



TELL-E-GRAM

SPECIAL EDITION

JANUARY 5, 2018



TELLICO VILLAGE PROPERTY OWNERS ASSOCIATION

WORKSHOP AGENDA

TUESDAY, JANUARY 9, 2018, AT 10:00 A.M.

TELLICO VILLAGE POA CONFERENCE ROOM

Topic	Purpose/Outcome	Presenter(s)	Time Frame
Marketing Retail Service Solicitation Program	Update	Fred Toettcher/ Joe Bogardus	10:00a -10:45a
Fiberstream	Update	Ed Grollemond	10:45a -11:15a
Advisory Committee Selection	Appoint	ALL	11:15a -11:25a
Other			

CORRECTION

In the January 3rd edition of *The Connection* (in the article "Projects on the horizon"), the Kahite project was listed as beginning in 2020. This is not correct. The Kahite project is still slated for 2019. We apologize for this misunderstanding.

THANK YOU!

The POA would like to extend its sincerest thanks to Claire Frazer and Alan Hart. They have both been instrumental members of the Board. Claire began her service in 2009 and Alan began his service in 2012. Thank you for your continued dedication to serving the Tellico Village community!



TOP 10 FINANCIAL STORIES OF 2017

By Parker Owen, Chief Financial Officer

With 2017 now behind us, it is a good time to look back at some of the major events of the year that shaped the financial performance of the Tellico Village Property Owners Association. The year was another good one for TVPOA, with a number of significant stories that affected not only 2017, but that will have continuing financial effects over the longer term. Following in roughly chronological order is my list of the top 10 TVPOA financial stories of 2017.

1. We began the year with a budget that continued the theme of the past several years, "Repair, Replace and Renovate". The 2017 plan was mostly aimed at bringing some of our aging facilities and infrastructure back to good operating condition and appearances, with approximately 75% of the 2017 Capital Plan in support of the 3 Rs. Substantial amounts for equipment replacements included a new rough mower at Kahite, the irrigation system intake line at Toqua, and assorted other golf maintenance equipment. Our Public Services Division replaced several trucks, water and sewer equipment, and mowers. They also purchased leaf vacuum machines, collector boxes and two grapple trucks in order to bring leaf and brush pickup in-house at a substantial cost savings. The major renovation for the year was for Yacht Club interior refurbishing. The remainder, about 25% of the budget, was for infrastructure and operating improvements. There were no new amenities budgeted for 2017.

2. In January, TVPOA announced a major new service with the Summit Medical Group locating at Tellico Village. Summit Medical Group, PLLC will lease a newly constructed building for an initial 10 year term, with two 5 year optional extensions, and will make lease payments during the initial term to pay the principal and interest on a fully amortized 10 year loan, plus property taxes, insurance and exterior building maintenance. At the end of 10 years, TVPOA will own the building and land free and clear. While not originally part of the 2017 Capital Plan because the

deal was still under negotiations, we are viewing this as a standalone project, paying for itself through Summit's lease payments, and cash neutral to the rest of TVPOA's operations. It will not use any of our other lines of credit or crowd out projects from our Capital Plan and Five Year Plan. The grand opening was held on October 3 as the project was completed on time and on budget.

3. The audit of TVPOA financial statements by the CPA firm of Coulter & Justus, P.C. produced another clean, unqualified opinion by the auditors. Furthermore, the audit firm issued its required Auditor Communications Letter to the Audit Committee and noted no exceptions or areas of concern. Finally, the firm did not issue a Management Letter concerning internal controls issues because they did not identify any significant issues that warranted communication. And there were no audit adjustments during fieldwork procedures, meaning that there were no material mistakes or unreasonable estimates identified during the audit. In the world of financial reporting, this is about as good as it gets. These audit results reflect the hard work of our Accounting staff throughout the year as well as during the audit process.

4. Among this year's Board Goals was one to "Develop and Implement a Process for Tracking and Analyzing Historical, Current and Future Maintenance Costs". Claire Frazer chaired this effort with support from Board members Alan Hart and Sue Tinder. This was a strategically important study for TVPOA since fully one-half of every dollar spent can be categorized as maintenance. And of that half, 91% is accounted for within Golf and Public Works divisions. One of the most interesting findings of this study was the maintenance cost per home. The constant dollar maintenance cash cost per home is remarkably stable, almost flat, and trending just slightly upward. There is a strong case to be made that growth in homes and residents, inflation, aging and quality expectations are causal factors, meaning an increase in one causes an increase in our maintenance costs. Residential growth is generally desirable due to lower delinquency rates, more revenue from user fees, reduced supply of vacant lots and generally high property values. But, it comes at a cost in the form of more wear and tear on our roads, facilities, water and sewer systems and infrastructure. With growth in new homes and new residents, there will be new sources of revenue, but also higher maintenance costs. The good news is that this is manageable! In fact we have been managing toward this reality for many years through our reserves funding and formulas, low debt levels, and increases in the assessment rate and user fees.

5. At the July meeting of the TVPOA Board of Directors, President Bruce Johnson presented Board guidance for the 2018 budget process. The guidelines were as follows:

- Use the final 2017 budget as a starting point with no increase for inflation
- Maximum 3% salary increases tied to performance
- No change in rates and fees
- 0% increase in Assessments
- Aside from Toqua and Kahite Projects, no new amenities – unless cost neutral (e.g. boat docks)

6. Following a long and arduous process to reconcile our needs with the initial Board Budget Guidelines, the 2018 Budget and 2019 to 2023 Five Year Plan were approved on November 15 with an assessment rate of \$126.57 (2.5% increase) and a capital plan of \$1,852,500, with 83% of that amount going to equipment replacements and renovations. Additions to infrastructure, a Fitness Master Plan and design work for Toqua and Kahite Clubhouses accounted for the balance. The lower rate of increase in the assessment was offset by increases in building permit fees and water/sewer connection fees. There were modest increases in water, docks, RV storage and fitness user fees and a major increase in sewer fees reflecting pass-through of sewer treatment rates increases from LUB and TASS.

7. Following lengthy negotiations between TVPOA and Loudon County, a resolution was reached regarding the tax sale lots. Loudon County conducted its Tax Sale and will return approximately 450 lots back to the POA inventory unencumbered by back taxes. TVPOA agreed to pay taxes on these lots going forward, and will market the lots to prospective buyers and homebuilders. It is a win for both the County and the POA as a necessary step in returning these lots to revenue generating status for the long term.

8. Through the first nine months of the year a team consisting of Ken Holland and Charles Queener, both serving on the Public Services Advisory Committee, and Jeff Gagley researched and studied various methods and products to extend the life of our roads and parking lots. A result of this process was the selection of a product called HA5, which effectively combats deterioration of roads due to intense UV rays and harsh winters. In addition to HA5, a rejuvenation product called Reclamite is being used on some roads to re-balance the chemistry of oxidized

pavement, provide the ability to delay the aging process and reverse premature aging. These products help reduce the need for milling and paving, thereby reducing the long term costs of maintaining our roads in good condition.

9. Tellico Village celebrated its 30th Anniversary in August and the 10th Anniversary of the Wellness Center in October. Both of these celebrations are testaments to the long term health and growth of the Village, yet are reminders that as our facilities age, we must keep everything well maintained and growing to appeal to prospective property owners. Plans are being developed, and capital is budgeted, to design replacements for the Toqua Golf Clubhouse and the Kahite "double-wide". And expanded walking trails around the Wellness Center were built at minimal cost by volunteer efforts and Public Services support.

10. At the mid-December meeting of the Architectural Control Committee, we approved 17 new home permits, bringing the total to 149 for the year 2017. This is the highest number of new home permits since the pre-recession year of 2006, and marks the first time in ten years that new home permits have topped the 100 mark. As we saw during the budget process and the maintenance study leading up to it, this level of growth brings in new revenue, but also new costs to accommodate this growth. It is a very nice problem to have.

Despite the long range challenges of keeping our infrastructure and facilities up to date and in good operating condition, we are well positioned to meet those challenges and enhance Tellico Village's reputation as a desirable place to live and perhaps to retire. Setting aside the medical office building debt that is fully serviced by the lease payments, our current debt levels and interest expenses are at 10 year lows. Our capital equipment lease obligations are being retired and are unlikely to be renewed. Our lines of credit for TVPOA, Inc. and for TVPOA Homes, LLC have zero balances, and a combined \$1 million expandable line of credit is available for our use. The Wellness Center note, which had an initial balance of \$2.13 million in 2008, has a current balance of \$545,000. It will be paid off in mid-year 2020, freeing up a substantial amount of debt service capacity.

So in summary, 2017 was another good year for Tellico Village. The Village Marketing program is hitting on all cylinders with the highest number of visitors, Discovery Tours, prospective leads and closed sales since its inception. The Realtor partner program and builder partner program have enjoyed successful years and are looking at new growth opportunities. We maintained and renovated some aging facilities and infrastructure that will now provide many additional years of service. We generated positive cash flow from operations, continued to pay down debt and we increased our reserve balances. With some late year cash infusions from collections efforts and the sale of surplus property, we are finishing the year with strong positive net income and will far exceed our budgeted cash flows. Our financial strength and stability continue to be strong selling points as we market the Tellico Village brand to prospective buyers.

To each of the property owners of Tellico Village, I hope that you too have had a successful 2017, and I wish you and your family a very prosperous, healthy and Happy New Year!

IT'S THAT TIME OF YEAR AGAIN...

Below is information on how and where you can vote for Tellico Village as the best place to live. As part of the process, you will be asked to enter your email address to verify property ownership status. You need not to worry about privacy issues. According to Margie Casey at www.RealEstateScorecard.com, "These email addresses are not being added to our marketing database and will not be shared with any third party."

VOTING RULES:

- Submissions will only be accepted from property owners of record.
- Property owners are to submit their vote online at www.RealEstateScorecard.com
- To quickly vote, click the orange medallion 'Vote Now' on the left side of the upper image. The voting medallion will not show up on mobile devices and tablets.
- Only one vote per property address will count.
- Property owners can choose to vote anonymously.
- Submission deadline is February 12, 2018.

The comment section is the most important part of the Bliss Award ballot. So let's get out there and vote! Voting takes less than a minute. It's a great way to make a positive contribution to the marketing/communications program for Tellico Village. All you need to do is just "Tell'em it's better at Tellico Village."

