

The Cliffs Property Owners' Association, Inc.

2019 Annual Meeting September 14, 2019

The 2019 Annually Meeting began at 10:00 with Opening Remarks made by POA Board President Dan Dippery.

Board Secretary, John Liske stated that Sam Timothy, CPA, - Timothy, Devolt & Company P.C. confirmed that proxies were certified and exceeds quorum requirements.

Dan called the meeting to order and officially opened the Annual Meeting.

Dana McElvain blessed us with an opening prayer.

POA attorney Chad Robinson presented meeting rules & protocols. Chad commented on the number of property owners who have not paid their dues / special assessment, stating payment plans are available if needed, so please contact board members. If no communication, law firm will pursue collection.

Dan gave acknowledgement & gratitude to Mr. Hill for providing the space & tent for our meeting, all the ladies who worked on the decorations, coffee & pastries, also to Curtis Leonard for helping with property taxes at no cost. Special thanks to all who helped put the dinner arrangements together and the music entertainment by the Steve Markwardt band and karaoke lead by Bob Lakey.

Dan also acknowledged State Representative Mike Lang's attendance and help with the water issues and participating in the meeting of a few weeks ago with the TCEQ, BRA, Southwest Water, etc.

Speakers included;

1) Elite Golf Management / multi- state golf management/ Jon Christenson, V.P. of Agronomy. Elite Golf was hired in March 2019.

Jon presented a thorough 15 minute presentation of golf course condition and POA owned equipment prior and now after Elite Golfs involvement.

a. Praise given to Rico - Golf Course Superintendent & his staff for their good work.

b. Equipment - poor condition, lack of solid maintenance & record keeping.

- Elite Golf has purchased replacement equipment on their dime to improve operations.

c. Hiring of a new mechanic with 30 years experience in golf course equipment maintenance.

d. Irrigation system is currently a major issue, over 100 sprinkler heads don't operate automatically. Takes 30 hours per week turning on sprinklers manually. This will be fixed during the off-season.

e. Power supply issue of last March on holes 14 through 17, replacement of the inexpensive aluminum wiring with copper wire. Project to be complete soon. Although, due to the failure of the aluminum wiring, caused maintenance staff to do manual watering.

f. Greens were long, slow & soft in March, after a change in the fertilizer program and aggressive verta cutting, greens are now in great condition.

g. Fairways were too soft. After a change in the fertilizer program and verta cutting three time per week, the fairways are improving.

h. Bunkers are washing out after heavy rains, causing 60 hours per rainstorm to repair. Suggest building out a test bunker with current bunker technology this winter.

i. Perimeter grass and the tall grass on mounds have been cut, improving pace of play, allows players to find their ball and greatly beautifies the course.

j. Maintenance staff has made improvements at the beach, additional sand, installation of a fire pit and steps.

k Road side grass cutting was being mowed with small mowers, now a 9 foot mower is used.

l. Pools #1 & 2 experienced water quality issues due to bad pumps. Pumps have been replaced.

m. The pool maintenance employee is now 'Certified' in pool management.

n. Wild pig issues...electric fence around course perimeter is operational but currently ineffective, 14 pigs killed last month, 100 man hours per week going to pig patrol and pig damage.

- o. Trees - 2012 & 2013 arborist report said some trees were planted on rocks and have slim chance of surviving. Many planted too deep. Some have rootball issues. Will bring in an arborist to update report and may have forestry expert consult on potential tree virus that maybe impacting health.
- p. Will start an annual maintenance plan this Fall and will communicate plan with everyone.
- q. Maintenance survey will be issued this Fall now that one full season of golf has been completed.
- r. Number five fairway will be seeded prior to growing season.
- s. Driving range will be over seeded this Fall to keep green.
- t. All trash must be in bags, bags are hand lifted from canister to the truck. The truck that services the Cliffs doesn't have the ability to lift canisters.

2)Jordon Goldman - V. P. of the Castle Group, hired to provide financial services, including billing of dues. They manage large scale associations in Florida and Texas. Employ 1,500 employees for 300 associations.

- a. The last several months, downloading information from Double Diamond, after struggling to obtain proper and needed information, Castle Group is getting close to having a full package of dues collection information from Double Diamond.
- b. Working to improve communication. Newsletter distribution will improve.
- c. Castle Group has worked hard in assuring a smooth transition from a developer control to a community-control, which is a critical step in the lifecycle of community.

3)Jake Heathman- Marksman Security

- a. Provides security services in 32 States with 4,000 employees.
- b. Specialize in resort communities.
- c. Goals for their first months of engagement is to improve processes and securing gatehouse security efforts, as well as being more visible on patrols.

4)Shaughn Stanley- POA Board Treasurer / Presentation of 2019 Financials & 2020 Budget. Copies of financial report provided to attendees.

- a. Of the \$2,400,000 in maintenance fees billed in 2019, only \$1,800,000 collected. Collections steps will be taken.
- b. Of the \$500,000 in special assessment billing, of which Double Diamonds portion is \$120,000 for their 600 lots, unfortunately they have made it clear that they do not intend to pay. Special assessment fees collected is \$261,000.
- c. The special assessment fee was primarily for reserves. For a POA of our size, it is only prudent to have a reserve fund estimated. We will carry the + or - \$233,000 as reserve into the next budget year.
- d. Total revenue collected is \$2,100,000 for 2019.
- e. March 15th is when third party contractors took over. Double Diamond provided maintenance services the two and 1/2 months prior to March 15th and billed the POA approximately \$500,000. The POA is now paying expenses at a 65% level by using third party contractors verses Double Diamond.
- f. The professional fees of \$190,000 were due to the POA attorney having to battle with Double Diamond. Most of that is behind us and professional fees should go down moving forward.
- g. Road repairs budget for 2019 is \$75,000 and \$125,000 for 2020.
- h. Garbage services expense are likely to double in 2020. One Roll-Off is getting too full causing issues for the maintenance staff. Adding a second Roll-Off in 2020.
- h. The POA has no debt at this time. Double Diamond claimed that the POA owed 1,500,000 in prior years debt. The judge ruled in POA favor.
- i. The POA is in solid financial standing with projected 2019 positive net cash of \$234,000, basically due to collections of the special assessment, which will be carried over to 2020 and kept in a reserve position.
- j. The POA board is not increasing the annual fee's nor assessing a special assessment for 2020. The Board is in the process in exploring options to collect unpaid dues and special assessment fees, with help of attorney. Some of these uncollected dues go back several years, it is not fair to the property owners who faithfully pay their fees on time.

Dan Dipprey stated Wonderful Things to come based on news of the last two weeks. Lots of enthusiasm from everyone on the Board. Excitement about the future for The Cliffs is up 1,000 percent.

Dan explained that the new owners of the marina have completed many improvement projects, listing renovations of the ship store, new fuel pumps, electrical/ plumbing repairs, spraying for spiders, parking lighting repairs, dock locks repair and improvements at the beach. If you have not been down to the marina lately, you need to check it out.

Dan explained that it will most likely be 120 to 180 days for Southwest Water to take over the the Cliffs water. They are purchasing four water plants from Double Diamond simultaneously. Southwest Water's plan is to invest \$1,500,000 to \$2,000,000 in improving water / sewer system. The POA priced these improvements and would cost the POA roughly \$4,000,000 since the POA doesn't own the equipment needed

for repair or have the staff, thus having to contract out verses Southwest Water already having these resources in-house.

Dan made a motion to close the Annual Meeting, motion seconded and carried.

Dan lead a Town Hall Session for question and answers;

The R.V. Park closing:

Would need \$35,000 to \$50,000 to do repairs to meet Federal Code guidelines.

This year's revenue from the park was \$6,000.

Need to separate water and electrical fixtures per code.

Current state of repair presents a liability issue for the POA.

Discussions in place to possibly move the RV park to a new location within the resort, upgrade the facility...to increase use and revenue.

Trees:

Oak trees turning brown on privately owned lots can not be watered by POA.

Arborist asked to study, report will take 30 to 45 days to get results of samples.

Trees planted after the fire were watered for eight years at an approximate cost of \$800,000 to the POA.

Large Oak at hotel has also recently died and arborist will study.

Salt cedars and overgrown areas between fairways and encroaching cedar trees will be cut and removed. They present a fire hazard. Going to start identifying with help of forestry consultant, trimming and removing as appropriate.

VRBO's inThe Cliffs:

Cliffs POA Bylaws state 6 month minimum rental.

There are five houses in the Cliffs that are rented out almost every weekend.

If 2/3rds of the POA want to change the rule and allow weekend rental then the Board will consider change. Until then the Board needs to enforce per Bylaws.

The Board will start at the end of September, assessing trash fee of \$500 per quarter to fund extra trash expense.

Will start gently at first and then progressively get tougher on rentals.

Group that is buying the amenities is against VRBO's due to the competition they create.

Question - if Bylaws say you can not rent for less then 6 months, why isn't the Board enforcing? Want to come up with something that works for everyone. Board wants to get out of period of contentious issues.

Suggestion was given, contact the social media sites and ask them to remove advertisements, due to conflicts in POA Bylaws.

Pigs:

Pigs in the fairways are eating corn from automatic feeders.

Feeders will be removed from private property if owner's don't remove them on their own.

If you want to feed the deer, feed them in a cup.

People are pouring corn on the ground and walking away. Pigs are eating the corn.

There are States in the US where it is illegal to feed a deer.

Feeding deer create a feeding site. Corn is bad for a deer in large quantities. Eating corn can kill a deer, it is bad for their internal gut.

When deer concentrate at a feeding site they transfer more diseases.

BRA:

Water to irrigate golf course is through a permit with Double Diamond, Inc. working to get contract transferred to the POA. Application made to BRA in August to change permit. In July and August the POA will use 4 to 5 million gallons of water per month. Right now using 60% of water that Double Diamond used. Decreasing water and still getting great results.

The green storage tank on Bay Hill is the POA's irrigation system for the golf course. The potable water treatment plant that will be owned by Southwest Water is at the base on the hill on Highway 16.

No further questions or comments....adjourned.