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5 KIAWAH ISLAND COMMUNITY ASSOCIATION, INC.

6 2004 ANNUAL MEETING - SUNDAY, MARCH 21, 2004

7 EAST BEACH CONFERENCE CENTER

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19 REPORTED BY:

20 REBECCA L. ARRISON
21 Certified Court Reporter
22 CLARK & ASSOCIATES
23 P.O. Box 12925
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1 APPEARANCES

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3 SITTING ON THE BOARD OF DIRECTORS:

4 Marty Yonas, Outgoing President

5 Fred Peterson, Incoming President/Current Vice President

6 Dwight Freeburg, Treasurer

7 Faith Dodge, Secretary

8 Pat McKinney, Developer Director

9 Charles P. Darby, Developer Director

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1 PRESIDENT YONAS: Good
2 afternoon, ladies and gentlemen. Welcome to
3 the 28th Annual Meeting of the Kiawah Island
4 Community Association membership. My name is
5 Marty Yonas, and I am President of the
6 Association.

7 I would like to officially call
8 this meeting to order and introduce the Board
9 of Directors of your Association. To my left,
10 Treasurer Dwight Freeburg, and KRA Director
11 Buddy Darby. To my right, Vice President Fred
12 Peterson, Secretary Faith Dodge, KRA Director
13 Pat McKinney. Property Owner Director Tom

14 Hutchinson could not attend due to a prior
15 commitment.

16 I would like to thank Prem
17 Devadas, Kiawah Island Golf Resort, for
18 donating the use of this conference facility
19 again this year.

20 I would also like to thank Karen
21 Watson, the immediate past Chair of the
22 Community Services Committee, and the entire
23 committee, for hosting the Celebrate Kiawah
24 event at the Sandcastle yesterday. About
25 600 --

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1 (Applause.)

2 PRESIDENT YONAS: I believe
3 you're acknowledging that you didn't have to
4 pay.

5 About 600 members attended, and
6 I know everyone enjoyed themselves. This is
7 the second year for the event, and I do know
8 that everybody did enjoy it. There was a large
9 number that did not want to leave at 7:30 or

10 even a quarter to eight.

11 Now, you might be interested
12 that during yesterday's event we consumed 610
13 pounds of chicken and Bar-B-Q, 495 pounds of
14 coleslaw, baked beans and potato salad. This
15 is an all-time Kiawah record for gluttony.

16 Please allow me to introduce our
17 auditors, Mr. Louis Grant, principal of
18 Robinson Grant & Company out of Hilton Head.
19 With him is Michael Putich, CPA, who has spent
20 a great deal of time with us working with KICA
21 and the audit and a lot of other helpful matters. They
22 will be certifying the various quorum and
23 voting numbers for us.

24 Next, I would also like to
25 introduce our Parliamentarian for today's

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1 meeting, KICA's legal counsel, Trenholm Walker
2 with the firm of Pratt-Thomas, Epting & Walker.

3 Item Three on the agenda,
4 approval of the minutes of last year's meeting
5 held on March 9, 2003. These minutes were taken
6 verbatim, as is done each year, by a court

7 reporter. Show the report.

8 Do I have a motion from the

9 Board to have these minutes approved as

10 written?

11 MR. MCKINNEY: Yes.

12 PRESIDENT YONAS: The floor?

13 Motion from the floor to approve?

14 THE FLOOR: So moved.

15 PRESIDENT YONAS: Second?

16 THE FLOOR: Second.

17 PRESIDENT YONAS: All in favor?

18 THE FLOOR: Aye.

19 PRESIDENT YONAS: Opposed?

20 The minutes from last year's

21 annual meeting are duly approved and are

22 available for review at the administrative

23 office in accordance with policy.

24 Next, Item Four. As you know, a

25 51 percent quorum is required to conduct this

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1 meeting and to hold the election. I will now

2 read the final quorum figures for the record at

3 the close of registration today, which is this
4 set of figures. Base votes, 8,353;
5 disqualified, 209; available, 8,144; valid
6 votes, 5,534. The quorum percentage is
7 67.96 percent.

8 Number Five is election of
9 Property Owner Directors. Before we move into
10 the nominating speeches for the election of
11 Property Owner Directors, I would like to ask
12 those persons who were assigned proxies to
13 report to staff in the lobby to collect your
14 proxy ballots. Board members and candidates,
15 please remain seated; staff will bring your
16 ballots directly to you.

17 And I have to read the entire
18 list. Will the following please report to the
19 lobby. And I will do the best I can with
20 pronunciations. Patricia Banyas, Leize
21 Bennett, Richard Bennett, Joe Bunting, Norm
22 Case, James Connolly, William Daniel, Ann Welsh
23 Dehler, Wallace DuBois, Joseph Evangelist,
24 Leo Fishman, Patricia Flannagan, Hollis Garris,
25 Edward Gilligan, Pam Harrington, Robert

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1 C. Jackson, Rodney James, Wayne Juchatz, Tom
2 Kulick, Wendy Kulick, Steve Lapp, Charles
3 Lipuma, Ray Lyles, Jo Anne Makely, Robert Lee
4 Morgan, Carl B. Munday, Bernard Newton, Richard
5 Patterson, Beverly Pawson, Joe Pezzullo, Joseph
6 Phillips, James Piet, Richard Reiger,
7 Ronald Ritchie, Kristen Russell, Bailey Schell,
8 Gerard Scibilia, Robert Stevens, Ron
9 Tedesco, Jeanette Troiano, William Wert, Gloria
10 White, Bennett Whitlock.

11 We'll now conduct the
12 affirmation of nominations previously
13 submitted. This year we have two candidates
14 for two open seats. Avril Fenwick was
15 nominated by Kate Lafrance. Kate, would you
16 come up to the front microphone in the center
17 aisle and give your nominating comments,
18 please?

19 MS. LAFRANCE: I shall. Thank
20 you, Marty. Is this on? -- can everyone
21 hear me? Good.

22 I nominated Avril Fenwick as
23 Property Owner Director of the Kiawah Island
24 Community Association. She has been a property

25 owner here for 18 years with her husband, and a

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1 full-time resident of Kiawah for eight years.

2 Avril has been involved in our

3 community for most of that time.

4 Professionally, Avril is a

5 Certified Financial Planner. She currently has

6 a professional financial planning and tax

7 preparation service, which probably many of us

8 would like to use right now. Avril's

9 professional work has led her to areas of

10 involvement on Kiawah. She has been on the KICA

11 Finance Committee for six years, its Chair

12 for two. Avril's expertise and immersion in the

13 Community Association through this service

14 makes her an excellent candidate for the

15 Property Owner Director position.

16 Avril is a past Treasurer of the

17 Kiawah Island Natural Habitat Conservancy. She

18 held that post for three years. I know of Avril's

19 excellence for her work at the Kiawah

20 Conservancy where we served together. Avril

21 was always well-prepared. She had the
22 financial reports not only ready in advance,
23 but was ready to discuss all the details, if
24 needed. She was the bridge between the
25 Conservancy and the auditors, and ultimately

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10

1 the IRS. The Kiawah Conservancy was in its
2 second year when Avril joined the effort.
3 Also, she has vision, and along with others,
4 helped bring the Conservancy to a solid footing.

5 Avril is not only very capable,
6 but she has a light touch that delights the
7 people with whom she interacts. I strongly
8 recommend Avril Fenwick be elected to the
9 Property Owner Director position of the Kiawah
10 Island Community Association based on her
11 training and expertise, her long and effective
12 involvement with KICA through the Finance
13 Committee, and her ability to work well with
14 people, and include others in the efforts.
15 Thank you.

16 PRESIDENT YONAS: Thanks, Kate.

17 John Wilson, seconding remarks?

18 MR. WILSON: I second the
19 nomination of Avril Fenwick as Property Owner
20 Director of the Kiawah Island Community
21 Association.

22 I have been associated with
23 Avril over the past two years in her role as
24 Chair of the Financial Advisory Committee.
25 During that time, I have come to respect

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11

1 Avril's leadership, hard work, and innovative
2 approach in finding solutions to KICA's
3 financial issues. Some of her accomplishments
4 in the FAC position include the solution to the
5 funding issues of the Sandcastle, the
6 development of the Reserve policy for MR&R
7 that's both prudent and complies with tax
8 regulations, the introduction of new planning
9 system including zero-based budgeting, and
10 the updating of the investment policy of the
11 Reserve Funds.

12 Avril will be a positive and
13 experienced addition to the board. I am

14 pleased to second her nomination.

15 PRESIDENT YONAS: Thank you,

16 John.

17 Avril?

18 MS. FENWICK: Thank you, Kate

19 and John. I accept your nomination to the

20 position of Property Owner Director.

21 Serving on the Finance

22 Advisory Committee has given me a broad

23 overview of the workings of the Community

24 Association. The annual budget process

25 involves all the departments, and many of the

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1 other advisory committees. By working with
2 them, I have come to understand the problems
3 and the priorities of these groups, and in so
4 doing, also the problems and priorities of the
5 Board of Directors. And I hope that this has
6 provided me with the training to now become a
7 member of the board.

8 I think these are pretty
9 exciting times for our Community Association.
10 There's a number of projects underway that will

11 make this island an even better place for our
12 members and our staff. We are on firm
13 financial footing, the envy of other community
14 associations everywhere. We have a very
15 committed staff. These are people who are
16 willing to try new things and to constantly
17 increase their productivity. We have a
18 worldwide corps of member volunteers who want
19 to make Kiawah a more sensitive place and to
20 find a sense of community for Kiawah.

21 But we cannot take all of our
22 great accomplishments for granted. There's
23 still work to be done. In order to keep our
24 strengths going, we need to maintain our good
25 relations with the Town of Kiawah Island, the

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1 Resort, the developers, and the communities
2 beyond our gate.

3 A lot of work has been done so
4 far by a lot of people to make this community
5 what it is, and many of you are in the room
6 today, and I thank you.

7 I realize that to be a Property
8 Owner Director I am responsible to some 4,000
9 members of this Association. It is my intent
10 to be an active and effective representative to
11 the very best of my ability. Thank you very
12 much.

13 (Applause.)

14 PRESIDENT YONAS: Thank you,
15 Avril. Dick Sula was nominated by Bob Johnson.
16 Bob, would you come to the front and give us
17 your nominating comments, please?

18 MR. JOHNSON: Thank you, Marty.
19 I have the honor of placing the name of Dick
20 Sula in nomination as a Property Owner Director
21 of Kiawah Island Community Association. I have
22 known Dick and Diane since they first built
23 their home on Low Oak Woods Road in 1998.

24 Over the years, I have watched
25 Dick become increasingly involved in the

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1 various activities of the island, both in the
2 Community Association, and in the Town of
3 Kiawah. If Dick felt he could assist either of

4 these organization in doing a better job, he
5 jumps right in and volunteered his time.

6 I find Kiawah to be a
7 committee-run island, and most operations of
8 the Community Association are no exception.
9 Dick's experience as an educator, at both
10 college and public school levels, and as a
11 commanding officer of two Air Force bases, has
12 taught him how to work and work with committees
13 and on committees. On Kiawah, he has already
14 worked on or chaired a number of Town and
15 Community Association committees.

16 The commander officer of an
17 Air Force base is responsible for the
18 upkeep and maintenance of all buildings,
19 roadways, bridges, culverts, drainage, et
20 cetera. It sounds an awful lot like one of the
21 major jobs of the Community Association board
22 here at Kiawah.

23 Dick has served as the
24 commanding officer of the Charleston Air Force
25 Base. In the modern military, commanding

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1 officers are charged with strict accountability
2 of all materials and funds under their control.
3 They not only have to set their budgets to the
4 near and long-range future, they must ensure
5 that expenditures stay within these
6 guidelines. Doesn't this also sounds like
7 another responsibility of the KICA
8 board?

9 I feel that Dick Sula is, by
10 far, one of the most qualified persons to serve
11 as the next KICA Director. If you haven't
12 already voted, be sure to vote for Dick. But,
13 even more important -- now, this is not a
14 threat, but I am not at liberty to give you any
15 name, but some of my friends have told me that
16 a number of the world leaders will be much more willing
17 to work with the KICA board (Applause.)

18 PRESIDENT YONAS: I won't touch
19 that. Thanks, Bob.

20 Jerry Wilson will provide a
21 second speech.

22 MR. WILSON: Thanks Marty. Good afternoon.
23 After that, I don't know what to say. But it's
24 with great pleasure that I am here to

25 nominate -- second the nomination of Dick Sula

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1 of the KICA board. Thank you.

2 (Applause.)

3 PRESIDENT YONAS: Now, that was

4 an effective talk.

5 Dick?

6 MR. SULA: Thank you, Bob and

7 Jerry. I really appreciate it. Thank you for

8 placing my name in nomination.

9 Since moving to Kiawah, I've

10 gradually become more and more involved with

11 the various entities that interact in the daily

12 workings of this residential community and

13 resort. For the past six years, I have found

14 myself studying the many issues that have

15 arisen, and working to resolve many of them.

16 Whenever I found one task completed, or a

17 serious issue resolved, I then decided I would

18 withdraw from any involvement and return to

19 retirement. That only lasted until another

20 committee asked for my services or someone

21 asked me to volunteer for something else.

22 It's only natural that Marty and
23 Fred asked me to run for Property Owner
24 Director. I said, why not? The time has come.
25 Kiawah is maturing very fast as a first class

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1 and effective community association. Many
2 changes have taken place over the years while
3 the KICA board had transitioned from a majority
4 of Developer Directors to a large majority of
5 Property Owner Directors. And future changes
6 will bring even more challenges and
7 opportunities.

8 To reiterate what I said in my
9 position statement, I view three major areas
10 that will require decisive board action in the
11 future. We must continue to evaluate and
12 maintain or perhaps even upgrade our growing
13 infrastructure. This includes roads,
14 buildings, common areas, leisure trails, and
15 our extensive and very important lake or pond
16 system, and this has always been done with a
17 view towards minimizing the impact on the

18 remaining natural habitat.

19 Any proposed expansion in Member
20 Services should be cost effective. This does
21 not necessarily mean the additional services
22 must generate the funds to cover their costs. It
23 does mean that the value realized should be
24 worthwhile to the Association and its members.

25 Despite the frequently varied

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1 points of view we have as either part-time or
2 full-time residents, or whether we might
3 represent the Resort or the Developer, our
4 sense of community should always lead us to
5 what is best for keeping Kiawah the premiere
6 piece of real estate in the Southeast.

7 The current board, as those
8 before it, has handled past change extremely
9 well, mostly proactively. As one of the
10 Property Owner Directors serving on the next
11 board, I will do my level best to manage future
12 change and serve all of our membership in the
13 most professional manner possible. Thank you
14 very much.

15 (Applause.)
16 PRESIDENT YONAS: Thank you,
17 Dick and Avril. We have two nominations. Do I
18 hear any nominations from the floor?
19 Hearing none, do I hear a motion
20 to close the nominations from the floor?
21 Motion? Motion to close?
22 THE FLOOR: So moved.
23 PRESIDENT YONAS: Is there a
24 second?
25 THE FLOOR: Second.

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1 PRESIDENT YONAS: All in favor?
2 THE FLOOR: Aye.
3 PRESIDENT YONAS: Opposed?
4 Nominations are closed.
5 Ladies and gentlemen, since we
6 have only two candidates for two seats, do I
7 hear a motion to dispense with the written
8 ballot and to elect the two candidates by
9 acclamation?
10 THE FLOOR: So moved.

11 PRESIDENT YONAS: Second?
12 THE FLOOR: Second.
13 PRESIDENT YONAS: All in favor?
14 THE FLOOR: Aye.
15 PRESIDENT YONAS: Opposed?
16 Next, may I have a motion to
17 elect Avril Fenwick and Dick Sula to the Board
18 of Directors?
19 THE FLOOR: So moved.
20 PRESIDENT YONAS: So moved.
21 Second?
22 THE FLOOR: Second.
23 PRESIDENT YONAS: All in favor?
24 THE FLOOR: Aye.
25 PRESIDENT YONAS: All opposed?

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1 Ladies and gentlemen, you have just elected two
2 new Property Owner Directors.
3 (Applause.)
4 PRESIDENT YONAS: Avril and
5 Dick, congratulations. I would like for each
6 of you to come up and say a few words, starting
7 with Avril. And as she's walking up, let me

8 say, these are two of the best prepared, most
9 experienced Property Owner Directors we've ever
10 had, which means you do -- very high
11 expectations, Avril.

12 MS. FENWICK: Thank you so much
13 for your support. I really appreciate it.

14 Do remember -- this is one thing
15 I was thinking of when I was coming over here
16 today is, there are five Property Owner
17 Directors on the board. There are over 4,000
18 members of this Community Association. So we
19 need your help, your support, your input, if we
20 are to be effective Property Owner Directors.
21 It's really up to you. We're five, you're over
22 4,000. Thank you.

23 (Applause.)

24 PRESIDENT YONAS: Thank you,
25 Avril. Dick?

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1 MR. SULA: I second everything
2 Avril said. And I would also like to say, her
3 phone number is in the book, my phone number is

4 in the book, we both have computers and access
5 to email. For goodness sakes, if you
6 ever have any questions, give us a call, send
7 us a message. I won't guarantee you'll get the
8 answer you want back. I have always been told
9 that I have to tell people what they need to
10 know, not necessarily what they want to know,
11 but you will get an answer back.

12 It will be a pleasure -- and I
13 mean this sincerely -- a pleasure to work for
14 you in the next three years. And I do know
15 that one of the reasons I accepted the
16 nomination was because I will be working with
17 the most professional staff in the community
18 association business. So thank you very much
19 again.

20 (Applause.)

21 PRESIDENT YONAS: Thank you.
22 Very exciting. And note that your board now
23 has two women on it.

24 (Applause.)

25 PRESIDENT YONAS: During this

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1 past year, Faith was our female -- our woman --

2 I'm in trouble MS. DODGE: Thank you.

3 PRESIDENT YONAS: I have no idea

4 how to get out of this. But Faith used to say

5 on a regular basis something like, now, Boys.

6 And I can't wait to see what she says this next

7 year because we're not all boys, Faith.

8 Okay. Next on the agenda, Item

9 Six, which is proposal PV-04-1, Electronic

10 Communications. And I have to read through

11 this, but I will try and do it quickly.

12 This proposal is to amend the

13 Covenants to allow communication by electronic

14 means. You're voting to authorize the board to

15 allow the members use of electronic

16 communication methods; for example, e-mail or

17 internet, in conjunction with or in place of

18 writings, mailings and other forms of

19 communication.

20 This would be applied to

21 Association business such as voting, notices,

22 proxies, ballots, referenda and other similar actions.

23 It makes good sense that the Covenants allow

24 for the full use of technological advances.

25 Certain criteria would apply, as you will

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1 hear in just a moment.

2 We'll now vote on this proposal.

3 Specifically, if passed, the Covenants will be

4 amended to enter a new Section 9 under

5 Article III, which covers membership and voting

6 rights. The specific proposed addition is

7 "Section 9, Electronic Communications.

8 Notwithstanding any other provision in this

9 Declaration, the board, in its discretion, may

10 approve the use of electronic communication

11 methods in place of or in conjunction with

12 writings, mailings, and other forms of

13 communications described in or required by this

14 Declaration to accomplish voting notices,

15 proxies, ballots, referenda, and other similar

16 actions described in or required by this

17 Declaration.

18 If, one, the board determines

19 that the electronic method is reliable; two,

20 accurate, contemporaneous records are

21 maintained to document the communication in

22 action; three, the rights of the company and
23 the members established by this Declaration are
24 preserved and not impaired or lessened by the
25 method; and four, that reasonable safeguards

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1 are in place that preserve the integrity of the
2 vote, notice, or other action.

3 The board's approval of this
4 additional or alternative method of
5 communication shall be accomplished by
6 Resolution and documented in its meeting
7 minutes."

8 You will note that the four
9 clauses are the members' assurance of their
10 rights and integrity of the vote. For example,
11 the board would not be able to limit voting
12 solely to the internet if all members did not
13 have the ability, because this would impair or
14 lessen members' rights.

15 The proposal ballot is cosmic
16 orange, I am told, and it's marked proposal
17 ballot one. The light purple or northwestern
18 purple proposal ballot two shall not be used unless

19 so instructed.
20 Also, please remove all hanging
21 Chads and turn them in separately. Please mark
22 your ballots now. Hold them until the
23 volunteers come to your row to collect them.
24 Results will be reported as the auditors
25 complete the tabulations. It will just take a

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1 second here to see what we've got.
2 You may have already voted on
3 the proxy.
4 Okay. Agenda Item Seven is the
5 Treasurer's Report, Dwight Freeburg.
6 MR. FREEBURG: Thank you, Marty.
7 It was a year ago this day that I was elected
8 to the -- first elected to the board of the
9 Community Association. And I spent this last
10 year kind of phasing into the position of
11 Treasurer. And one thing I have learned during
12 this year is that, you know, while our Kiawah
13 Island Community may be built on the shifting
14 sands of a beautiful barrier island, our

15 financial foundation is firm, solid and stable.
16 As your Treasurer, I am pleased
17 to report that the Association continues to be
18 in a very strong financial condition. Our
19 auditors, Robinson Grant & Company, have issued
20 their unqualified opinion that our financial
21 statements accurately reflect the financial
22 position of the Association. A copy of their
23 report and the 2003 audited financial
24 statements can be mailed to you by calling our
25 office and requesting it, or putting your name

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1 on the sign-up sheet at the back of the room.
2 There is a sign-up sheet, I believe, at the
3 back that you can sign up and we will send you
4 a copy of this report. And it will also be
5 available on the website soon.

6 Now, today, I would like to give
7 you an overview of the Association's three
8 major funds, their current condition, and what
9 the future holds for each of them.

10 The three funds are the Reserve
11 Fund, the General Operating Fund, and the

12 Recreation Center Fund. Let's look first at
13 our Reserve Fund. I don't know whether you can
14 all see those numbers, and I am not going to go
15 through them all.

16 This fund is designated for the
17 purpose of major repairs and replacements and
18 capital projects, including the landscape
19 revitalization plan. The revenues for this
20 fund come from the one-half percent transfer
21 fee that is paid on each property transfer that
22 occurs on Kiawah. 80 percent of this revenue
23 is designated for the MR&R Fund, and 20 percent for the
24 Landscape Revitalization Fund.

25 During 2003, the membership

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1 voted to include the Sandcastle major repairs
2 and replacements in this fund, and to forgive
3 the balance of the outstanding pool
4 construction loan of \$600,000.

5 I am pleased to report that 2003
6 was the second best year on record for property
7 sales on Kiawah, and as a result, the Reserve

8 Fund collected \$1.7 million in transfer fees,
9 which was considerably in excess of what had
10 been projected. I wasn't quite sure whether I
11 could ask Pat McKinney to stand up and take a
12 bow. But in any event, as a result of that,
13 we're starting the 2004 year with a balance of
14 just over \$6.6 million. And that's the figure
15 right here.

16 Now, what I would like to do is
17 just quickly go through the year 2004. The
18 chart you see up there is a projection of
19 income and expenses for the Reserve Fund for
20 the next five years. Now, each year -- this is
21 actually prepared for the next ten years, but
22 once you get beyond five years, the figures get
23 a little bit -- there is a lot of guesswork
24 involved.

25 Reviewing what we have projected

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1 for 2004, I indicated before that you start off
2 with a balance of \$6,612,000. We are
3 projecting transfer fee income of \$1,375,000
4 for 2004, which is, of course, less than what we

5 received this past year. We're also estimating
6 earnings on investments of \$230,000, giving us
7 available funds of \$8.2 million.

8 For 2004 and beyond, in
9 particular the next couple of years, planned
10 capital projects include some major renovations
11 at the Sandcastle, resurfacing the Kiawah
12 Island Parkway, continuing the Landscape
13 Revitalization Program, and constructing a new
14 maintenance facility.

15 In the analysis that we have
16 here on the screen, we have spread the
17 Sandcastle and maintenance facility cost over
18 two years, and the Kiawah Island Parkway
19 resurfacing is all in 2005. The bottom line at
20 the end of 2004, we're projecting an ending
21 balance, including all the capital projects
22 earmarked for that year, of \$6,368,000, and then
23 projecting out over the next five years at the
24 end of 2008, we're projecting a balance of
25 \$7.9 million. And each year during those five

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1 years, our projected contribution to the fund,
2 while it goes up a little bit each year, is
3 still less than the amount we actually took in
4 in 2003. So I think this is a fairly conservative
5 estimate and indicates that this particular
6 Reserve Fund is in a strong position.

7 Now, in order to ensure that the
8 Reserve Funds are adequate for these needs and
9 are in compliance with IRS guidelines, the
10 Finance Advisory Committee, with the advice & counsel
11 of our auditors, developed and the board approved a
12 reserve policy to set parameters for the funds. The
13 policy requires that the Board and management
14 project expenditures for the next ten years and
15 manage the funds within certain minimum and
16 maximum ranges.

17 As you can see by the graph --
18 and the red line at the top represents the
19 maximum, which is in the \$14 million range; the
20 green line at the bottom, the minimum, which is
21 in the \$2 million range; and the blue line in
22 the middle, what our projected balance at the
23 end of each year actually turns out to be. As
24 you can see by the graph, the Reserve Funds are
25 robust, well within the range established by

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1 the Finance Advisory Committee. We believe the
2 Reserve Fund is adequate to meet the needs of
3 the Association, and to fund future projects.
4 We remain one of the nation's best funded
5 associations.

6 Now let's look at our General
7 Operating Fund. The purpose of this fund is
8 to provide money for day-to-day operations of
9 security, landscape, and lakes management, and
10 administrative costs of Member Services. It is
11 funded by your general assessment and the
12 general assessment on commercial units and
13 undeveloped properties.

14 During 2004, each owner of an
15 improved property paid an annual assessment of
16 \$970 into this fund, while owners of unimproved
17 lots paid \$485. Each owner of the commercial
18 units paid 58.2 cents per square foot. As a
19 comparison, a single family home, regardless of
20 size, would be assessed \$970, and a
21 5,000-square-foot commercial unit -- clubhouse,
22 restaurant, retail store -- would be assessed

23 \$2,910, based upon the formula for commercial
24 interests.

25 Almost 15 percent of the general

□

31

1 assessment revenue is paid by the Developer,
2 the Resort, and the commercial entities on the
3 Island. And the total figure that the general
4 assessments produce is just shy of \$4 million.

5 Another major source of income
6 for the General Operating Fund for 2004 will be
7 the commercial vehicle access fee and bike tag
8 fees. For 2000 (sic) and prior, these fees had
9 been placed in the Reserve Fund, but at the
10 recommendation of our auditors for 2004 and
11 future years, these funds will be included in
12 the General Operating Fund to offset the cost
13 of roadway, bike path, and drainage maintenance
14 and repairs, which essentially are operating
15 expenses, with the excess transferred to the
16 Reserve Fund at the board's discretion.

17 This particular source of
18 revenue, commercial access fees, provided over

19 \$700,000 in 2003, and close to that figure in
20 2002, but we expect it to be a little less in
21 this coming year due to -- largely to
22 construction, the reduction in construction
23 traffic with the completion of the Sanctuary.

24 But with all that construction
25 traffic that you see coming on and off the

□

32

1 Island, one favorable aspect to it is, each
2 time one of these comes on the island, they
3 pay us a fee.

4 Interest earned, boat and canoe
5 storage fees, landscape service fees, and
6 another miscellaneous income makes up the
7 balance of the revenue for this fund, which we
8 estimate in 2004 to be \$4,857,000.

9 Now, how do we spend this money?
10 I believe your Board, the Financial Advisory
11 Committee, Management and Staff are doing an
12 excellent job of planning and controlling
13 costs. The statement shows the breakdown of
14 expenditures by department. But that doesn't
15 tell the whole story.

16 During 2003, we began our first
17 zero-based budgeting initiative. Management and
18 Staff worked together as one team, rather than
19 as individual departments, to develop the 2004
20 budget, looking at ways services could be
21 provided better, faster, and more efficiently.
22 Some significant accomplishments in this budget
23 includes implementation of the human resources
24 pay grade scales, increased efficiencies that
25 allowed a modest reduction in staffing, budget forecast

□

33

1 for the next three years, and inclusion of
2 \$207,000 contingency allowance from current
3 year's revenues. That's the last figure under
4 operating expenses that could actually be
5 labeled operating surplus.

6 Our full-time staff is currently
7 86, and this is the same number we had back in
8 2001. So there has been no increase in
9 full-time staff in four years. And our total
10 payroll costs represent approximately
11 60 percent of our total operating budget.

12 I would like to make a few
13 comments about our operating fund balance. And
14 just look down at the bottom of this chart and
15 you'll see that the fund balance at the end of
16 2004 is forecasted to be \$1,155,000. And this
17 is made up of funded depreciation of \$742,000, and
18 over \$400,000 available for contingencies. The
19 2004 budget originally projected that the total
20 contingency allowance to be \$316,000 by the
21 end of 2004. Based upon a projected operating
22 surplus for 2003 of \$215,000, and the Community
23 Association's goal was to have \$400,000 set
24 aside by the end of 2006 for contingencies,
25 such as insurance, deductibles for storm

□

34

1 damage, and other unforeseen causes. The 2003
2 year actually ended with an operating surplus
3 carry-forward of \$313,000, despite challenges
4 with respect to duckweed, weather damage, and
5 rising insurance costs. This additional
6 surplus will be held in our balance for
7 operating contingencies, allowing us to meet
8 our funding goals two years ahead of schedule.

9 So our operating budget and
10 system is in very sound condition. Our
11 financial policies and practices continue to
12 support our mission to be the premiere
13 association in all respects, especially in
14 maintaining common properties, providing a
15 secure environment, preserving a quality
16 natural setting, meeting members' needs for
17 community services, maintaining and enhancing
18 property values, and fostering a spirit of
19 community for all members.

20 Finally, let's look at the
21 Recreation Center Fund. At the 2003 Annual
22 Meeting, the membership voted to eliminate the
23 payback of the balance of the pool construction
24 loan to reserves, and to fund major repairs and
25 replacements to the Sandcastle from the Reserve

□

1 Fund. The Recreation Advisory Committee and
2 Staff at the Sandcastle continue to do an
3 exemplary job of building a sense of community
4 for members by providing more classes,

5 activities, and special events, such as last
6 night's Celebrate Kiawah, held at the
7 Sandcastle.

8 The primary sources of revenue
9 for the Sandcastle are the amenity fees paid by members.
10 This is \$86 per improved property, and \$43 per
11 unimproved lot for 2004. That amounted, to a
12 total of \$301,000. And then also user fees
13 from events, the pool guest fees, fitness room
14 use, fitness classes, and anything else that
15 you pay a fee for at the Sandcastle, and that
16 produced \$174,000 of income. And miscellaneous
17 income, the total revenue for the Sandcastle
18 this past year was -- excuse me, forecasted in
19 2004 to be \$523,000.

20 In the 2004 budget, we
21 eliminated the \$66 resident and \$20
22 non-resident user fee. Some of you may have
23 forgotten, but every year for the past several
24 years, you've gotten two assessments for the
25 Sandcastle, the recreation center. And the \$66

□

1 and \$20 was instituted back when the Sandcastle

2 was first built, and then it was modified when
3 the pool was built with the idea being that
4 that would remain in place until the pool loan
5 was paid off. Since the pool loan was forgiven
6 last year, the Board decided that this fee
7 should be eliminated in 2004, which we have
8 done -- this previously generated about
9 \$85,000 in revenue.

10 With the burden of debt
11 principal, and interest removed, the Sandcastle
12 has become self-sufficient, and
13 anticipates generating a surplus of \$29,000
14 after funding depreciation for 2004. At the
15 end of 2003, the Sandcastle had fully funded
16 its own depreciation reserve for future
17 equipment purchases and replacements. The Fund
18 balance has gone from a negative balance in
19 2002 to a positive balance of \$174,000 at the
20 end of 2003. The 2004 budget originally
21 included an operating contingency allowance of
22 \$24,000. With the operating surplus generated
23 in 2003, the funds available for contingency
24 are now \$41,500, shown at the bottom.

25 As a result of all of these

□

1 positive developments and the Sandcastle,
2 really increasing its role as the Community
3 Center, the Recreation Advisory Committee and
4 MRR Committee are currently planning a major
5 renovation of the Sandcastle, which we will
6 hear more about later today.

7 In conclusion, the Community
8 Association continues to prosper financially
9 with net assets today of over \$11.5 million. Our
10 strong financial condition provides us a unique
11 opportunity to not only maintain what we have,
12 but plan for growth in coming years, as well as
13 to provide for economic uncertainty.

14 The year ahead promises to be
15 filled with change -- the opening of the
16 Sanctuary, the development of Freshfields
17 Village, the planning and implementation of the
18 renovation of the Sandcastle, and the
19 maintenance facility, and many other changes we
20 can't foresee. But one thing remains
21 unchanged. We are one community. Residents,
22 non-residents, visitors, commercial entities,

23 the Developer, the Resort, the Town, the
24 Community Association. We are many voices,
25 but one island, one community. Let us face the

□

38

1 challenges and opportunities of our future by
2 working together to enhance the beautiful
3 island paradise community known as Kiawah. That
4 concludes my remarks, Mr. President.

5 (Applause.)

6 PRESIDENT YONAS: Thank you, Dwight.
7 We continue, as we have in previous years,
8 throwing lots of numbers at you and just trying
9 to get you to get into it with us. If there is
10 something frustrating to, I think, the Board in
11 the past, is the Membership not spending the
12 time to really get into the numbers. We really
13 want you to understand and they are available, and
14 if you have questions -- we're really proud of
15 it and we're insisting that it be transparent.
16 And, Dwight, thank you for a very fine presentation.

17 I have the results of our voting
18 on Proposal PV-04-1, an Amendment to Covenants
19 authorizing electronic communications. It has

20 passed with 93.69 percent, with an against of
21 6.31 percent. So your board thanks you.

22 We have just done a couple of
23 things here. One, we have shown that we can
24 change our Covenants, and I think that's
25 important. Okay. We can go in and fine tune

□

39

1 and just change something we hadn't had a right
2 to do.

3 And two, if you haven't been in
4 the office for the last month-and-a-half, you
5 cannot believe the amount of time and effort
6 that goes in to get the proxies back in the mail,
7 to put them in boxes, to check them in, to have
8 somebody, we had to hire somebody, a part-timer,
9 to work with us and enter all that information
10 back into the computer. And, I don't know, my
11 guess is a dollar a proxy. Does anybody have
12 an idea in the back of the room? Nobody even
13 knows. We don't want to know. So this is the
14 second thing we have accomplished. And it's
15 like with everything else, an opportunity to

16 reduce our costs, which is our job.

17 Okay. We're going to get into
18 outgoing Director's reports. But before we do
19 that, I have got a very special presentation to
20 make to the general manager, Joe Bunting. Are
21 you there in the audience?

22 MR. BUNTING: Yes.

23 PRESIDENT YONAS: Would you come
24 forward, please? You have to walk up here.
25 You're disclosing this award. Let's pretend you

□

40

1 didn't see that.

2 Joe, this is a special award,
3 first, for you agreeing not to talk or sit up
4 here at the table. But really, this award is
5 for dealing with an extremely detail-oriented
6 Board, requiring extreme patience and
7 determination. And in many areas, this was a
8 breakthrough year. And it's clear that if Joe
9 ever left us, there would be big shoes to fill.

10 Therefore, we have obtained a
11 suitable-for-hanging-on-the-wall special
12 trophy.

13 Joe, I know this is a surprise.
14 These, I believe, are size 21s. And to prove
15 they're authentic, just -- whoa, terrible.
16 Would you accept this and step to the
17 microphone to accept this?

18 MR. BUNTING: Thank you, very
19 much. Wow, what a surprise. I wasn't
20 expecting this. But I did want to say that
21 from staff's viewpoint, every day we come to
22 work is a great day. I have staff that scoot
23 on down the road headed toward Kiawah going,
24 (hums). They are a good bunch. And I
25 think if anyone deserves an award, it's the

□

41

1 staff of the Kiawah Island Community
2 Association. Thank you.

3 (Applause.)

4 PRESIDENT YONAS: Okay. We now
5 go into outgoing Director's report. Tom
6 Hutchinson and I were elected together in 2001;
7 we're the class of '04. For Tom, it's not been easy
8 to participate in deliberations with this

9 Board because he lives in Charlottesville,
10 Virginia, he is a professor, he works full
11 time, and he is involved with all kinds of
12 national organizations. But Tom's taken the
13 time, the effort and used considerable energy in
14 traveling to the island and making follow-up
15 investigations. He has served as Association
16 Secretary, as liaison to a number of committees
17 over the years, including community services,
18 recreation, and communication.

19 Tom is unable to be here today
20 due to a previously scheduled business meeting
21 in Houston. I guess he is chairman of one of
22 these national organizations. We do have a
23 plaque for him, and it will be accepted for him
24 by Faith Dodge, and I think Faith has some
25 words that Tom gave to Faith to give to you

□

42

1 after I give Faith the plaque. Let's see if we
2 can work this out.

3 MS. DODGE: I think Tom will be
4 thrilled with this plaque.

5 I would like for you all to just

6 close your eyes and just make believe I'm Tom
7 Hutchinson for a few moments.

8 Tom's remarks. I very much
9 regret that I cannot be at today's meeting in
10 person. The time exactly coincides with he
11 annual international meeting of the Eye-Gaze
12 Controlled Computer Society, of which I am
13 Chair.

14 I have learned a great deal in
15 the last three years. Mostly, I have learned
16 that the Association is really run by the many
17 members through their excellent volunteer
18 service, especially on this board and the
19 committees. Boards are about policy.
20 Committees are about advising the board.
21 Administration by staff is about
22 implementation. We have prime talent in each
23 of these three areas.

24 I agreed to stand for election
25 to represent the voice of the approximately

□

1 80 percent non-resident members. Non-resident

2 member participation and involvement has grown
3 over the past three years, and we have every
4 reason to expect that will continue.
5 Technological advances will continue to enhance
6 community participation by even more
7 non-resident members.

8 Lastly, I feel Fred Peterson
9 will carry on the non-resident tradition well
10 as our first non-resident Association
11 President. He is amiable, geographically very
12 close, and not at all timid in speaking his
13 mind. The membership benefits when such
14 talented and willing members volunteer in these
15 important community roles.

16 Thanks for the privilege of
17 serving you these few years, and my very best
18 to you all. Tom.

19 I would now like to introduce
20 Fred Peterson, our Vice President, President
21 elect.

22 MR. PETERSON: Thanks, Faith,
23 very much. It's my privilege today to
24 come to a say few words for Marty, but Marty
25 really has the ability to speak for himself, so

□

1 I won't make a mistake in that regard.

2 He has been very active in the
3 community, obviously, I think some six or seven
4 years. He was involved in the long-range plan
5 that we first kicked out with Herb Ailes and Tom Keating
6 about six years ago. But I think the most important
7 thing that Marty did -- I'm sure he's done more
8 than one -- but the book *Bowling Alone* -- Marty's talked
9 about this -- that lead him to believe that we
10 needed community involvement out here. This
11 idea of bowling alone, that people weren't connecting
12 with each other was real important. I don't think
13 we foresee a bowling alley in the future on
14 Kiawah, but we do foresee more and more
15 involvement with all our members.

16 And Marty's belief in
17 community involvement led to pushing for what
18 became the Community Services Committee, which
19 has been a great committee. I enjoyed serving
20 on it for the first couple of years when Pat
21 Wert was Chair. She did a great job
22 getting it going. This past year, Karen Watson's
23 run the committee, continues to do so. Some of

24 the important things they do, what we did last
25 evening, Celebrate Kiawah. And the best news

□

45

1 is we've got a new Chair coming in next year,
2 Russ Warren, and Russ is committed to having
3 dessert at Celebrate Kiawah. Russ is also a
4 coffee drinker, so there will be coffee after the meal.
5 I stopped last night here at the East Beach Market
6 and got a nice Mrs. Field's cookie for about a
7 buck. Next year it will be provided for you.

8 Other things that they've done
9 here, the work at the Annual Meeting, arranging
10 for some groups to present for us. They
11 have -- this will be the third year of Kiawah
12 Reads where they recommend a couple of books, a
13 fiction and non-fiction book such that we're all
14 kind of reading the same book during the
15 summer.

16 And the final thing they do is
17 they have a Welcome a couple times a year for
18 new members where they try to indoctrinate them
19 a little bit into what's going on out here at Kiawah.

20 But all this really came about
21 by Marty's good judgment, pushing for community
22 services work. And so we've got a little gift
23 for Marty too. It's not a joke, Marty, it's a
24 serious gift.
25 PRESIDENT YONAS: I wanted

□

46

1 shoes.

2 MR. PETERSON: In recognition of
3 Martin I. Yonas for his service on KICA Board
4 of Directors, 2001-2004, and as KICA President
5 2003-2004. Thanks, Marty, very much.

6 PRESIDENT YONAS: Thank you.
7 Thank you.

8 MR. PETERSON: Actually, I think Joe
9 Bunting wants to give you a present.

10 MR. BUNTING: Mr. President, it's been
11 a pleasure for all of us this year, and on behalf
12 of the full Board of Directors, every single
13 committee, every volunteer, all of the staff,
14 of course, and 4,000 property owners, here is
15 your own gallon of KICA pond water. And to
16 help you remember us, we even put duckweed on

17 top.

18 (Applause.)

19 PRESIDENT YONAS: I'm really
20 touched. I don't know what to say. However, I
21 can go on.

22 This is my opportunity for my
23 final remarks. It's my last chance to get my
24 two-cents worth in and make statements that
25 will resonate through the ages -- or is it

□

47

1 through the aged.

2 During my six years of
3 Association volunteering, I have watched this
4 organization gain considerable strength.
5 Transition from Developer to member control has
6 gone smoothly, and I believe we have surprised
7 Buddy and Pat with the results achieved,
8 although they won't tell us anything. Our
9 financial condition is strong, the committees
10 are effective, and the 86 professional staff
11 members are the finest anywhere in the country.

12 I therefore should cut this

13 short; however, I do love a microphone. So

14 let me spend a little time discussing some

15 highlights of the past and some concerns for

16 the future.

17 I'm an old manufacturing guy, an

18 ex-plant manager, and I look out at the world

19 as though it were a factory. If our

20 Association were a factory we would be talking

21 today about efficiency, cost reduction, team

22 work, training, product design, and continuous

23 improvement. But this is exactly where your

24 Association is focused. Maybe we are a

25 factory. Factory Kiawah. The product out the

□

48

1 shipping door is making this a good place to

2 live and visit, a place that is both

3 interesting and vibrant -- and that's all the

4 community building stuff like yesterday's little

5 event.

6 Let's look first at one aspect

7 of Factory Kiawah -- cost control, number

8 crunching, bean counting. If you don't

9 measure, set tight budgets and hold people

10 accountable, you cannot control costs. This
11 past year, control of cost has been addressed
12 by General Manager Joe Bunting and his nine
13 department heads, and significant gains have
14 been made. This need for continuous
15 improvement will never go away. With a
16 5 percent cap on annual assessments,
17 improvement in utilization of resources will
18 always be required. And that means doing more
19 with less, like every other factory.

20 New tools, new thinking are
21 now available to make it happen. Several years
22 ago, I remember asking a department head, how
23 is it going? And the answer was, how should I
24 know? It's not the first of the month; I don't
25 have an accounting report.

□

1 We have got a new accounting
2 system. The Blackbaud computerized accounting
3 system provides daily status of spending versus
4 budget. During the first week of this year, I
5 went by the Sandcastle, and I noticed that Kay

6 was overjoyed that she could order paper and
7 pencils because it was the new accounting
8 period. And Katie, too, who is sitting there
9 laughing. And later on I visited the
10 administrative offices the same day, and I
11 found that the free candy and Cokes were gone.
12 A victim of zero-based budgeting. Sure sounds
13 like a factory to me.

14 The new accounting system is
15 basic, but accountability and teamwork are of
16 equal importance. This year's budget was
17 developed with the total input of nine
18 department heads. Not only did they present
19 and understand their own budget, but the
20 budgets of the other departments. The result was a
21 tight risk-taking 2004 operations budget that
22 allowed your board to waive the recreation user
23 fee for this year. In doing this, the board
24 eliminated \$85,000 of 2004 revenues. And I
25 would hope that the members do not treat this

□

1 lightly.

2 Management style is also

3 important. When I began work in a factory
4 40 years ago, the accepted style was basic
5 Attila the Hun. Today's factories, the ones
6 still around, ask for involvement. Our
7 association style is of the modern variety.
8 Decisions to move in a new direction requires
9 staff, committee, and Board consensus. The
10 committees do an outstanding job researching,
11 analyzing, and recommending. The talent
12 available is mind-boggling. We have engineers,
13 attorneys, doctors, former VPs of everything,
14 and we probably could start a consulting
15 company. Decision-making is slow and
16 deliberate, but this Japanese style of
17 management ensures that all are included
18 and that we get it right. To continue to make
19 it work we need your involvement. We must have
20 non-resident representation in our committees
21 and on the board. We should have the Resort
22 more fully involved, including a board seat.
23 And we need association members to be more
24 knowledgeable, better informed, and more
25 willing to participate.

□

1 Our Kiawah factory has a union.
2 They do collect union dues and they
3 represent their members. The KPO of G --
4 KPOG -- keeps us on our toes, and we love them
5 dearly. However, unions do evolve, as do
6 factories. As outgoing President, I ask our
7 union to focus more on the product -- making this a
8 better place to live and visit. History may
9 have required a strong presence to protect and
10 represent, but considering the strength of our
11 association, I wonder whether this view holds
12 true for the future.

13 Finally, I ask, can we find a
14 better way to avoid or resolve disagreements?
15 We seem to have an established pattern that
16 goes something like this. One, perceived
17 issue, problem or concern is identified by
18 somebody. Two, a group is formed, statements
19 are issued for or against. Three, folks take
20 sides, sometimes personal, sometimes heated;
21 the majority of folks wonder what's going on
22 and why we can't get along.

23 Now, this is totally democratic,

24 but I wonder if this pattern makes Kiawah a
25 better place to live.

□

52

1 When I was a young firebrand
2 plant manager -- Attila the Hun training -- the VP of
3 Manufacturing, insisted on a process that was
4 called the Strobel Stretch. Buck Strobel asked
5 that plant managers not react immediately to an
6 infraction by a union member, lest it lead to an
7 out-of-control work stoppage. He asked that we
8 take time to gather facts, let the matter cool,
9 and fully understand options before acting or
10 deciding.

11 Now most everybody in the room
12 is going to accuse me of being totally naive,
13 or even worse, a do-gooder. But I would like
14 to propose the Kiawah Stretch. Do not
15 immediately react to the latest brouhaha.
16 Insist that the island leaders provide a clear
17 statement of the problem, including a list of
18 options to correct or overcome it. And the
19 option of nothing should not be overlooked.
20 Ideally, Kiawah stakeholders would wait for

21 this problem assessment before rushing to
22 judgment, forming political parties or going to
23 war. A two or three-week stretch would do it.
24 My old boss Buck Strobel would be proud -- the
25 Kiawah Stretch.

□

53

1 Well, that's it. I've run out
2 of factory analogies. So let me thank you for
3 this time to give my two-cents worth. I have
4 really I enjoyed my time on this Board, and I
5 honestly will miss it; it is a lot of fun.
6 It's a good opportunity to contribute to your
7 community, and I do recommend it. Thank you.

8 (Applause.)

9 You know, I would like to sit
10 down, but my name is next to every one of these
11 agenda items. We are up to Number 10, which is
12 old business. And I do have some information I
13 have to read again.

14 Old business -- we have one item
15 of old business to report on from the 2003
16 annual meeting, last year's meeting. During

17 the comment section of that meeting, an
18 advisory motion was made and passed that the
19 KICA Board of Directors notify the Public
20 Service Commission, as well as all property
21 owners, in writing, that it supports KPOG and
22 the Town in their interventions against all
23 open rate increases requested by Kiawah Island Utility,
24 and that it supports the management audit ordered by
25 the Public Service Commission.

□

54

1 Subsequently, each of the
2 Property Owner Directors undertook the task,
3 individually and together, of looking into the
4 various pending utility litigation matters in
5 response to the advisory motion adopted by
6 acclamation last year. If we -- the board
7 could have just said yes and it would have been
8 five minutes. But we spent countless hours
9 over several months meeting with all the
10 stakeholders. They included KPOG, individual
11 town council members, the utility management,
12 the Public Service Commission, educating
13 ourselves on the background and history and

14 sorting through the various contentions -- and
15 we hired special attorney, Ken Krawcheck, and
16 we studied the positions in detail.

17 Because the different sides were
18 already adequately represented, and because
19 there was no rate case then pending in which
20 KICA could intervene, the board determined that
21 the best course was to urge all concerned to
22 work together to resolve some of these
23 lingering issues. The board responded to this
24 advisory motion as a regular -- at a regular
25 board meeting, and also published information

□

55

1 about the subject in its newsletter, Kiawah
2 Island Digest.

3 Now, apparently, the final
4 decision still rests somewhere in the courts.
5 But KICA, this board, would prefer that the
6 parties in the dispute still get together, get
7 involved with one another, and put it behind
8 us.

9 That's a recap of last year's

10 advisory motion. We have now finished the formal
11 session of the meeting. There is going to be
12 an opportunity for general comments during the
13 member comment session.

14 Is there any old business of the
15 Association? Hearing none, we'll move to New
16 Business.

17 Okay. New Business, Agenda
18 Item 11. Faith Dodge will report on the
19 Sandcastle Capital Improvement Plan, and will
20 introduce Architect Myles Glick. Faith?

21 MS. DODGE: Thank you, Marty.
22 Again, hello. And this time you can keep your
23 eyes open. Because we have lots of slides --
24 slides, my age -- pictures to show you, which
25 Katie Bell has been so great to do, and

□

1 somehow gotten them into this computer.

2 You will recognize this
3 building; it's our Community Center, the
4 Sandcastle. This is our gathering place, it's
5 our fitness center, it's our education center,
6 our activities center.

7 This is a beautiful building in
8 a serene setting, and I understand somewhere
9 between 500 and 600 were there last night, and
10 it was great to see so many of our members
11 there. I am sure you read the article in the
12 September Digest about the Sandcastle.

13 In today's world, I suppose the
14 best way to describe the interior of this
15 building is to say its functionally challenged.
16 The Sandcastle is very popular. Along with its
17 popularity, we now have the challenge of
18 overcrowding.

19 The purpose of this presentation
20 is to seek your input into how we can make the
21 Sandcastle a better facility for you. We hope
22 you will contact us about what you think of the
23 ideas presented here today.

24 With us is Myles Glick,
25 registered architect and principal of Glick

□

1 Boehme and Associates of Charleston, and Scott
2 Millen who will be the project manager. They

3 have been selected upon the recommendation of
4 the Recreation Community Center Advisory
5 Committee to the Board of Directors. As the
6 architect who will be working with the
7 association, they have spent significant time
8 reviewing our operations and facility. They
9 will be presenting what, from a professional
10 viewpoint, needs improvement.

11 But before we hear from Myles
12 and Scott, we will give you a little flavor as
13 to what the existing Sandcastle is all about.

14 Notice that our mission is all
15 about membership. We are member driven.
16 Member opinions and ideas are very important to
17 us.

18 Now let's have a look at what
19 the Sandcastle offers. We have continued to
20 improve our fitness programs. Many of these
21 programs were added in response to requests
22 from the membership. Visits for fitness programs
23 have increased 61 percent since 2000, and
24 participation in classes has more than doubled
25 in that time. Our outdoor programs, like

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1 paddlesports, continue to be popular.
2 Participation has increased 5 percent since its
3 inception. And following the mission to
4 education, we successfully offered 14 specialty
5 series last year, often to standing-room-only
6 crowds.

7 Members have come to expect that the
8 Sandcastle will be their first choice to provide
9 important social events at all times of the
10 year. When neighbors can meet neighbors, it
11 helps build a strong sense of community.

12 Member turnout for social events
13 is exceptional. For example, our Thursday
14 night dinners are usually sold out and have a
15 waiting list. Our Sunset Cruises are always sold
16 out and usually have a waiting list. And we
17 are happy to increase the number of events
18 offered by 20 percent over the prior year.

19 If you have been on the second
20 floor of the Sandcastle, which many of you were
21 last night, you have seen the breathtaking views of
22 the ocean. The Sandcastle offers one of the
23 prettiest sites in the greater Charleston area
24 for private party rentals. These many private

25 social events for members are an important

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1 source of our income. We have doubled the
2 number of participants in private events since
3 2000. At least six months of the year we have
4 events scheduled for all days every weekend.
5 And the building is host to more than 20
6 community clubs and committees for our whole
7 island. They each meet weekly or monthly.

8 In short, this really is a
9 community center. As you can see, it's a very
10 active place. And along with this activity, of
11 course, we have continued wear and tear on the
12 building. We are pleased that our building is
13 so successful, but this also means the space
14 within it is at a premium.

15 Your Recreation Community Center
16 Advisory Committee spent many weeks searching
17 for just the right architect to look at our
18 operations, tour our facilities, and present to
19 us initial thoughts about possible solutions
20 and the many challenges we now face.

21 Myles and Scott will now share
22 these challenges and potential solutions with
23 you.

24 Myles?

25 MR. GLICK: Thank you, Faith.

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1 As we build community, and we
2 use this functionally-challenged facility, five
3 areas have really turned up as needing attention.
4 Obviously, the fitness area is one of them; the
5 service entrances are another, both from a
6 member entrance standpoint as well as a kitchen
7 service aspect; the food service space and
8 usage; the event space and entrances; and the
9 office space and entrances.

10 I want to orient you on how the
11 facility is laid out right now. This is your
12 existing layout. The pool is to the right of
13 the screen. You enter the building at the
14 bottom of the screen where it says members'
15 entrance.

16 You have two fitness facilities.
17 One is for strength training -- all the way to

18 the left-hand corner; that's separated with
19 your fitness classroom. And then cardio is
20 right where you enter the facility, with the
21 snack bar to the right.

22 As we move through this, you can
23 see immediately that the cardio area used to be
24 an outdoor area -- maybe some people are not
25 aware of that. But this area was a see-through

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1 to the ocean through the trees, and now it is a
2 part of your fitness center. The problem with
3 that is, when you come into the building, when
4 you enter the facility, you're looking at
5 people working out. It's uncomfortable for
6 people that are coming into the facility, and
7 it's equally uncomfortable for someone working
8 out in their workout clothes, things of that
9 nature.

10 The other fitness facility,
11 which is your strength training, really was a
12 storage room. And if you remember from the
13 existing picture I just showed you of the floor

14 plan, they are separated by the aerobics room.

15 This makes for a very fragmented approach to

16 fitness training in terms of both cardio and

17 strength training.

18 There are three options to solve

19 this problem that become very apparent to us.

20 Alternate A is the first one. You see on the

21 left-hand side where we have a number one where

22 we combined both the fitness training, in terms of

23 cardio and strength training, thereby moving

24 the fitness area over. And in number two, we

25 try to improve the entrance aesthetics by some

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1 kind of device so you don't look into the room

2 immediately.

3 Option B provides some other

4 opportunities. First of all, number four, that

5 is your snack bar, and we have moved that about

6 15 feet. We then consolidate in number two the

7 fitness areas, both cardio and strength

8 training, wrapping around number four which is

9 the snack bar, and at the same time, we still

10 have to address the entrance aesthetics as in

11 number three. The nice thing about Option B
12 is, number one, which could be a children's area,
13 which we don't have right now. So that's a
14 programming element that doesn't exist.
15 Option C may provide the best
16 solution yet. This is spearheaded by number
17 four, which is your snack bar. We remove the
18 snack bar totally from the facility and give it
19 its own identity by the pool, which is to the
20 right of the major picture. Number two becomes
21 an expanded area that's now going to utilize
22 the area the snack bar was in for both your
23 cardio and strength training; they are
24 together, they are no longer fragmented. And
25 number one is still the old storage room, which

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1 is for our kids for something to do in that
2 area as well.
3 The lack of a service entrance
4 is distinct unto itself. We really have a
5 service entrance but it's also the members'
6 entrance. I'm sure many people have been in

7 the lobby when this has occurred before. It's
8 not only inconvenient for those who are
9 bringing food to the facility -- they've got
10 about a 60-foot passageway to go through -- but
11 when people enter the facility, as you see in
12 the lower left-hand picture, you've got the
13 conflict or the tension created by food
14 delivery, also people entering the facility,
15 trying to make your first impression a good
16 one.

17 The lack of a service entrance
18 has implications. The first one it has is wear
19 and tear on the facility itself, both from
20 ceilings, walls, rails, things of that nature. This
21 increases your maintenance expense, and has
22 aesthetic consequences as well.

23 So if we focus on the service
24 area, we show you a picture of the left side of
25 the building, which is the top right-hand

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1 portion of the screen. Any proposed service
2 elevator appears to be a pretty good solution,
3 but there's some challenges in this area. We

4 have limited space, we have a number of
5 compressors that service the building for your
6 air-conditioning system, but this still appears
7 to be a good area for a service entrance with
8 direct accessibility to the kitchen on the
9 second floor, and it also allows deliveries to
10 be put in this area where there wouldn't be a
11 50 to 60-foot trek of bringing food supplies
12 and other supplies into the building.

13 If we focus now on the last three
14 areas -- let's look at the snack bar area.
15 First of all, the snack bar is only used three
16 months out of the year, and because it's only
17 used three months, it is really utilizing the
18 most important space in the building. And
19 that's what generated Option C, which was to
20 move the snack bar outside the building itself.

21 The office space and members'
22 entrance. We have right now an office area
23 that really cannot service you, the members, of
24 this organization; it's small, it's crowded.
25 And with the introduction of the reception area

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1 in the lobby itself, it now fragments the
2 reception person from the office itself. So if
3 she has to get or he has to get a Xerox copy of
4 things or check files, they have to go across
5 the lobby, back and forth. It's inefficient,
6 it's fragmented, and it really hurts the entry
7 experience that people will have as they move
8 through the facility.

9 The second floor -- to orient
10 you again, the pool is to the right. You have
11 a large conference area that has three divided
12 areas called the last room, the middle room,
13 and the first room. Your kitchen is in the
14 lower left-hand corner. You have a staircase
15 that delivers you to a library and also into a
16 hall by the arrow that is horizontal.

17 The first problem upstairs is
18 the food service itself. The current design
19 limits the preparation space for plated meals.
20 And the air-conditioning is very inadequate in
21 this kitchen, which hurts efficiency of
22 service, as well as serviceability of the
23 people in the conference area.

24 It also has the three areas that
25 I mentioned. You may not be aware of it, but

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1 the little area that you're seeing with the
2 little bushes through the divided area, that's
3 your last area. What you're standing in is the
4 first area and the middle area of the three
5 areas. The only way to get to that last
6 area -- and I'm sure some of you know this --
7 if these two areas are used, meaning the first
8 and the middle, is through the kitchen. Well,
9 that's not a very nice experience.

10 There's two potential solutions
11 for this as well. The first is easy.
12 Just extend the hall to get to the last room,
13 but you're extending the hall through an
14 already -- kitchen that is already too small,
15 in other words. So that's not particularly a
16 good solution.

17 There is another solution, which
18 is Alternate B, which is somewhat unique but
19 has problems unto itself, and that is,
20 extending the hall by creating a horizontal
21 hall in what we call the middle room. It

22 pushes the middle room out onto the porch area,
23 and then you can get to not only the kitchen
24 from the existing hall, but now you can get to
25 the third space and not be interrupted by the

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1 middle space in the first place by having its
2 own door. This is somewhat inefficient, but
3 these are two potential solutions to the
4 problem upstairs.

5 So at this stage, we have a
6 number of potential solutions to the bottom
7 floor, and also to the top floor. They each
8 have advantages and disadvantages, but we
9 wanted to share with you today some of the
10 problems -- I'm sure you're aware of most of
11 these problems -- but also some of the
12 solutions that are in front of us. Thank you.

13 (Applause.)

14 MS. DODGE: Thank you, Myles. I
15 don't know if Myles mentioned it -- maybe I
16 wasn't listening as well as I should have been. The
17 other day I went to the Sandcastle. And where
18 you work out to do your shaping up, you have to

19 go outside. I mean, even if you have been
20 working out on the treadmill and you go through
21 and around, you go outside and freeze to death,
22 and then you go back in. It's very difficult.
23 We have quite a few challenges ahead of us.
24 Many of you visit the Sandcastle
25 daily. But if you have not been there for

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1 awhile, please do while you're here on the
2 island. Take time to walk through and see what
3 we're talking about. Kay Narmour is our
4 Recreation Director. She's very efficient,
5 very pleasant, and she will be more than happy
6 to take you through, give you a tour, and show
7 you all these challenges.

8 First, we want to hear from you
9 now about these ideas. You can address your
10 comments to the Recreation Office via e-mail or
11 regular mail or just give us a call. A copy of
12 today's presentation will be available on the
13 KICA website beginning tomorrow. We will
14 notify all members about this by bulk e-mail.

15 You can find the link there to see the
16 presentation and give your comments, questions
17 and opinions. We have cards, I believe, on the
18 back table, that have the address, e-mail
19 address and telephone number, if you would like
20 to pick one up.

21 Second, a KICA survey will be
22 mailed to the entire membership by June. In
23 this, we will be asking for your feelings about
24 the Community Association in general. Included
25 will be a section about the Sandcastle, with

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1 questions to determine your thoughts about
2 improving your community center.

3 Again, we really value your
4 ideas and your input. Do you use the fitness
5 center? What are your thoughts on the snack
6 bar? There are many things that we perhaps
7 have not thought of, and we would like to hear
8 from you.

9 We hope you will fill out and
10 return your survey soon after you receive it so
11 that we may have the opportunity to include

12 your wants and needs in the conceptual design
13 work anticipated to begin by the end of the
14 summer.

15 We are all interested in knowing
16 how we pay upkeep and renovation for everything
17 on this island. We run a very efficient
18 Association, as you heard from Dwight. We have
19 been able to set aside funds in this year's
20 budget to begin contemplating potential
21 improvements. We hope to continue with these
22 efficiencies which will keep adequate reserves
23 for the project.

24 You have noticed in your
25 assessments the breakdown that we have

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1 discontinued user fee this year. Of your total
2 assessments again, as Dwight went through
3 before, were \$86 per improved property goes to
4 the upkeep of the Sandcastle. If you own an
5 unimproved property, the cost is only \$43 a
6 year.

7 In conclusion, with the increase

8 in the number of activities, and the increase
9 in the number of members who actively enjoy the
10 facility, it seems self-evident that we should
11 protect and improve this very valuable asset.
12 It is very important to all of us, as members,
13 to keep the Sandcastle in good condition and
14 functionally efficient and an inviting place to
15 gather. We look forward to hearing from you,
16 and thank you for your interest.

17 (Applause.)

18 PRESIDENT YONAS: Thank you,
19 Faith.

20 Okay. We're getting into a
21 serious matter now. Contained in this box is
22 your name, and if it's picked, you get \$500 off
23 on your assessment because you turned in a
24 proxy. So I need Lou Grant to come up here.
25 This is big. I told Lou that mine is the one

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1 that has the folded edge. Okay. Just one.

2 MR. GRANT: Here you go.

3 PRESIDENT YONAS: Mr. Jeffrey S.

4 Resnick, 157 Augusta National. Let's forget

5 him and keep going. Who wants to take this?

6 Vice President, you're in charge. I just never

7 win anything.

8 Do we have any other new

9 business to discuss? Hearing none, let's move

10 on to the member comment session, Item 13 on

11 your Agenda.

12 If you have a question or a

13 comment, please come to one of the microphones in

14 the center aisle and give your name and property address,

15 and address your question to the full board.

16 Please keep your topics germane to the

17 Association. Please be reminded that

18 Association policy is to respond to questions

19 at the soonest regular board meeting, and that

20 would allow us adequate time for research into

21 the question.

22 Are there any questions or

23 comments from the floor? Mr. Fishman? Would

24 you give us your name, Mr. Fishman?

25 MR. FISHMAN: I'm anonymous

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1 today. I am not recording any scores. I want
2 to talk to everyone here. I want to talk to
3 the Association and I want to talk to each
4 individual member who owns property on this
5 island about a matter of utmost importance; that
6 is, the property tax that is being levied upon
7 all of us by South Carolina.

8 Recently, the South Carolina
9 lower house passed two bills, one to put a
10 15 percent cap on the rise of assessments for
11 tax purposes; the other to place a moratorium
12 on assessment increases unless property is
13 either sold or if it changes control.

14 These took place in the House of
15 Representatives, and there is, as of yet, no
16 action in the Senate. There is also no
17 indication of the seriousness of property tax
18 matters in the State Senate.

19 We have to create a sense of
20 urgency. We have to create a need on the part
21 of this state's Senate that action has to be
22 taken to reform the property tax. And that
23 commitment begins here. It begins with Kiawah
24 Island Community Association and its Directors,
25 and it carries to each person in this room and

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1 to each person who is a member of this
2 association.

3 Now, I hope each of you has a
4 pen or pencil and paper in your right or left
5 hand -- I really don't care whether it's the
6 right side or the left side. I want you to
7 write down the name of Glenn F. McConnell, M-c,
8 capital C-o-n-n-e-l-l. Senator McConnell is
9 your Senator. His address is 101 Gressette
10 Building, G-r-e-s-s-e-t-t-e, Columbia, South
11 Carolina. I'm going to read it four more
12 times. Columbia, South Carolina, 29202. Or
13 his home address, 27 Bay Bridge Drive,
14 Charleston, South Carolina, 29407. His home
15 phone number, 843-571-3921.

16 Now, let me say that these two
17 pieces of legislation, either one of them can
18 solve our problems, our familiar problem with
19 tax. And they exist because of the efforts of
20 Bill Otis, the Mayor of Pawley's Island, Bernie
21 Lyons, the Mayor of Edisto Beach, and Bill
22 Wert, your Mayor, and Jim Piet, your former

23 mayor, with the considerable assistance of a
24 gentleman named Steve Lapp, a
25 distinguished non-resident member of this

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1 association.

2 Now, I don't want you to let
3 yourselves down, and I don't want you to let
4 these people down, and I want you to write a
5 letter to Senator McConnell, who is very much
6 interested in submarines but not always in
7 answering his mail, particularly if the return
8 address says Kiawah. And I want you to tell
9 him that the property tax does not work fairly
10 for the citizens of Kiawah and for other
11 communities in this state. It needs reform and
12 it needs reform that can be provided by these
13 two pieces of legislation.

14 If you want more information,
15 you can contact me, you can contact Bill, you
16 can contact Jim Piet, and we'll be glad to
17 provide you with the necessary weaponry in
18 order to effect good communication.

19 Look, this is a problem. And we
20 have all complained to each other about it, and
21 it is in our hands now. We're halfway there.
22 And this is a surprising turn of events. Now
23 let's go all the way and get at least 100
24 letters from this community. Let's get a
25 letter from our Community Association. Let's

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1 tell Senator McConnell how important this is
2 and how vital it is that we change our property
3 tax.

4 (Applause.)

5 PRESIDENT YONAS: Thank you.
6 Wendy, could I get your name and address,
7 please?

8 MS. KULICK: Wendy Kulick,
9 38 Marsh Edge Lane.

10 My first question: Leo, in
11 order to get Senator McConnell's
12 attention, would it do any good if on the
13 return address, instead of putting Kiawah
14 Island we put Johns Island, since it's the
15 same Zip Code? And maybe he would open --

16 MR. FISHMAN: I would say from

17 the fleet of a hundred, he should get it.

18 MS. KULICK: First of all, I

19 want to follow up on one of Faith's comments

20 about the various social events that are

21 offered here through the Community Association.

22 Tom and I had the pleasure just this past week

23 of taking a Kiawah Community Association sponsored

24 trip down to the old post office. The good news is

25 that we had a delightful time with the other

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1 six people who went. It's a shame there

2 weren't more people, because it was a fabulous,

3 fabulous trip, and we really enjoyed not having to

4 drive ourselves.

5 Secondly, I think that I noticed

6 three former Property Owner Directors sitting

7 in the audience -- Tom Winkleman, Pete Trees,

8 and Bill Wert, and that's a testimony to the

9 fact that interest in what goes on here at the

10 Community Association doesn't end when you stop

11 being a Property Owner Director, and I think

12 that's a real positive.

13 My question goes to some
14 comments that you made, Marty, at a KPOG
15 meeting about not asking KRA to pay for the
16 mitigation necessary to land it acknowledged
17 was badly flawed and eroding. This is land at
18 the Preserve that was donated to the Community
19 Association. And your comment at the time was
20 that the Community Association & Property Owners
21 gained more by not asking for things like that
22 than by asking for it. And I have really tried
23 to understand what it is that we gained. And I
24 would appreciate if you could answer the
25 question of what is it that we as property

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1 owners and as a community association get by
2 not asking KRA to pay its fair share for things
3 like this. Thank you.

4 PRESIDENT YONAS: Thank you,
5 Wendy.

6 Are there any other questions or
7 comments?

8 Yes, sir. Lou, would you give

9 your name?

10 MR. ANDERSON: Lou Anderson,

11 175 Glen Abbey.

12 I understand that the KICA

13 regime basically, in principle, takes care of

14 lagoons and ponds on the island. And I've

15 noticed that when algae gets covered on the

16 ponds or the lagoons, they go and clean it up.

17 However, on the erosion problem that's occurring, at

18 least on Canvasback Pond, and maybe some other areas, my

19 understanding is that you are not taking any

20 responsibility to try to help to improve that

21 situation or pay for it.

22 I honestly think if, in

23 principle, KICA has the -- has to take care of

24 the ponds, that that should be included. I get

25 the impression that it's not included because

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1 of the expense that might be incurred.

2 However, I don't think you have to spend all

3 the money all at once, and certainly by

4 addressing the problem, finding out what's

5 needed, and possibly having a program where,
6 little by little, year by year, you try to
7 improve the situation. And I ask that you
8 consider that seriously. Thank you.

9 PRESIDENT YONAS: Thank you,
10 Lou.

11 Further questions, comments?

12 Good. Okay. There being no further business,
13 I would entertain a motion for adjournment.

14 THE FLOOR: So moved.

15 PRESIDENT YONAS: A second?

16 THE FLOOR: Second.

17 PRESIDENT YONAS: All in favor?

18 THE FLOOR: Aye.

19 PRESIDENT YONAS: Opposed?

20 This meeting stands adjourned.

21 (The meeting adjourned at 2:41 p.m.)

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2 COUNTY OF CHARLESTON)

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4 I, Rebecca L. Arrison, Certified Court
Reporter and Notary Public for the State of South Carolina,
5 at Large, do hereby certify that the that the foregoing
is a full, complete and true record of meeting.

6

7 I further certify that I am neither related to
nor counsel for any party to the cause pending or
8 interested in the events thereof.

9 Witness my hand, I have hereunto affixed
my official seal, this 29th day of March, 2004, at
10 Charleston, Charleston County, South Carolina.

11

12

13

14 Rebecca L. Arrison
Certified Court Reporter
15 My Commission Expires:
May 29, 2007.

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