

BOARD OF DIRECTORS MEETING
PINE RUN CONDOMINIUM ASSOCIATION, INC.
Thursday October 23, 2014
8:30 AM Pine Run Club House
AGENDA

- I. Call the Meeting to Order.**
- II. Determination of Quorum.**
- III. Proof of Notice of Meeting.**
- IV. Resignations and Appointments.**
- V. Approval of Minutes of September 25, 2014**
- VI. BOARD REPORTS**
- VII. OLD BUSINESS**
 - a) Policy regarding keys to Club House
- VIII. NEW BUSINESS**
 - a) Bouchard Insurance regarding Citizen's Property Insurance/Heritage Casualty
 - b) Review of 2015 budget draft.1
 - c) Water/sewer bills Sec. II and III
 - c) Discussion of Revisions to Rules and Regulations
- IX. PUBLIC COMMENT**
- X. ADJOURNMENT**

**MINUTES OF THE MEETING
BOARD OF DIRECTORS
PINE RUN ASSOCIATION, INC.
THURSDAY, OCTOBER 23, 2014
8:30 A. M.**

Present: Pat Foley, President, (via telephone), Peter Campanelli, Secretary, Keenie Bugenhagen, Tom Foley, (via telephone), and Kathleen Koski, Directors, Jim Kraut for Management and owners in the audience. Absent: Shelley Wheeler, Treasurer.

The meeting was called to order by the President, Pat Foley, at 8:39 A.M. in the Clubhouse, a quorum being present. Proof of Notice of Meeting was given with Notice and Agenda posted at least 48 hours in advance. All motions at this meeting were unanimously passed with all Directors present voting in favor of the motion, unless otherwise noted.

Resignations and Appointments: MOTION was made by Pat Foley and seconded by Kate Koski to accept, with regret, the resignation of Shelley Wheeler from the Board of Directors, effective immediately.

MOTION PASSED.

MOTION was made by Kate Koski and seconded by Keenie Bugenhagen to appoint Kip Kellogg to the Board of Directors to fill the remaining term of Gretchen White.

MOTION PASSED.

Mr. Kellogg joined the Board.

MOTION was made by Pat Foley and seconded by Kate Koski to appoint Keenie Bugenhagen as Vice President and Chair of the Landscape Committee, effective immediately.

MOTION PASSED.

Keenie Bugenhagen was appointed Chair of the meeting.

Reading/Approval of Minutes of the Board of Directors Meeting of September 25, 2014: MOTION was made by Pat Foley and seconded by Kate Koski to approve the minutes of the Board meeting of September 25, 2014, as presented.

MOTION PASSED.

Matt Mercier from Bouchard Insurance reviewed and explained the "take out" offer from Heritage Insurance, which is attached and made a part of these original minutes.

MOTION was made by Pat Foley and seconded by Keenie Bugenhagen to reject the insurance assumption by Heritage Insurance and remain with Citizens Insurance through the remainder of the current policy.

MOTION PASSED.

Matt Mercier will overnight the refusal paperwork to the President for signature, will continue to monitor Heritage and get an approximate cost for the Ordinance and Law coverage offered by the company. In addition, Mr. Mercier will send a list of Appraisal companies to the President and volunteered to work with the Association to determine the best company to perform the re-appraisal of the property required for the insurance renewal in June.

BOARD REPORTS

Maintenance: Tom Foley read his report, which is attached and made a part of these original minutes. Mr. Foley added that he is has been trying to find the original plans for the clubhouse to be used for the in-house clubhouse renovation project. If unsuccessful, Engineer Russell Rodriguez will have to draw a new set. Keith Hagen has agreed to oversee the renovation project that will be done by the maintenance crew, with funds coming from the Recreation Reserve.

Directors: Kate Koski reported that she will be updating the directory by mailing or e-mailing the revised authorization form to all owners with the proposed 2015 budget.

President: Pat Foley reported that 1). She is still looking at the electric bill for recreation and the water sewer bills for Section II. 2). She will send a letter to all owners informing them that they are responsible to maintain their unit smoke detectors. 3). The maintenance crew will enter all units to check for leaking fixtures and while inside, will look for non-functioning smoke detectors. Any issues with fixtures will be reported to the owners of the unit, who must repair/replace the defective part. 4). Maintenance personnel will also replace non-functioning emergency lighting at the recreation facility.

Secretary: Peter Campanelli reported that there has been one sale and eight rentals since the September Board meeting.

Treasurer: No report.

UNFINISHED BUSINESS:

- a. Policy Regarding Keys to the Clubhouse: After a lengthy discussion, it was the consensus of the Board that the locks should not be changed, that all Board members should have a key, (Rick Jackson to provide a key to Kip Kellogg) and that the clubhouse will be unlocked Monday – Friday from 8:00 A. M. to 4:00 P. M. Anyone who wants to get in the clubhouse outside of those hours should contact a Board member.

NEW BUSINESS:

- a. Bouchard Insurance: Covered.
- b. Review of 2015 Budget Draft: The President reviewed the draft 2015 budget.

MOTION was made by Kate Koski and seconded by Tom Foley to mail or e-mail the proposed 2015 budget to all owners.

MOTION PASSED.

The 2015 Budget Meeting will be held on November 20, 2014, at 7:00 P. M. at the clubhouse.

- c. Water/Sewer Bills Sections II & III: The President presented the Board with a chart tracking the water bills for Sections II and III for the last eight years (attached) and explained because of misallocation, Section II has been paying a portion of the water bill that rightfully belongs to Section III.

MOTION was made by Pat Foley and seconded by Kate Koski to transfer the capital contribution funds received in Section III to Section II reserves until the money owed to Section II for payment of Section III water bills has been repaid.

MOTION PASSED.

The President will send a letter to owners in both sections explaining what has happened and what will be done to repay Section II.

- d. Discussion of Revisions to Rules and Regulations: The Secretary reviewed the three topics of discussion: Bird Feeders, No Smoking and Parking. It was the consensus of the Board that 1). Bird feeders should not be permitted within the Association. 2). There would be no smoking allowed at the recreation facilities, tennis courts, large or small pool or laundry rooms. 3). The Secretary would rewrite the parking rules based on today's discussion and send the revision to each Board member for review.

Tom Foley was excused at 10:41 A. M.

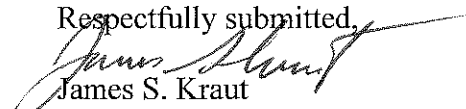
OWNER COMMENTS: None.

MOTION was made by Kate Koski and seconded by Keenie Bugenhagen that the meeting be adjourned.

MOTION PASSED.

The meeting was adjourned at 10:46 A. M. The next scheduled meeting of the Board will be held on November 20, 2014, at 7:00 P. M. in the clubhouse.

Respectfully submitted,



James S. Kraut
For the Secretary

Heritage Insurance – Company Facts:

- Company was formed in August 2012.
- Headquartered in Clearwater, Florida
- \$990 Billion in Catastrophe Reinsurance
- 120 Employees as of July 2014
- Demotech rated A (Exceptional)
- Admitted and licensed Florida carrier

Heritage Insurance – Second Quarter Highlights Released on August 4, 2014:

- Policy Count: 171,000 (Commercial Residential & Personal Residential policies).
- \$330 Million estimated in-force premium
- \$990 Million in Catastrophe Reinsurance
- \$125 Million in Surplus

Heritage Insurance Program Highlights:

- Heritage offers more comprehensive coverage such as:
 - Ordinance & Law Coverage
 - Special Form Coverage
 - Mechanical Breakdown coverage built into the coverage form eliminating the need to purchase a separate policy.
- Heritage lowers the risk of a Citizens premium assessment:
 - Florida Statutes allow the corporation to recoup funds from Florida policyholders if Citizens experiences a deficit. Upon experiencing a major deficit, Citizens policyholders could receive up to a 45% premium surcharge for 12 months.
- The rates charged by Heritage will be equal to what Citizens would charge for the same coverage.
- Platinum Preferred Savings Program – Three year guarantee on labor & materials, plus a 10% discount on the All Other Perils deductible for using Heritage's water mitigation employees.

Heritage Insurance – Discussion Items for Thursday, October 23rd, 2014:

- Heritage – Demotech Rating vs. Citizens – Not Rated
- Does moving to Heritage Insurance help our risk profile and market availability?
- What does the policyholder need to do if they elect to accept the Assumption?
- What happens if the association does not accept the Assumption offer?
- If a payment is due on a Citizens policy before it was assumed. Should the payment be sent to Citizens?
- Can Heritage assume a policy and then cancel or non-renew it?



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HERITAGE PROPERTY INSURANCE COMPANY



- 8/2012 formed/Florida domiciled
- 5/2014 Headquarters: Clearwater, Florida
- 5/2014 – IPO \$110M raised
- 6/2014 Sunshine State Assumption
- 6/2014 - \$990M Catastrophe Reinsurance
- 7/2014 Employees: 120* (and growing)
- 7/2014 policy count 171, 000
- 7/2014 \$125M surplus (\$50M from IPO)
- 7/2014 \$75M -Shareholder's equity
- 7/2014 \$316M estimated in-force premium

Platinum Preferred Claims Program

Wholly owned Contractor's Alliance Network – 10% discount on AOP deductible (excludes sinkhole/hurricane)
3 yr. warranty on labor/materials, 24/7 dedicated claim service, manage all aspects of claim.

Risk Management Program – Catastrophe Planning

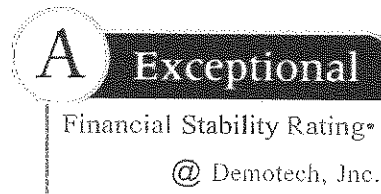
In-house Director of Risk Management, 1st event 1:125 year, 2nd event 1:150 year, low retention 1st event \$9M,
3-yr. catastrophe bond 2-tranches \$150M/\$50M, 2 yr. private cat cover. 12 reinsurers (US, Bermuda, London).

Financial Ratio Snapshot

Loss Ratio: 2013 – 27.5% - Combined: 81.6%

Loss Ratio: 2014 – 33.8% - Combined: 83.3% (1st quarter)

Net Income: 2013 – \$34,213 - Q1-2014 \$7,888



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▪ **Entering the private market –**

Citizens is a governmental not-for-profit entity. Citizens was created to provide coverage for risks that could not be placed with private insurance companies. The policy was placed with Citizens either because a private insurance company would not cover the property or coverage was offered but at a premium over **15%** higher than Citizens'. If **Heritage** is interested in assuming the policy, it is a good opportunity to move it into the private market.

▪ **Lowered risk of premium assessments –**

Florida Statutes allow the corporation to recoup funds from Florida policyholders if Citizens experiences a deficit. Currently, this recoupment would be levied in a three-tiered approach, as needed:

1) Upon experiencing a major deficit, Citizens policyholders could receive up to a **45%** premium surcharge for 12 months,

2) If the first assessment is not enough to cover the deficit, the corporation may levy assessments on non-Citizens insurance policies throughout Florida*, up to **2%** of premium or **2%** of the deficit, whichever is greater,

3) If the first and second assessments are not enough to cover the deficit, the corporation may levy a third assessment of **10%** of premium. This assessment would be applied to all Florida insurance policies*, both with Citizens and with other carriers.

What does policyholder need do?

If **no opt-out** action is taken, **nothing**. The policyholder will receive a **Notice of Assumption** and **Certificate of Assumption**. These two letters will verify that their policy has been assumed by **Heritage** and confirm that they will receive a renewal offer before their current policy expires. A **Notice of Nonrenewal** for the Citizens policy will also be sent to the policyholder.

If a policy needs to be endorsed after it's been assumed by Heritage (e.g. October 14, 2004), but before it's renewed onto Heritage paper, who is responsible for processing this change?

The agent will continue to forward all changes requests to Citizens for processing. Once the policy renews with **Heritage**, the agent will forward all requests to **Heritage**.

If a payment is due on a Citizens policy before it was assumed. Should the payment be sent to Citizens?

Yes. The policyholder must pay all outstanding payments on their Citizens policy to keep it active. If the Citizens policy cancels for any reason, **Heritage** will not assume it, resulting in a lapse in coverage. You would then need to obtain a new policy, meeting current underwriting guidelines. A down payment would be required for the new policy.



If Citizens requested information or documentation before a policy is assumed, does policyholder still need to respond to this request?

Yes. Citizens will continue to service the policy up to the expiration date, at which time it will renew with **Heritage**. However, if the Citizens policy cancels for any reason, **Heritage** will not renew it, resulting in a lapse in coverage. You would then need to obtain a new policy, meeting current underwriting guidelines. A down payment would be required for the new policy.

If a claim is filed on the Citizens policy before it was assumed by Heritage. Will Citizens continue to process the claim?

Yes. If you filed a claim with Citizens for a date of loss prior to the assumption date, Citizens will continue to process the claim.

If a claim occurs after a policy is assumed, who should be contacted to file the claim?

Once a policy is assumed, **Heritage** is responsible for paying all covered claims for losses that occur on or after the assumption date.

Renewing With Heritage... Can Heritage assume a policy and then cancel or nonrenew it?

Heritage went through a rigorous process, at their cost, to assume Citizens policies. Therefore, we intend to keep the policies for as long as possible. However, **Heritage** may cancel or non-renew assumed policies in accordance with Florida Statutes and OIR guidelines, just like any other insurance company.

Will the renewal from Heritage be the same coverage and premium as my Citizens policy?

The renewal offered by **Heritage** should be the same or similar to the coverage afforded under the assumed Citizens policy, but it could vary. The rates charged by **Heritage** will be equal to what Citizens would charge for the same coverage.

Will Heritage accept a third-party premium finance company (PFC)?

Yes. **Heritage** will accept payment from a PFC..

If you have any questions, please contact a member of our underwriting or management team.

As always, we appreciate the relationship, value the partnership and thank you for your continued support and business as we work through this process together!

HERITAGE COMMERCIAL TEAM

Maintenance Report 10 23 14

This report overlaps with some previous ones because I am addressing the twenty-one item wish list we established back in May along with a few other issues the crew has been dealing with.

- ✘ Drain swales completed – Rick and I will go over the program when I get down in a couple of weeks
- ✘ Balconies for units 119 & 350 rebuilt and painted
- ✘ Stair caps for units 224 & 232 have been replaced and repainted
- ✘ Small pool project completed – this required a revisit because there was a small amount of speckling that had to be rectified – the contractor took care of it
- ✘ Four dead trees have been cut down and hauled away
- ✘ Almost all leaking window trim has been sealed
- ✘ Section II sidewalks have been leveled
- ✘ A number of lighting sensors have been replaced along with four carport light fixtures
- ✘ Section II & III address plaques have been painted, Section I is next.
- ✘ Small pool bathrooms have been repiped and painted
- ✘ Almost all of the fence pickets and framing in Sections II & III have been rehabilitated – that will continue through Section I
- ✘ In the process of making new message boxes – the structures will then be painted
- ✘ Parking bumper repair and repaint is ongoing
- ✘ A significant number of fascia boards have been replaced
- ✘ Half of the sprinkler control valves have been replaced in Sections II & III along with quite a bit of repiping - sprinkler head replacement to follow
- ✘ Several Section I entrance doors have been repaired
- ✘ We have dry wall replacement coming up for units 230 & 216 along with a repipe in 216
- ✘ Unit 715 has a new deck and the owners have been apprised of the fact that interior painting is their responsibility
- ✘ Unit 763 has a new roof coating – this, along with unit 715 has the decking with scuppers that empty onto the stairwells – this was not one of the Sarasota School of Design's finest concepts

TO: Pine Run Board

FROM: Pat Foley

RE: Water/Sewer Bills Section II and III

DATE: October 17, 2014

As you all know we have been trying to figure out why the water/sewer bills for Section II have been so high for the last several years. We discovered very high readings for 2 meters in Section II, the meter that covers #119-141 and the meter that covers #122-132. Since January 2014 the meter for #119-141 has been perfectly appropriate for the # of units and my suspicion is that unit 141 had running water. If you recall this unit is owned by FNMA and has been locked for several years. A new realtor has been working with FNMA and this seems to have been remedied. Rick found an underground leak associated with the meter for #122-132 in March and this too has now been in the normal range.

It is very difficult to compare the water usage per section because some units are occupied all year long, some are renters who really don't care how much water they use, and often a toilet has leaky flapper valve that no one notices. A leaky flapper valve can cost up to \$200 extra dollars/month. I have very carefully reviewed the bills going back several years. The average per unit charge in **Section I** has varied from an expended high of \$563/unit in 2010 to a low of \$431 in 2013. **Section III** expended a high of \$604/unit in 2006 to a low of \$368/unit in 2012. However, **Section II** expended a high of \$901/unit in 2013 and a low of \$452 in 2007. As you will see with the attached chart, when the Sec. II bills started to increase, the Section III bills started to decrease. The cause for this is one meter, which covers units 234-244 in Section III. This meter has been charged to Section II but it is in Section III. It looks as though this began somewhere around 2008-2009.

Once this was discovered we adjusted the water bills for these two sections to reflect the proper amounts for 2014 in the monthly financial reports. Our attorney has informed us that we must go back 5 years to remedy the incorrect billing. This means that we will need to make adjustments that will cover 2010-2013. The figures that are on the attached chart have been gathered by looking at past budgets and audits but they will need to be verified. As an example however the meter bill for 2013 was \$3620.89.

Section III will have to reimburse **Section II** for 2010-2013. Our attorney has indicated that this can happen by transferring reserves (that will require a vote of approval from Section III owners). Another solution could be transferring the Resale Capital Contribution Fee from Section III to Section II until the amount is paid. Another solution could be a special Assessment for Section III. The Board will need to discuss this and perhaps additional solutions will be considered.

I must stress that we have had three different treasurers, two different management companies, two different auditors and several different boards during this time period. The County bills are just a long list of meter numbers until someone really digs into the numbers. This was not a problem that would really pop out until it was exacerbated by the high numbers caused by the water leaks.

WATER/SEWER BILLS BY SECTION/UNIT

BUDGETED AMT/EXPENDED AMT

2006-2014

YEAR	SECTION I	BUD. AMT/UNIT SEC I	SECTION II	BUD. AMT/UNIT SEC II	SECTION III	BUD. AMT/UNIT SEC III
2014	B \$31,150 E	\$472/UNIT	B \$29,900 E	\$786/UNIT	B \$16,640	\$386/UNIT
2013	B \$28,600 E \$28,476	\$433/UNIT \$431/UNIT	B \$29,900 E \$34,247	\$786/UNIT \$901/UNIT	B \$16,640 E \$16,798	\$386/UNIT \$390/UNIT
2012	B \$32,000 E \$31,542	\$485/UNIT \$478/UNIT	B \$29,750 E \$33,080	\$782/UNIT \$870/UNIT	B \$18,000 E \$15,854	\$418/UNIT \$368/UNIT
2011	B \$39,360 E \$29,762	\$596/UNIT \$451/UNIT	B \$25,330 E \$28,730	\$666/UNIT \$756/UNIT	B \$19,000 E \$16,493	\$441/UNIT \$383/UNIT
2010	B \$37,352 E \$37,142	\$565/UNIT \$563/UNIT	B \$23,775 E \$25,701	\$625/UNIT \$676/UNIT	B \$21,820 E \$17,512	\$507/UNIT \$407/UNIT
2009	B \$35,000 E \$34,768	\$530/UNIT \$527/UNIT	B \$24,000 E \$23,522	\$631/UNIT \$619/UNIT	B \$ 24,000 E \$19,815	\$558/UNIT \$461/UNIT
2008	B \$32,000 E \$33,449	\$485/UNIT \$507/UNIT	B \$20,000 E \$22,100	\$526/UNIT \$579/UNIT	B \$25,000 E \$22,100	\$581/UNIT \$516/UNIT
2007	B \$34,000 E \$29,991	\$515/UNIT \$454/UNIT	B \$23,000 E \$17,163	\$605/UNIT \$452/UNIT	B \$27,000 E \$23,867	\$628/UNIT \$555/UNIT
2006	B \$35,000 E \$34,000	\$530/UNIT \$515/UNIT	B \$22,000 E \$22,000	\$579/UNIT \$579/UNIT	B \$25,000 E \$26,000	\$581/UNIT \$604/UNIT
2005	B \$34,000 E \$31,082	\$515/UNIT \$471/UNIT	B \$22,000 E \$19,558	\$579/UNIT \$514/UNIT	B \$26,000 E \$22,495	\$604/UNIT \$523/UNIT