

2021 Annual Shareholder Meeting Minutes

Via Zoom

Board members (X indicates present)

X James Berry

X Chris Cook, vice president

X Marc DeLuca, president

X John Grossmann, assistant treasurer

X Elizabeth Hosinski, secretary

Shari Kane

X Shawn Kline

X Dorothy Lange

X Jim Nach

X Dan O'Grady

X Nick Reskusic, treasurer

X Rob Reynolds

X Allison Viola, registrar

Call to order

Marc called the annual shareholder meeting to order. Allison confirmed there was a quorum

Approval of 2020 annual meeting minutes

Elizabeth moved to approve the 2020 annual meeting minutes, second by James. All present approved except Chris who abstained because he was absent.

Financial report

Nick shared financial report excerpts (see Appendix A) and said they were almost complete annual results although there would be a few more weeks of expenses coming in. Despite keeping dues flat, there was a significant recovery of dues revenue in 2021 and the registrar and her team worked hard to achieve a much higher rate of payment compliance. Operating costs show general and administrative costs are over plan because the plan didn't include credit card fees but these fees net to zero because they are charged back to members. Also, maintenance expenses were significantly more than years past; \$12,000 of these expenses were tree removal, which in years past was counted as a capital expense. Nick changed tree removal to be counted as a regular expense to align with accounting standard practice. The previous board had also approved \$6,000 in expenses, which added to the 2021 maintenance expense budget. Other additional expenses included grounds work, for example: trimming back the trees and clearing brush at the entrance to improve visibility for drivers entering and exiting the property. Utility costs were lower, likely due to reduced gas usage because the heater was out. Spending on professional fees was also down as the use of legal services was reduced. Lastly, there was a decrease in spending on infrastructure from last year. Nick also reviewed shareholder funding of the tennis and swim programs and provided the perspective that \$20 of shareholders' dues pay for tennis programs and \$32 of shareholder dues pay for the swim team programs. Ethan Baldwin asked how these costs compare to other clubs? Marc replied we don't have visibility into that.

A shareholder asked what amount of reserves were recouped and what is the reserve target? Nick said we recouped \$50,000, which was \$25,000 above the recoup target. Marc said there is no overall reserve target but he recommended \$250,000 or more if we plan to use reserves to fund the massive amount of investments needed in the next few years. Marc mentioned updating the bylaws and said a target could be set in those. Erik Autor suggested using a metric based on best practices, perhaps a goal of reserves as a

percentage of operating expenses, which could be a target but not a strict requirement. Marc also pointed out renters cannot be assessed but dues could be increased. Dave Sullivan asked why the \$350,000 of reserves aren't used to fund the pool resurfacing. Marc replied using reserves for the resurfacing would not leave enough for all the other work needed and cited a few examples, including a member who wasn't able to access the pool via a wheelchair because of the state of the concrete path, the parking lot resurfacing, and tree removal. Marc said if resolution doesn't pass, we can look at raising dues and/or adding shareholders. Marc pointed out PHRA is one of the few pools that offers equity, although he doesn't consider his PHRA share an investment but rather a way to preserve the pool for future generations. Anton Op de Beke asked if 2020 was considered a rainy day and Nick said yes. Anton then characterized the phrase "burning through reserves" as in appropriate when describing using reserves because of a rainy day scenario. A shareholder said it wasn't fair to assess shareholders and not renters and called for the funds to be raised via dues, which would establish a sustainable revenue source for the resurfacing and future investments. Marc said after the resurfacing, the biggest cost going forward will be fixing the locker room and noted a previous board spent \$77,000 to redo the pipe that was apparently leaking.

Regarding the heaters, Dave Sullivan asked to delay voting on the heaters to give shareholders more of a "voice" in the decision. Dave questioned whether heaters were even necessary, characterizing heaters as a luxury that are harmful to the environment with little incremental benefit to a few, presumably child users of the pool. Marc said the issue was already on the ballot and can't be removed and the vote will be the indication of shareholders' voices. Ethan Baldwin asked the lifespan of the heaters. Marc said the life expectancy is 8-10 years and we use the heaters for about four weeks of the year but that we could also rent the pool out or extend the season for members if we had heaters. If we rented the pool, it would pay for the heaters in about two and a half years.

The meeting host stopped sharing Nick's presentation and then admitted more Zoom participants. Dorothy said she missed fifteen minutes of the meeting in the Zoom waiting room, which was a problem, and said the meeting shouldn't have started. Marc confirmed there was a quorum when he started the meeting. Shawn asked for a recap of the first 15 mins and Marc reviewed the call to order, confirmation of quorum, approval of minutes, and review of the financial statements.

Boundary shareholder vote

Marc said at the last board meeting, someone questioned whether the shareholder vote followed the bylaws. Marc assessed the vote in two parts: part 1- the board action to amend the bylaws and part 2- shareholder rights. Speaking with past president, Dan O'Grady said the board had already voted to restore boundaries to the bylaws. The vote of the shareholders was to "affirm" the vote. Marc assessed the previous board followed the bylaws in amending the bylaws to re-instate boundaries but did not follow the bylaws in informing shareholders of the vote. The shareholder vote, per Dan, was a courtesy. Kristin Fitzgerald thanked Marc for the research and said she thought the board change also violates the bylaws because shareholders had rejected boundaries in 2009 and alternative boundaries. Kristin's interpretation of the bylaws is that the board is not allowed to undo a previous shareholder vote without another shareholder vote. Marc's view is that according to article 13, bylaws can be changed by board. Anton said he agreed with Marc's assessment and said the board acted despite the 2009 vote because the association was in violation without boundaries and that every new board has the right to overturn decisions by previous boards. Kristin replied that she received a written response from Fairfax County that lack of boundaries did not violate the association's status.

Election of directors

Marc opened floor to any additional nominations for board of directors. None given, Marc closed the floor to nominees and invited anyone submitting a proxy in person to please do so. The registrar added

the three additional proxies from the room, tabulated, certified and then read the election results (see Appendix B for the vote tallies):

The six new board members were:

1. James Berry
2. Greg Carnavale
3. John Grossmann
4. Nick Reskusic
5. Todd Robyak
6. Kelsey Thompson

Agenda item #2 to resurface the pool, paid for by two \$250 assessments did not pass with 63% of those voting approving (three percentage points short of the required 67%).

Agenda item #3 to install a new heating system, paid from reserves, passed with 80% of those voting approving.

Marc said the new board will have to consider how to handle the pool resurfacing. Dave Sullivan asked if the pool will collapse if it isn't done. Marc said he doesn't believe the water has gotten all the way down to the gunite yet, which could cause the steel structure to collapse. Marc said the pool should not have had more than five white coat applications (the pool has seven) and this likely contributed to the early failure of the most recent white coat. Margaret Starr asked if the cost would go up if the work wasn't done soon and Marc said it was unclear and that concrete and labor were the biggest expenses.

Adjournment

Marc closed the meeting.

PHRA – Financial Results

	Nov 2018 - Oct 2019	Nov 2019 - Oct 2020	Actual to Date (2021)	Budget	Diff	%Diff
			Nov 1, 2020 - Oct 15 2021	Nov 2020 - Oct 2021		
DUES	\$ 314,200	\$ 260,125	\$ 298,068	\$ 292,075	5,993	2%
FEEES	\$ 23,420	\$ 10,970	\$ 16,050	\$ 9,825	6,225	63%
OTHER INCOME	\$ 20,049	\$ 83,905	\$ 27,761	\$ 9,441	18,320	194%
Income	\$ 357,669	\$ 355,000	\$ 341,879	\$ 311,341	30,537	10%
GENERAL AND ADMINISTRATIVE	\$ 8,273	\$ 14,758	\$ 12,893	\$ 8,100	4,793	59%
MAINTENANCE	\$ 53,560	\$ 40,568	\$ 64,313	\$ 38,000	26,313	69%
POOL OPERATION	\$ 132,374	\$ 182,433	\$ 134,129	\$ 131,645	2,484	2%
PROFESSIONAL FEES	\$ 13,347	\$ 10,835	\$ 9,032	\$ 9,500	-468	-5%
TAXES AND INSURANCE	\$ 43,365	\$ 50,050	\$ 53,109	\$ 52,300	809	2%
UTILITIES	\$ 23,545	\$ 17,361	\$ 15,522	\$ 22,300	-6,778	-30%
Operating Expenses	\$ 274,464	\$ 316,088	\$ 288,998	\$ 261,845	27,153	97%
Net Operating Income	\$ 83,205	\$ 38,912	\$ 52,881	\$ 49,496		

- Income landed 10% above budget
- Expenses generally on target, exception is maintenance costs
- Maintenance costs over due to (a) change in accounting for tree removal and (b) effort to clean up areas around parking and entrance and (c) \$6k in costs approved by the prior Board

PHRA – Cash Position

	Nov 2018 - Oct 2019	Nov 2019 - Oct 2020	Actual to Date (2021)	Budget
			Nov 1, 2020 - Oct 15 2021	Nov 2020 - Oct 2021
Cash Reserves				
Cash (includes annuity in 2016-2018)	\$ 312,582	\$ 239,919	\$ 290,352	264,415
Change in Cash	\$ 8,261	-\$ 72,663	\$ 50,433	24,496

Today, we are at \$290k in cash, compared to \$239k at the end of last year. We have recovered a significant portion of the \$73k reserves hole created in 2020 and will land well ahead of budget

PHRA – Infrastructure Spend

	Nov 2018 - Oct 2019	Nov 2019 - Oct 2020	Actual to Date (2021) Nov 1, 2020 - Oct 15 2021
CAPITAL IMPROVEMENT			
Furniture	\$ 11,360	\$ 2,646	
Lifeguard Chairs		\$ 12,000	
Additions: Furniture and Fixtures	\$ 11,360	\$ 14,646	\$ -
Poplar Heights Walking Path		\$ 7,375	\$ 1,700
Eagle Scout Project		\$ 3,876	
Tree Removal	\$ 11,800	\$ 15,241	
Grounds Other - Other	\$ 4,702		
Additions - Grounds	\$ 16,502	\$ 26,492	\$ 1,700
Pipe Replacement		\$ 70,000	
Other Pool	\$ 11,000		\$ 8,003
Additions: Pool	\$ 11,000	\$ 70,000	\$ 8,003
Other Tennis	\$ 26,836		\$ 3,676
Additions: Tennis	\$ 26,836	\$ -	\$ 3,676
Total Capital Improvements	\$ 65,699	\$ 111,138	\$ 13,379

- Huge drop in Capital Spend in 2021
- Key change in accounting, tree removal had been treated as capital; treated as maintenance cost in 2021 (\$12k)

PHRA – Cost of Tennis and Swim Programs

	Nov 2018 - Oct 2019	Nov 2019 - Oct 2020	Nov 1, 2020 - Oct 15 2021
Tennis Income	\$ 5,196	\$ 62,441	\$ 9,920
Tennis Program Expenses	\$ 24,000	\$ 70,932	\$ 20,000
Tennis Program, Net	(\$18,804)	(\$8,491)	(\$10,080)
Cost per Member	\$ 38	\$ 17	\$ 20
Swim Team Income	\$ 0	\$ 0	\$ 0
Swim Team Costs	\$ 16,671	\$ 11,699	\$ 16,120
Swim Team, Net	(\$16,671)	(\$11,699)	(\$16,120)
Cost per Member	\$ 33	\$ 23	\$ 32

Support for tennis program costs
\$20 of your dues

Support for the Swim team costs
\$32 of your dues

Note this represents funding from PHRA to the Swim Team only, Swim team maintains a separate bank/ledger comprised of the self funded portion of activities

Appendix B- vote results

Board of directors:

Berry, James	101
Reskusic, Nick	97
Robyak, Todd	92
Thompson, Kelsey	87
Grossmann, John	86
Carnavale, Greg	84
O'Grady, Dan	82
Neubig, Margaret	79
Armstrong, Sue	75
Nach, Jim	75
Bill Bickle	3
John Kosco	2
Shari Kane	2
Anton Op de Becke	2
Keith Callahan	1
Tom Thompson	1
Diane Black	1
Barbara Nicholson	1

Item 2- pool resurfacing

Yes	63%
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Item 3- pool heaters

Yes	89%
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