

Once the contract has been let, the Committee would then oversee the project from beginning to end advising the Board on a regular basis.

The motion was seconded by Hickman Finch and carried by the board via a unanimous vote.

Suggested members of this committee could be: Shawn Murphy, Rick Hildebrant, Dave Hope, and Ryan Hatch.

13. Release of Association Documents

Dennis Donaldson raised this issue, but he is absent. He had asked the Secretary to create an answer to the members requesting documents. Per counsel, financial records are always released. Membership lists, their mailing address and how many lots they own, but no additional contact info should be. Other corporate has to provide a good faith reason for the document need and the request has to tie back to that need.

(Chairman exits and meeting chair has been passed to Hickman Finch)

14. Drainage Joust and Harbour Dr. and Rhodams Dr. and Harbour Dr.

Bill Hintnik asked to get someone to address these areas and grade and place a swell there, and asked for the maintenance staff to grade the areas. The President should instruct the staff to complete these tasks.

Unfinished Business

15. Land Purchase, 202 Sir Richard East Update

Sharon Wheless reported that we will be closing on this property shortly. PNC agreed to our offer of a 50/50 split of the sales price at closing. Counsel added that there was a title search on the property but in the management change, we did not get the information.

16. Lots 76,77, and sign deed

There was discussion by Hickman Finch on trading the common property - basketball courts for the lots at the gate. Since the President did not add this to the Annual meeting agenda for a membership vote, it is not there. Counsel is not recommending any trade of common property without a membership vote. This will require a special meeting of the membership, and should be scheduled when a decision needs to be made. Ms. Wheless asked for a good faith request from the lot owner in order for us to incur the costs for a special meeting.

17. Bulkhead, Jetty, Dredging Projects Update

John Collins presented an invoice for the 80% payment on Jetty project. This has been certified at that completion by Hal Goodman.

John Collins also raised a quote from Ivan Sawyer for \$10K to complete spreading the spoils from the dredge material, and to construct a bulkhead around the tree at the beach. There were no other quotes submitted. Bill Hitnick suggested that we need more bids. Sharon Wheless recommended that we ask Hal Goodman for his expert opinion on this project so we know we are asking for the correct work to be completed.

18. Kayak Rack

There was some discussion about building a Kayak Rack that is treated like a bike rack for lot owner use. Counsel recommended signage that indicates it is stored at your own risk. John Collins suggested that we build one that stores 8 Kayaks

as an experiment to see how it works out. Our manager will get some quotes for building the rack.

19. Taking Credit Cards

Tabled until next morning meeting

20. CH Policies

Tabled until next morning meeting

Sharon Wheless motioned for adjournment, John Collins seconded, and the meeting was adjourned.

Respectfully Submitted ,

Sharon Wheless
Secretary, Board of Directors