

PGA WEST Residential Association, Inc.

Annual Homeowners' Meeting Minutes

Saturday, March 14, 2009

8:00 AM

Board Members Present

- Richard Moore, President
- Carl Brooks, Vice President
- Russ Long, Treasurer
- Nancy Aprile, Secretary
- Ray Shaffer, Director
- Richard Sparks, Director

Board Members Absent

- Dave Sari, Director

Also Present

- Michael L. Walker, General Manager
- Kelly McGalliard, Operations Manager
- David Peters, General Counsel

Richard Moore, President, called the 24th Annual Homeowners' Meeting to order at 8:03 AM on Saturday, March 14, 2009, at the PGA West Residential Association Customer Service Center.

Michael Walker, General Manager, established a quorum, stating the number of homeowners present in person or by proxy, exceeded the number of homeowners required to meet a quorum, which is 471.

Richard Moore announced there are four open positions on the Board of Directors, and five candidates. The Inspectors of Election were introduced. They are: Roberta Minichiello, Carol Nolte and Jean Ostermeier. Mr. Moore then introduced each of the board members and explained their position on the board.

Mr. Moore informed the homeowners that effective July 1, 2006, Civil Code Section 1363.03 changed the voting procedures as it relates to the election process of the Association's Board of Directors. The Association appointed Inspectors of Election to count the ballots. Homeowners were instructed that they may cast their ballots before or after each candidate has presented their speech, but were reminded that the ballots are irrevocable. A Special Board Meeting will be held concurrently with the annual meeting to count the ballots. Homeowners were invited to observe the ballot counting process. The inspectors of election will stay until all ballots have been counted. Mr. Moore called the Special Board Meeting to order at 8:05 AM.

The Association's General Counsel, David Peters, was in attendance to answer questions regarding the election process. No one questioned the process.

Election of Directors

The candidates for the Board of Directors were introduced. They are: Carl Brooks (incumbent), Nancy Aprile (incumbent), Ray Shaffer (incumbent), Don Mann and Robert Mott. Mr. Moore called for nominations from the floor; none were elicited. Richard Moore asked for a motion to close the nominations. Matthew Nelson made a motion to close the nominations. Seconded by Ken Northrup; passed unanimously. Mr. Moore asked each candidate to give a brief presentation explaining why they would like to serve on the board or continue serving on the board.

Mr. Moore explained the voting procedure and instructed those who have not yet voted to please cast their ballot. The inspectors of election began the counting process after all the ballots were received and the annual meeting resumed.

President's Report

Mr. Moore reported that there were 7,981 work orders generated in 2008, of those 7,970 work orders were completed within the year. That calculates to approximately 30 work orders a day. Fifty percent of the work orders generated were either for the Landscape Department or the Irrigation Department. The efficient and responsive operation can be attributed to our exceptional staff, good leadership and willing workers. Mr. Moore stated the office staff, as well as himself, has received a number of compliments regarding the staff. All comments are welcomed, whether good or bad.

Highlights of 2008

Mr. Moore stated that there are a number of committees who meet on a regular basis that perform various functions for the Association and its Board of Directors. Those committees are: Architectural Committee, Compensation Committee, Finance Committee, Landscape Committee, Maintenance Committee, and Pool Committee. On behalf of the Board of Directors, Mr. Moore extends thanks to all the committee members for their service.

An unexpected issue that the Association was faced with this year was the Virginia Graeme Baker Act; a newly enacted federal law that imposed various requirements on all pools and spas. The Association had to fund an unanticipated expense of \$60,000 in 2008 in order to bring the pools and spas into compliance with the federal regulations.

Mr. Moore announced that the Association will begin working on next year's budget in June or July. The budget will be presented to the Board for review and approval in September or October. Mr. Moore was happy to report that the Association is in good order and is financially sound. Our annual budget is close to \$8 million. In order to accomplish the responsibilities of the Association we have 32 direct employees and approximately 115 contracted service personnel. Our annual reserve study indicates that the Association has adequate reserves. One area of concern is the climbing bad debt; with the economic hardship that is being experienced by some of our owners, the Association's bad debt at 12/31/2008 was \$73,083 and it is expected to more than double in 2009.

In an effort to explore money saving possibilities, Mr. Moore and Management met with The Gas Company, Coachella Valley Water District and Imperial Irrigation District to investigate rebate programs and cost cutting measures. Mr. Moore said the meeting was interesting and he stated that

Management will be working with Imperial Irrigation District initially to determine a cost/benefit analysis that may lead to some energy efficient equipment being installed.

Mr. Moore gave an update on Lake SRP2 and acknowledged that the final bids are being submitted and the repair process will soon be underway. A meeting specifically regarding Lake SRP2 will be held after the Annual Meeting is over if anybody has any questions regarding the lake.

Mr. Moore stated the PGA WEST Residential Association, Inc. website, pgawest.org will be up and running very soon and will be used for communication and a source of information for homeowners.

Mr. Moore introduced Michael Walker, General Manager, Kelly McGalliard, Operations Manager, Steve Herthel, Reconstruction Manager and Chairman of the Architectural Committee, Bill Bobbitt, Landscape Manager, William Aceves, Maintenance Manager, Chris Morlot, Accountant, Barbara Van Fleet, Customer Service Representative, Kari Martin, Customer Service Representative, Rick Mullins, Administrative Assistant, Joaquin Moreno, Irrigation Foreman, Russel Armes, Maintenance Department, Manuel Aceves, Maintenance Department, Humberto Gutierrez, Electrical, Justo Gonzalez, Driver of the Water Truck and Street Sweeper, Mario Enciso, Pest Control and Lake Maintenance, David Peters, the Association's General Counsel, Carol Fulton, the Association's Insurance Agent, Jesse Gutierrez, Sunshine Landscape, Juanita Espinoza, Sunshine Landscape, and Bob Pantanella, Director of Security. Mr. Moore stated he is very proud to announce that PGA WEST Residential Association, Inc. received the Community Association Institute Award for Association of the Year. Mr. Moore thanked all the staff for doing a wonderful job.

Mr. Moore extended the Board of Directors' thanks to Richard Sparks for serving on the Board as Director and member of the Reconstruction Committee.

Mr. Moore called Russ Long to the podium to deliver the Treasurer's Report.

Treasurer's Report

Russ Long stated that before he joined the Board he did not have a clear understanding of how the Association's finances operated. Now that he has had an opportunity to serve as Treasurer, he realizes more clearly the budgeting process and how important it is that Association assessments are collected. The Association only has one source of income, which is the monthly assessment revenue. Even when assessments are not collected, the Association is responsible to maintain the common areas. Sometimes circumstances, whether it is a high delinquency rate or an unforeseen increase in cost of an amenity, cause the Board to have to make decisions to limit services. For example, for a portion of 2008, half of the pool heaters had to be turned off in order to stay within our natural gas budget. Although this action was not well received by all, it accomplished the budget goal. Incidentally, the budget for 2009 is predicated on all pools and spas being heated according to our normal schedule, with no pools or spas closed.

Mr. Long again emphasized the importance of timely assessment payments and he encouraged the membership to consider the Association's direct debit or credit card option for payment.

Mr. Long reiterated Mr. Moore's statement that the Association is financially sound and that the Association's reserves are healthy.

Mr. Long then requested that Mr. Moore resume his President's Report.

Mr. Moore announced that the Board of Directors has made a decision to not plant summer flowers this year. Planting summer flowers is an expense of \$50,000 to \$60,000. The decision was based upon the unexpected costs the Association has acquired, bringing the pools and spas into compliance with the Virginia Graeme Baker Act and the repair of Lake SRP 2.

Reconstruction Manager's Report

Mr. Moore presented the Reconstruction Report. He stated the Reconstruction crew is currently working on the last two known units requiring repair in Phase II. Forty five condominiums have been completed in Phase II of the reconstruction process. Mr. Moore stated there are other projects in progress such as repairs to pool 7G on Tanglewood and repairs on Firestone to the gutter and drains.

Open Forum

Barbara Northrup: Mrs. Northrup asked what happened to the in-house channel 77.

Mr. Moore stated channel 77 is now channel 98. Time Warner Cable needed channel 77 for a high definition channel. The Association intends to continue using the in-house channel in addition to the website.

Richard Olsson: Mr. Olsson asked how many units specifically are in Residential 1 and how many of those units are two or more months in arrears with their homeowner dues.

Mr. Moore stated there are 1,422 owners in Residential 1 and as of February 28, 2009, 37 owners are 90 days delinquent. Mr. Moore stated when an owner is 15 days past due the Association sends them a late notice. If the owner does not respond after 30 days past due, the account is then referred for collection.

David Peters stated PGA West has only about one third of the delinquencies that other associations in the Coachella Valley have. Mr. Peters further explained, if a unit is sold by the bank following foreclosure, the Association does not collect any past due assessments. The Attorney and the Association can attempt to pursue the former owner for collection however sometimes they either cannot be located or we are unable to collect due to the former owner's debt to asset ratio.

Ken Northrup: Mr. Northrup asked if a short sale is the same as a foreclosure.

Mr. Peters responded by saying a short sale is not the same as a foreclosure. Generally, the Association does collect some money on a short sale; whereas with a bank foreclosure the Association usually does not collect through the foreclosure.

Ken Northrup: Mr. Northrup asked what position the Association's reserve fund is in compared to the Association's delinquencies.

Mr. Moore informed Mr. Northrup there is adequate funding in the 'bad debt' reserve fund.

Mr. Moore announced the Association has foreclosed on one home on Riviera. The Association went through all legal proceedings up to and including foreclosure. The property foreclosed on December 13, 2008.

Matthew Nelson: Mr. Nelson asked if the Association has any idea of what is going on with Verizon and the FIOS system that was installed last year. He asked if the FIOS services are offered to the homeowners yet.

Mr. Moore stated Verizon currently has the FIOS cable installed; however apparently Verizon does not have the FIOS system available and he does not know exactly when the system will be available. At this time Verizon does not have video service available either. The Association is in the process of negotiating services with Time Warner Cable. The Association's contract for video is with Time Warner Cable.

Robert Ukropina: Mr. Ukropina thanked the Board of Directors for volunteering their time. Mr. Ukropina stated the staff is absolutely fantastic. Mr. Ukropina also thanked the Security staff. He has noticed people are driving slower, making the neighborhood safer. He stated the Landscape and Architectural Committees are doing a great job. He submitted a request to have his mailbox repaired and a street sign repaired and he was happy it was taken care of right away. Mr. Ukropina requested that the letters on the Palmer Residential sign be straightened as they are crooked.

Mr. Moore informed Mr. Ukropina that the crooked letters on the sign will be brought to the Master Association's attention for repair.

Anthony Sultan: Mr. Sultan echoed all the comments Robert Ukropina made regarding the great job that is done by the Board and staff. Mr. Sultan asked for an update on crime in Residential 1. Mr. Sultan also stated that times are tough, unemployment is up, and companies are holding back on wage increases and head count. Mr. Sultan asked for an explanation from the Board of Directors regarding the Association's employee head count and wage increases.

Mr. Moore thanked Mr. Sultan for his inquiry and informed him that Bob Pantanella would address his question regarding crime. Mr. Moore stated that every year the Compensation Committee, which consists of the President, Vice President and Treasurer, meets and determines the salary level for each employee. The determination is made in conjunction with all department managers. Mr. Moore stated each employee is reviewed and based on their review the Committee approves any wage increase; the maximum wage increase for 2009 was 3%. Mr. Moore stated when the budget was reviewed last June, July, September and into October the unemployment situation was not as bleak as it is currently. Yes, the Board considered reducing staff, however, decided not to. Mr. Moore stated if employees were to be laid off, services to the homeowners would have been lost. The wage increases that were approved for the 2009 budget represented a very small portion of the overall budget.

Mr. Peters made an announcement to the Members' Meeting attendees that the Inspectors of Election made a request to count ballots in the conference room, as the noise from the Members' Meeting made the counting very difficult. Mr. Peters stated under California Law anyone is entitled to watch the Inspectors of Election open the ballots from five feet away to ensure the inspectors are performing their duties in accordance with Civil Code §1363.03; therefore all members were invited to view the ballot counting process in the conference room. – No attendees opted to go to the conference room.

Bob Pantanella stated the residents are very fortunate to have the crime rate down in PGA WEST, especially considering the crime activity that is occurring in the Coachella Valley. The crimes that the PGA WEST Associations are experiencing are crimes against property and not against people.

Mr. Pantanella stated that since the beginning of 2009 two residential burglaries and eight petty thefts have occurred. Thanks to homeowners being more aware of closing their garage doors and the increase in patrol staff, golf club theft has decreased 400% in the last three years.

Mr. Moore thanked Mr. Pantanella and stated that the Master Association along with Mr. Pantanella is looking into a new high-tech security system for all gates. Mr. Pantanella welcomed everyone to come down to his office at the Legends Gate and view the new gate access system data.

James Hunt: Mr. Hunt asked what the borders are for Residential 1 and asked for status on the conversion of changing the pools to saltwater. Mr. Hunt stated there would be significant savings to the Association if we convert the pools to saltwater.

Mr. Moore responded that no pools are being converted to saltwater but would definitely look into the savings of having saltwater pools. Mr. Moore then answered Mr. Hunt's first question stating that the homes in Residential 1 are situated on the Palmer and Stadium courses. The border line for Res I's Palmer residences is between the 17th and 18th hole on the Palmer Course. Everything south of this border is Residential 2. The border line for Res. I's Stadium residences is along the perimeter wall, heading north along Southern Hills to the pie shaped grassy area beyond Big Spring.

Ken Northrup: Mr. Northrup asked if the new project, Edenrock, will have any affect on Residential 1.

Mr. Moore informed Mr. Northrup that the Edenrock project is part of the Fairways Association. It will not affect Residential 1.

Michael Mc Neff: Mr. Mc Neff indicated that his unit was one that was reconstructed in Phase II. He stated he is a licensed structural engineer in California and he appreciates all the reconstruction work that was done. Mr. Mc Neff stated Steve Herthel did a great job and as an engineer himself, he wouldn't have done it any different. Mr. Mc Neff said that for the record, the ground is still moving. He was hopeful that after time the floor would stop moving, but he has noticed new cracks.

Mr. Moore thanked Mr. Mc Neff for his comments and stated that the last survey revealed minimal vertical and/or horizontal displacement. Mr. Moore recommended that Mr. McNeff make an appointment with Steve Herthel so that the new cracks may be addressed.

Judith LeBlang: Mrs. LeBlang announced that the PGA WEST Clubhouse is having a safety seminar regarding earthquake preparedness and first aid on May 1st. If anybody is interested they should call the Clubhouse to make a reservation.

Mr. Moore thanked Judith LeBlang for the information.

Richard Donely: Mr. Donely said that when he walks his dog he notices a lot of water in the gutters. With the help of Coachella Valley Water District and Bill Bobbitt, Mr. Donely redesigned his courtyard to minimize water usage and maintenance. Mr. Donely suggested that other homeowners do the same and suggested that the Association offer reward incentives to those homeowners who install water efficient landscaping.


Mr. Moore thanked Mr. Donely and stated that last year the Association changed the landscaping and irrigation in a few selected common areas, to water efficient plant material and drip irrigation. These prototype installations clearly save water; however the cost to convert the entire landscaping in Res. I

from its present condition to water efficient landscaping would be overwhelming. The Board will consider areas on a case by case basis in the future. As far as an incentive to homeowners willing to share in the expense to convert their courtyard, we are happy to consider it on a case by case basis, but there is not a line item in the budget for an incentive program.

The Board opted to cease landscape conversions for a while, due to the additional expenses the Association has incurred as a result of the Virginia Graeme Baker Act and the repairs that need to be made to Lake SRP 2.

Mr. Moore thanked everyone for coming. With no further discussion, Mr. Moore called for a motion to adjourn the meeting. Matthew Nelson made a motion to adjourn the meeting at 9:41 AM. Seconded by Stephanie Gebert; passed unanimously. Mr. Moore called for the Board to take a ten minute break and then reconvene to the Special Board Meeting already in progress with the counting of the ballots and to discuss Lake SRP 2. Mr. Moore invited all to stay and attend the Special Meeting.

Respectfully submitted,


Nancy Aprile, Secretary
Board of Directors