



Pines Point Marina
A Condominium Council of Unit Owners, Inc.
Owner's Annual Meeting Minutes
November 12, 2016

www.pinespointmarina.org

Board Members in Attendance:

Bob Hillegass, President; Jack Martin, Vice-President/Secretary; Ron Wanner, Treasurer; Dan Cheng, Linda Dearing, Chuck Kelly and Anna Vitak.

Call to Order:

Bob Hillegass called the meeting to order at 10:00 a.m. This was followed by the Pledge of Allegiance by all present.

Roll Call/Proxy Certification:

George Maynard, Manager, confirmed to Bob Hillegass that a quorum was present consisting of 29 unit owners and 89 valid proxies for a total of 118 unit owners.

Approval of Minutes:

A motion was duly made, seconded and unanimously passed, to approve the minutes from the November 14, 2015 Annual Owner's Meeting.

Special Announcement:

Bob Hillegass announced the sad news that Dick Shelly, an original slip owner, passed away this past Tuesday. Over the years Dick has made significant contributions to our marina and our boaters. He will be missed. I want to take this opportunity to extend our sincere condolences to his wife, JoAnn, and his family. Dan Cheng, a Board Member, friend and neighbor to Dick gave a presentation of interesting photos to honor the passing of this unique individual. A moment of silence was held in his honor. A copy of his obituary will be posted on our web site. Additionally, Jim Short, the developer of Pines Point Marina, invited all owners and friends to attend a special toast that he was hosting at the Ocean Pines Yacht Club in Dick Shelly's memory.

President's Remarks:

- Thanked the owners for attending our 17th Annual Owner's Meeting. We had 29 owners in attendance and 89 by proxy for a total 118 owners.
- Provided an overview of the development of our 2017 expense budget along with the details of our revenue shortfall in 2016.
- Of the 19 line items in our expense budget, 6 items represent 92% of our total cost over which we have little control.
- This past season we encountered some storm damages which would have been more extensive, had it not been for our breakwater.
- The repainting of the marina is scheduled for spring 2017.
- Reviewed our plans to replace the aging roofs on both buildings. Repairs were required three times this year. The estimated replacement cost is \$20,000. This cost will be paid out of our reserve fund and not out of our annual operating expenses.
- Our annual insurance cost represents 26% of our budget. The number of carriers willing to underwrite marine insurance in our area keeps decreasing, while their rates continue to increase.



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- This year was the first time in our history that we had a minimal insurance rate increase which amounted to \$3.00. To try to minimize future rate increases we must remain focused on our continuous improvement program of good safety practices.
- Unfortunately, three boats sank this year. The good news is our waterways were not contaminated by the sinking boats. These events will not impact our insurance rates. Jack, George and our guest speaker will provide recommendations and suggestions on how to prevent this type of problem.
- We reminded those who participated in the five year breakwater loan program that they made their final payment in January 2016.
- In December we will pay our final monthly loan payment to M&T Bank. Our auditors can then remove this loan from our balance sheet.
- This past spring two vendors requested permission to operate their water taxi services within our private marina. After serious deliberation and review by the Board of Directors, a vote was held on May 16, 2016. The Board's decision was to not allow any type of water taxi service to operate within Pines Point Marina. The two vendors were notified of our decision. The Board's decision was precipitated primarily out of concerns of liability and safety issues and because the marina, parking lot, etc. is for the exclusive use of our slip owners and their guests only. As a side note, similar requests were received and turned down by OPA.
- I would like to recognize and thank our Board Members for their dedication and support along with George Maynard, our Marina Manager, for his management of the affairs of the marina. He has continued to do an outstanding job in managing our receivables.
- Recognized Doris Hamstead for her work in the annual planting and maintaining of the many beautiful flowers and plants around the marina.
- Thanked the Vitak's for maintaining a fully stocked ship's store for the convenience of our owners. Additionally, Anna Vitak is a Board Member. Anna and her staff provide an extra set of eyes for the safety and security of our marina.
- Offered special thanks to my wife and partner Sandy, who continues to provide me with support and assistance on many of our marina projects.

Treasurer's Report: Ron Wanner presented the Treasurer's report dated October 31, 2016.

General Checking Account:

Operating Checking Account	\$20,748.51
Breakwater Loan Payment Account	<u>\$17,235.16</u>
Checking Account Balance	<u>\$37,983.67</u>

Contingency Fund Account	<u>\$ 5,009.40</u>
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Reserve Account:	<u>\$166,648.59</u>
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Accounts Receivable:

Home Owners' Assessments	\$ 661.83
Breakwater Loan Payments	\$ None
Other Receivables	\$ 2,179.30
Total Accounts Receivable	<u>\$ 2,859.13</u>
Total Current Assets:	<u>\$212,500.79</u>

Notes:

- 1). The Operating Checking Account includes \$20,000 borrowed from the Contingency Fund Savings Account on October 28, 2016.
- 2). Receivables are subject to collections.

George Maynard Presented the Manager's Report:

- Owner's Registration and Insurance compliance. We achieved a new record with 99% of our owners in compliance. Only one owner failed to comply and was issued appropriate noncompliance fines.
- Mark Hordeman is a very important part of the marina. Not only does he do a great job as dock master, but with his skills as a carpenter and plumber saves the marina significant dollars in maintenance and repairs. Mark is always there in good weather and bad.
- We had a great time at our Summer Picnic. The weather was perfect. We had over 90 slip owners and their guests enjoyed the afternoon.
- We had three boats sink this year. Our first priority in these situations is to right the boat in order to try to prevent it from contaminating our waterways. Next, we need to immediately remove the boat. If we have current owner contact information we try to contact the owner. If we are unable to make contact, we call either Sea Tow or Tow BoatsUS to remove the boat. Both vendors charge the same basic price. Additionally, we updated our Owner Information Form for owner's to specify their preferred rescue/towing company.
- We found that the boats that sank did not have properly operating bilge pumps.

Vice President/Secretary's Report:

Jack Martin reviewed some of the many benefits available on our web site at pinespointmarina.org:

- The minutes of all Board and Owner's meetings, special information messages, along with copies of our Lighthouse newsletters are available.
- All of our various forms are available for download and printing.
- Also available on our website is a diagram showing the proper procedure for tying your boat.
- Owners can use our website to advertise the rental and sale of boat slips along with any marine related products that they wish to sell. Owners who used this option reported favorable results.
- Brochure boxes are located next to our bulletin board at the rear of the store for our owners to advertise the sale or rental of their boat slips.
- Access to our marina video cameras is available using Internet Explorer at pinespointmarina.org.
- We encourage owners to continue to provide us with their current email address and use our web site to obtain the latest information.



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Old Business: None

Parking Lot Project:

Chuck Kelly provided an overview of our parking lot maintenance program. Over the past few years this area has not received a lot of maintenance attention. For 2017 we budgeted \$10,000 to this project. This includes the semiannual trimming of the bushes, replacing the missing gravel, river rock and replacing the warped boards that border the bushes around the perimeter of our parking lot and the removal of the exposed anti weed barrier materials and the exposed irrigation hoses.

Bob Hillegass Reviewed the 2015 Auditor's Report:

Our 2015 audit report was favorable as all past audits have been. However, our auditing firm, PKS and Company, has consistently noted in the final audit yearly reports "*That at some point in time all organizations must face major repairs and replacements of their common areas*".

PKS continues to recommend that we consider having an outside organization conduct a costly independent study to evaluate the age and condition of our property to determine to what level our reserves should be increased. The Board understands the risk of the possibility of insufficient reserves. If we encounter insufficient reserves it could result in special assessments. This is an option that everyone wants to avoid. Therefore, our goal is to continue to build the reserves to a practical, but not excessive, level without conducting a costly reserve study.

Our current reserves are \$166,649. As a result of our 2016 revenue shortfall, no funds will be added to our reserve account in 2017. The Board does not believe that this will put our reserve account at risk. As a reminder, our reserve funds can be used only for capital expenses, such as replacing a roof or for our insurance deductibles, but not for normal maintenance repairs. For your information, our insurance deductibles are \$5,000 for the buildings, \$25,000 for our docks and piers. The deductible for docks and piers increases to \$50,000 in the event of storm damages.

Bob Hillegass Reviewed the Marina Maintenance Program:

Our marina will be 17 years old. For the first 12 years the marina was exposed to significant stress from wind and wave action caused by numerous hurricanes, Nor'easters and other severe storms. The breakwater, which was completed in November 2011, has significantly reduced the stress and damages caused by wind and wave action. As the marina ages, just like people, it will require more maintenance and what we avoid doing today will cost more tomorrow.

We have been taking the appropriate corrective action since 2011 to identify and repair all known problems. This will prolong the usable life of the marina. We expanded our preventive maintenance program last year by having our marine contractor include a diver to inspect the marina and breakwater below the water. The program includes tightening all bolts along with replacing any worn, broken or missing parts. Proper maintenance is expensive, but is the key to protecting our investment and extending its usable life. This year's inspection is scheduled for later this month. We don't anticipate any major problems.



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For 2017 we have budgeted approximately \$12,000 to repair 22 of the split greenheart pilings. The process includes using ratchet straps to reduce the size of the cracks, injecting a primer into the cracks, and then injecting epoxy to fill the cracks. Stainless steel retention bands will then be installed to preclude future separation of the cracked areas along with piling caps. The estimated cost to repair a piling is \$545 versus the cost of \$4,200 to replace a greenheart piling. The marina will be repainted this spring. The cost is \$18,860 which is the lowest of the bids received. Waves of Color was awarded the 2017 contract. This is the contractor who painted it in 2011 and 2014.

Ron Wanner Reviewed our 2017 Operating Budget:

Ron presented our 2017 operating budget of \$165,748. Some major expenses included in this year's budget include the costs for the parking lot and marina maintenance programs, painting of the marina and our greenheart piling repair program. He reviewed 6 of the 19 line items in our expense budget that represent 92% of our budget over which we have very little control.

Jack Martin Reviewed Insurance Rates and Cost Avoidance Program:

Insurance costs continue to increase as the number of insurance carriers who are willing to underwrite marine insurance in our area decreases. Insurance costs now represent 1/3 of our annual budget. As an organization, we need to continue to be proactive in our pursuit to prevent all avoidable insurance claims. This includes exercising good safety practices, verifying all boats in the marina are registered, properly insured and always tied properly.

- Marina safety is our first and foremost objective.
- We need your help in order to achieve full compliance with our R&R and Bylaws
- We made significant improvement in the past several years in obtaining the annual boaters registration forms and the required insurance registration forms...we need to strive for 100% compliance.
- Be sure to affix your annual PPM boat sticker.
- We need everyone to properly tie their boats with good quality nylon ½ inch dock lines.
- Cheap lines stretch and break and don't do well with the UV rays.
- Diagrams are available to show you how to properly tie your boat.
- Boats should always be properly secured, even if you plan to return later in the day. Plans change and the wind and wave action is unpredictable.
- Never leave anything on the dock and piers that someone can trip on or the wind gusts can blow into the water.
- Dock carts can be blown off the docks. They should always be returned and never left unattended on the docks. Always return them so others can use them.



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- We have found a high percentage of renter's boats are improperly tied.
- Many of the renters leave things on the piers that can be blown into the water.
- When you rent your slip, you need to be sure to provide and review a copy of our R&R with your renter.
- Owners are responsible for the actions of their renters. Owners can delegate the authority to renters to use their boat slips, but owners cannot delegate the responsibility.
- Owners are responsible for any non-compliance violations and/or fines caused by their renters.
- As defined in our R&R, you are responsible to ensure that anyone you or your renter brings into the marina to service your watercraft has sufficient liability and workman's compensation insurance coverage.
- Three boats sank or nearly sank this year. One could have been avoided with better communication. One was a new renter and we didn't have the contact information for the renter.
- Take pride in our marina. Whenever you leave, make sure you aren't creating a tripping hazard with lines strewn around the deck and hoses that are not properly stowed.

Resolution to Apply Excess Income to Next Year's Assessment.

The IRS tax code resolution was reviewed with the owners. *"Resolved that any excess of membership income over membership expenses as defined in IRS Reg. 1.277-1 for the year ended December 31, 2016 shall be applied against the subsequent tax year membership assessments as provided by IRS Revenue Ruling 70-604."* A motion was duly made, seconded, and unanimously approved by the owners. The official document was signed by Jack Martin and Bob Hillegass and delivered to our auditing firm.

Guest Speaker:

Our guest speaker this year was Lt. Commander John Hess of the Ocean City Power Squadron. Many of you are familiar with their work of providing boat safety inspections annually at our marina. What you may not know is that of the 420 squadrons in the US, in 2013 they were named one of the four top power squadrons in the nation. What a prestigious honor! John provided an overview of what they do and how they can help you in all aspects of boat, water and marine safety. He also gave an overview of the various boating and safety courses his organization offers throughout the year. He also offered everyone the opportunity to join their unique organization. During the question and answer session most of the questions were focused on boating safety issues and the courses they offer. After the meeting, many owners expressed favorable comments regarding his presentation and professionalism.



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Public Comments:

R. Butz, Slip A29: Asked what is included in the receivables. *They consist primarily of invoices for assessments, noncompliance fines, newsletter ads, resale certificates and electric usage fees.*

What were the actual expenses for 2016? *They are estimated at approximately \$10,000 over budget. However, actual expenses will not be known until after we close our books in December.*

What was included as some of the extra income? *It consists mostly of the above listed receivables.*

Why can't we charge water taxi operators for the use of our marina? *For IRS tax purposes, we are registered as a "not for profit organization". Therefore, we cannot charge outside vendors for the use our marina without changing our tax status.*

Marty Clarke, Slip B3: He thought a 20% increase in assessments over a 10 year period, considering inflation costs, is great news. He also stated that he would love to see the marina offer a water taxi service and asked the Board to reconsider their decision.

An unidentified slip owner: Stated that he is against water taxis; he like the privacy of the marina. He suggested that during storms, owners should be allowed to store their boats in the marina parking lot. *Jack Martin explained that during high wind, boats could be blown around and creates a risk to both automobiles and the neighbors' homes in Marina Village. Jack suggested everyone needs an evacuation plan including a place to store their boats. Jack also offered him information on vendors offering that type of service.* He requested that the newsletter be sent by email. *Until we have more owners' email addresses, we'll continue to mail them and post them on our web site.*

Robert Haddix, Slip A24: Asked if the \$20,000 that we borrowed from our contingency fund is part of the 2017 budget. *No, those funds were borrowed to cover cash shortfalls for the balance of this year. The \$20,000 will be returned to our contingency fund account in 2017. We believe the 2017 expense budget is correct.*

Bob Hillegass Reported the Board Election Results:

As published in our Owner's Meeting cover letter, three Director's terms were scheduled to expire. The Board's request for owners to run for a Board of Director's position was unsuccessful. The three current Board members, Jack Martin, Ron Wanner and Dan Chang, whose terms were expiring, have agreed to serve for an additional three year term. The ballot process was closed on October 12, 2016. Therefore, there was no need to publish ballots. With the unanimous approval of the four remaining Board Members, constituting a quorum, the three incumbents were declared the winners by proclamation.

Meeting Adjournment:

A motion was duly made, seconded and unanimously passed, to adjourn the meeting. The meeting was adjourned at 11:45 a.m.

Special Note:

The 2017 Owner's Meeting is tentatively scheduled for November 11, 2017 at the Ocean Pines Community Center. Please plan to attend.