

**PHA BOARD MEETING
JANUARY 27, 2006
MINUTES**

Directors Present

Luis Lomba
Jaime Morgan Stubbe
Juan Walker
Edd Siler
Salvador Ramos
Frank Bonnelly
Luis Rodríguez
Julio Bagué
Lilliam Morales
Raúl Rivera
Félix Santoni

Directors Excused

Manuel Morales
Alfonso Lozada

Others Present

Antonio Maldonado
Shirley Morales
Daisy Díaz

I. CALL TO ORDER

Meeting was called to order at 8:50 a.m. by Luis Lomba, President.

II. APPROVAL OF MINUTES

Minutes of the November 18, 2005 meeting were approved upon a motion by Julio Bagué seconded by Frank Bonnelly. Typographical errors in page 4, second paragraph, third line (parkings vs. par kings) and on page six, fourth paragraph, seventh line (these vs. split) were corrected.

III. PRESIDENTS REPORT – LUIS LOMBA

A. Marbella Park

After several months of frustration trying to correct this situation a very strong letter giving a February 15, 2006 deadline for action has been sent to Mr. James Harvie. Following letters and conversations with Mr. Harvie he had requested PHA to submit alternatives for access to the park. PHA representatives met with the project manager and PDMPI representative to work out possible alternatives. A viable alternative was established that will not interfere with the construction site or the construction trailer.

Such an option was presented by the project engineer to Mr. Harvie but it was rejected indicating that access will be given once the Marbella project is finished.

Mr. Harvie's position on this matter is unacceptable and his attitude of utter disregard for the community needs in this case is considered abusive and disrespectful. The community and the Board have been very patient and have demonstrated a good neighbor attitude toward Mr. Harvie. Unfortunately this has not been reciprocated. A copy of the letter sent to Mr. Harvie has been distributed to the members of the PHA Board.

B. PHA Building

Final costs estimates have been prepared placing total costs at \$2,067,706 including major construction costs and subcontractors for materials. Construction contract is being awarded to NIB Construction. Discussions have been held with the Bank to establish closing date for the loan which has been approved.

The PHA Board unanimously approved a motion by Raúl Rivera seconded by Julio Bagué giving authority to the PHA President to finalize contracts for the construction of the PHA Building up to \$2,067,706 not including furniture, office equipment or construction bonds.

C. Infrastructure Committee

The Committee met for the first time on December 20, 2005. This was an excellent meeting. The Committee focused on the need to evaluate roads, storm drainage, sanitary system and the electrical system. Work is underway to update master plans on storm and sewage systems so that evaluations can be made, potential problems identified, assign accountability and develop action plans. The collaboration of PDMU and PDMPI will be required to complete these tasks.

In regard to roads, the Committee identified the need for a traffic study to evaluate the situation and make appropriate recommendations. Taking in consideration that PHA has no previous traffic studies available, as discussed at the last Board meeting, PHA will undertake such a study on its own. Proposals have been requested. The PHA Board unanimously approved conducting the traffic study upon a motion by Félix Santoni seconded by Frank Bonnelly. Final contract selection should be circulated for Board approval.

Mr. Jaime Morgan-Stubbe and Mr. James Shanks have been added as members of the Infrastructure Committee.

D. Punta Candelero

A meeting was held with Eng. Luis Muñiz to discuss beach access in the Punta Candelero area. Mr. Muñiz demonstrated a good disposition on this matter and agreed to keep the

temporary access that now exists unless required to be closed by work at the site. As far as permanent easements, it was pointed out to him what had been submitted and approved by the Planning Board as part of the Palmas Master Plan. He indicated he will comply with beach access requirements as outlined in the zoning regulations and as required by public law. He also believes that the idea of having golf cart parkings in the vicinity of the beach easements is an excellent idea.

Regarding public auto parking he believes that having small parking sites is more consonant with the Palmas community instead of massive parking lots as originally contemplated in the Palmas Master Plan.

IV. TREASURERS REPORT – SALVADOR RAMOS

Salvador Ramos presented the Treasurer's Report which included a detailed discussion outlining PHA's fiscal situation and financial statements as of the end of year 2005. As evidenced by the statements, PHA continues to enjoy a very healthy financial position. End of the year reflects a surplus in revenues over expenses of \$412,981. This is a result of revenues better than projected as well as savings in budgeted expenses.

Following a series of questions and answers regarding particular budget lines, the PHA Board approved the Treasurers Report upon a motion by Frank Bonnelly seconded by Raúl Rivera.

Regarding PHA's Investment Policy, Mr. Salvador Ramos will be circulating a draft for review by the PHA Executive Committee. Inputs were requested from the Board members at the last Board meeting.

Deloitte and Touché have started the annual fiscal audit. Fees for the audit remain the same as last year.

V. EXECUTIVE DIRECTOR'S REPORT

- a. **Security** – Overall Palmas remains free of significant crime activity compared to other communities in Puerto Rico as evidenced by 2005 year-end statistics as reported to the PHA Security Department. This sound level of security can be attributed to an increase in the level of security forces and services, effective security programs being overseen by a Security Committee made up of Palmas homeowners, good contingency plans during holidays/special event periods and an excellent coordination and cooperation from the state and municipal police force.

As it has been the track for more than six years now, no homicides, rapes, armed robberies or aggravated assaults were registered in 2005. Eleven aggressions were reported nine (9) of which were domestic disturbances. There were no auto

vehicles stolen. Twenty-six (26) burglaries and 84 illegal appropriations were reported. Burglaries remain at an all time low while there has been an increase in illegal appropriations mostly related to construction sites and employee parking. Twenty-three individuals were detained by Palmas Security and processed by the Puerto Rico Police. There were eighteen (18) golf cart accidents and nine people were rescued from drowning by the PHA Beach Patrol.

There are several important factors considered in assessing the security environment of Palmas del Mar. Among these, you must consider the steady population growth we are witnessing in our community brought about by new developments, homes being erected at individual lots and existing homeowners converting their Palmas second-homes into their primary residences. Currently there are nearly 3000 residential units already built and hundreds more under construction. Of these nearly 60 percent are being used as family primary residences. Also there has been a significant increase in the commercial services being offered now within Palmas del Mar and the corresponding number of new business establishments. Another critical factor is the ever increasing number of visitors we received at Palmas. In 2005 nearly 375,000 vehicles visited Palmas del Mar in addition to an average of 6000 construction and service related employees entering the complex on a daily basis. Taking in consideration these factors the Palmas security environment can be assessed as one of very low risk and highly secure and safe.

- b. **923 Entrance** – Bids were opened on January 20, 2006. Three bids were received. Lowest bid came in at \$483,000 and highest at \$527,000. Danny Torrellas is now working with the lowest bidder to review specifics of proposal to see if further adjustments can be made. The target is to maintain total costs at or below \$500,000 including acquisition and installation of access control equipment (\$75,000) which was the cost-figure used for the cost-sharing agreement participation between PHA and PDMPI. The objective is to get the project going by the end of February to take advantage of dry season for the movement of earth phase and the laying of foundations. Project should take approximately six months to complete.

Access control system equipment has been ordered.

- c. **San Miguel Bridge**- The bridge is under construction by the developer of the outer-marina. Support beams have been installed and the existing structure is scheduled to be removed and replaced on February 13-17, 2006. Project was delayed awaiting for PREPA to relocate main electrical lines running along the bridge. A temporary golf-cart path was built to allow access to San Miguel residents during bridge replacement work. Coordination has been effected between the construction manager and the San Miguel Board.

- d. ***Outer Marina Project*** – The developer has indicated he is ready to commence the breakwater and dredging phases of the project. An ARB pre-construction meeting was held for these two phases. Final plans for the construction of the yacht club and other supporting facilities have not been submitted to the ARB.
- e. ***Artificial Reef*** – Thalassia study by Dr. Héctor Quintero has been delayed by bad weather. He is set to go once weather improves. Dr. Alfredo Torruellas is already working with the DHI modeling program. A presentation to the new Punta Candelero owner will be made on January 31, 2006.
- f. ***Antenna Parcel*** – Cable lines have been relocated and other infrastructure lines have been identified. As soon as PREPA disconnects electricity to the site PHA will proceed with the demolition of the structure as approved by PDMPI. Pennock Plants and Design is working on the design/layout of parking and landscaping. PDMPI is working on the Deed through which parcel will be transferred to PHA.
- g. ***Christmas Parranda*** – The Parranda and Christmas party was a huge success. The Academy Cafeteria did a great job in preparing an excellent menu. A good time was enjoyed by approximately 500 people in attendance. Congratulations were extended to Dr. Lilliam Morales, Academy Director, for the great job in hosting the event.
- h. ***Main Gate Upgrades*** – Revamping of main gate areas to include landscaping, illumination and installation of an upgraded access control system is already underway. Pennock Plants is already working the landscaping phase that will include illumination and the installation of a water feature around the Ceiba tree. Also, new illumination poles have been ordered and are expected to arrive in mid-February. The upgrades for the access Control System have been ordered and are expected to arrive by the end of February.
- i. ***Homeowners Week*** – Preparations for the 2006 Homeowners Week is already underway. This annual event will be held on April 17-22, 2006. The annual meeting will take place on April 22, 2006. As in year's past activities will include golf and tennis tournaments, social events and the general assembly.

VI. OTHER BUSINESS/NEW BUSINESS

- A. ***Academy Bridge*** – Mr. Jaime Morgan indicated that PDMPI has budgeted funds for maintenance and repairs. Permanent replacement of the bridge will be part of the Academy Master Plan and the construction of the River Park Drive. The construction of the River Park Drive is tied to the development of the parcels of

land in the North side of the complex. Thus the replacement of the bridge will not be done in the near future.

- B. ***Mandarin Hotel*** – Mr. Morgan reported he is cautiously optimistic about the status of the project. The Government Development Bank (GDB) has requested that the interim construction loan be obtained from the private banking sector with a take out by the GDB. Once project is accepted by GDB and PDMPI, the GDB will pay the construction loan to the private bank or give that bank the option of restructuring the construction loan into a permanent loan with a guarantee by GDB. The private banking sector has shown a lot of interest in this project which affords the opportunity to obtain a better deal/interest rate.

In order to structure the financial arrangements, PDMPI is in the process of updating the construction cost estimates and looking into the selection process of a project management firm. Update of costs may take 3-4 months. The project is not ready for an official public announcement yet. Excellent support is being received from the Puerto Rico Government and GDB.

- C. ***PRASA Water Rates*** – PDMU has requested that Palmas be charged the PRASA industrial water rate which is lower than the Commercial rate currently being applied. The request was based on the premise that Palmas was part of the Tourism Industry. A reply denying PDMU request was received. Denial was based on the fact that all the hotels in Puerto Rico are being charged at the commercial rate. Reconsideration of this decision has been requested through a PRASA administrative review.

Mr. Lomba added that it is important to obtain the PR Hotel Association and the Tourism Company support in this issue. If PDMU's position is backed up by this organizations chances of succeeding the appeal are far better.

Mr. Lomba also reported on the results of the PDMU water well test. Recently PDMU tested a well for yield and quality. Yield was better than 800 gallons per minute. Palmas daily consumption is approximately 500 gallons per minute. Quality results have not been received. Should quality results prove favorable this water source presents a viable alternative for Palmas' water needs.

VII. NEW BUSINESS

- A. ***Letter from Juan Cruz Ricart*** – a request was received from Juan Cruz Ricart, owner of Shell Castle Club #73, requesting PHA Board authorization to post a "For Sale" sign at Shell Castle Club #73 as part of his efforts to sell that property.

After due consideration the PHA Board denied Mr. Cruz's request and reaffirmed its policy to uphold the signs restrictions contained in Article IX, Section V of the

PHA Covenants. The Board instructed Mr. Maldonado to communicate this decision in writing to Mr. Ricart.

- B. ***Motion from Delegates Committee*** – at the PHA Delegates meeting held on January 17, 2006 the following motion was presented by Mr. Gordon MacDonald, Delegate from San Miguel.

“Whereas, it has frequently been demonstrated that there is no clear and consistent policy as to organizational responsibility for the maintenance of the common properties in the community of Palmas del Mar. The City of Humacao, the developer, PDMPI, and the PHA are often cited as having a role, but too often no one willingly accepts the responsibility. (The Harbor breakwater, the bridge leading to San Miguel, the bridge on Academy Drive, the storm sewers near Haciendas de Palmas are only some examples). Homeowners have purchased their respective properties in good faith, pay taxes and homeowner’s assessments, but often have no clear recourse when problems arise. The residents of Palmas have been accustomed to think that their community is above the standards of other nearby communities and this is reflected in the initial cost of their properties and the continuing dues required for ownership. If the local municipality is the only source of funding for the community’s maintenance, Palmas will not maintain its standards and the additional expenditures of the owners will not have been duly compensated.

Therefore, a motion is made requesting that the PHA Board develop a policy as to the role of the Association in the maintenance of the common properties to include at least the roadways, bridges, pathways (pedestrian, bike, golf cart), storm drainage, utility conduits, street signage and lighting which provide safe access to, and habitable conditions for, the members; properties so that the Association’s obligations are clearly established and distinguished from those of the developer and the municipality of Humacao. This may require a revision of the PHA By-Laws”.

Mr. Julio Bague pointed out that this motion was similar to the one introduced by Mr. Juan Walter on behalf of Mr. MacDonald at the last PHA Board meeting. The thrust of that motion is what is being addressed by the PHA Infrastructure Committee. Thus he suggests that this motion also be referred to that Committee and that a response be provided once the Infrastructure Committee completes its task.

The PHA Board concurred with Mr. Bague’s recommendation.

- C. Other Items

Edd Siler asked that PHA considers cleaning the railings in the 906 road bridge close to the main entrance to Palmas del Mar. Mr. Maldonado will follow-up to evaluate the work required and then proceed accordingly.

Julio Bague expressed his concern with graffiti pains in many areas of Palmas. He suggested PHA proceeds to paint over those located in common areas. Those placed in common areas should be taken care of immediately and those within

regimes should be brought to the attention of the regime administrations. For graffiti in electrical switching units PHA should simply notify PREPA that is proceeding to clean them up by repainting them. Mr. Maldonado will evaluate and proceed accordingly.

Mr. Maldonado indicated that he is working with Ivonne Cruz and representatives from the Municipality trying to restart the recycling program at Palmas del Mar. April is the recycling month. PHA is pursuing to see if it is possible to get the program going that month. In the past the municipality would pay for the pick up and transportation costs of the materials to the recycling center. PHA has the recycling bins. The idea is to locate bins near PHA security so that they may be watched to prevent previous problems from recurring.

VIII. ADJOURN

The PHA Board adjourned at 11:00 am upon a motion by Mr. Luis Rodríguez seconded by Mr. Julio Bagué.