

A LETTER TO THE COMMUNITY REGARDING THE HOLLIN HILLS SWIM CLUB

For the past several months, the CAHH Board has spent countless hours trying to get a better understanding of the relationship of the Civic Association and the Hollin Hills Swim Club. This effort has stemmed, in part, from questions and concerns that have been raised by some members of the community who have had a long history with the Swim Club and have been past officers of the CAHH. They believe that key aspects of the management of the Swim Club have placed the Swim Club and the Association at great financial risk and that actions need to be taken to prevent financial hurt to the community. I am writing this article to explain the situation and to minimize the impact of rumors that seem to be circulating the neighborhood – and, maybe, to get a few things off my chest.

A brief history might be helpful here. Shortly after the development of Area 1 of Hollin Hills, members of the community decided to establish a swimming pool for residents only. The financing of the pool back then was largely from the contributions of residents. The Swim Club was owned and run by the CAHH.

As Hollin Hills grew, the capacity of the swimming pool was tested and money was again collected from residents to help finance expansion. The expansion, however, was not big enough to serve the ever-growing community so a few years later, a second swimming facility, Hollin Meadows was built. Unlike the Hollin Hills pool, Hollin Meadows was not financed in the same way. It was and still is an independently owned and run operation.

In the late 80's, tired of the task of running the pool and managing other civic association activities, the CAHH decided to formally create a separate incorporated entity (the Hollin Hills Swim Club) to provide day-to-day management. The Articles of Incorporation set out that the Swim Club existed to serve Hollin Hills residents but that non-residents could join the club as well. The Swim Club Board was to be elected annually and a majority of those individuals were to be Hollin Hills residents that were Civic Association members. All members were to pay a capitalization or initial entry fee. Based on my research, it appears that at least one of the Incorporation requirements (annual election of officers) has not been met for many, many years. (A formal election of Swim Club officers is being held this November.) The Corporation was to also have By-Laws. No By-Laws were ever established. (New By-Laws were recently drafted and are currently being circulated for comment. They should be voted on by the CAHH and Swim Club in November)

By the late 80's, the pool was about 35 years old and needed capital to make improvements. Fees and cash donations (assessments) from residents were not enough to cover needed

improvements and the Swim Club was at risk of not opening in the summer of 1988. The Swim Club could not, on its own, qualify for a mortgage so, in 1988, CAHH members voted to mortgage the pool facility/land and obtained a \$35,000 loan from Burke and Herbert Bank. The CAHH obtained a promissory note from the Swim Club and via a formal mortgage resolution set out specific requirements that the Swim Club was to meet so that the CAHH could be assured of its sound financial health and management. These requirements included maintaining a reserve for depreciation adequate to maintain the value of the pool, providing an annual budget, providing quarterly financial statements, providing an annual audit of the Swim Club's financial statements, and inviting a member of the Civic Association to each meeting of the Swim Club Board. Here, again, based on my research, it appears that, other than occasional financial statements, the requirements have not been met or consistently met. For example, it looks like an audit has never been done of the Swim Club's financial records. (The Swim Club has agreed to provide all available documents for such a review.)

In 1990, the CAHH entered into a 15-year lease arrangement with the Swim Club largely to ensure that it paid real estate taxes, refuse taxes, liability insurance, and maintained the property consistent with CAHH Design Review Standards. The 15-year lease was, according to some, linked to what was believed to be the life of the existing mortgage. This lease is due for renewal in October 2005. The language of the lease, the 1988 CAHH Mortgage Resolution, the Swim Club Articles of Incorporation and the CAHH By-Laws are not consistent.

In the three years that I have been a CAHH Board member, the Board has relied on the CAHH By-Laws as the guide to requesting information from the Swim Club. The CAHH By-Laws do not fully state the requirements set out in 1988 and, therefore, current and past CAHH Boards have not been adequately aware of the oversight requirements envisioned in the original mortgage resolution. The current Swim Club officers have been extremely forthcoming in providing the Board with financial information and have readily met with us on many occasions to discuss the health of the pool and ideas for its future. However, they, too, have suffered from poor past record keeping and inherited few, if any, documents to guide their activities.

According to one CAHH Treasurer's memo, the 1988 mortgage was intended to be a 15-year note but Burke and Herbert Bank insisted on executing a series of three to five notes with balloon payments at each maturity. While I was not able to find complete records of all the subsequent renewals, they apparently occurred

without any further discussion with CAHH members or without always obtaining a new promissory note from the Swim Club committing it to pay the mortgage. In 1992, the balance was \$30,000 and was renewed, according to a Treasurer's memorandum. Then in 1995, when it was up for another renewal, the CAHH Board approved its renewal (the balance being \$25,000) without further action from the community and without a promissory note from the Swim Club.

In 1998, the CAHH Board faced growing concerns about the physical condition of the Swim Club. A CAHH President's memo at that time indicated concern about the Swim Club's continued operation without additional financial assistance. His memo openly discussed issues of poor management that had plagued the pool and noted his and the Board's inability to work with the Swim Club officers to address Board concerns. With the help of a CAHH Task Force, actions were taken to try and bring the Swim Club into conformance with the Articles of Incorporation and the 1988 mortgage resolution requirements and, on that basis, the CAHH Board entered into another mortgage, for \$35,000, paying off the remaining debt and providing additional capital to the Swim Club. This mortgage was for 5 years at 9% again with a balloon payment in March 2003. There are no records to indicate the CAHH Board took this action to the General Membership but, by resolution of the Board members, executed the loan. There is a promissory note from the Swim Club for the 1998 mortgage.

Enter the current Board. In March 2003, the Burke & Herber Bank and Trust notified us that the balloon payment was due. The Hollin Hills Swim Club had paid down about \$7,000 of the principal so that the remaining mortgage amount was \$27,850.15. Because of the historically low interest rates at the time, Paul Bender, the CAHH Treasurer, and I felt we should try to get a change in terms so that we could all benefit for the dropping rates. In reviewing past Treasurers' files, it was clear that the original mortgage had been consistently renewed when due and that no community action had been sought in all 3 prior renewals so we signed the renewal with a lowered interest rate of 6%. Paul and I made the decision to renew largely for two reasons beyond the historical renewal actions of past CAHH Boards. We saw that the Swim Club had never missed, been late or defaulted on any of their payments (their payments are made directly to Burke and Herbert) and they were in the best financial condition in their history with over \$16,000 in the bank. We also knew that the physical condition of the pool facilities had been much improved over the last three years and that

everyone we spoke with complemented the work of the current Swim Club Board. Finally, in the very unlikely event that the mortgage liability fell on CAHH, we knew that the financial condition of the Association was the best it had ever been with over \$50,000 in the bank. Our numerous conversations with various Swim Club officers over the past three years demonstrated to us a willingness on the part of the Swim Club to work hand-in-hand with us on issues and that they were open and extremely committed to the Swim Club and the community. That situation continues today. According to many people, the Swim Club is better today than at any time in its history.

In trying to respond to questions raised about the Swim Club's operations, the Board learned that the Swim Club had suffered from the same institutional memory problems as the Civic Association. When the current Swim Club officers took over the management of the pool, no records or files were provided to them. They were not given documents or records so their efforts were focused on improving the quality of the pool's operation. Unbeknownst to them, the Swim Club's incorporation documents had lapsed. In August 2003, the Swim Club was reinstated with the State of Virginia.

What I have learned from all of this is that, as in many organizations like ours, institutional memory is often not readily available or very good, the transfer of knowledge from one Board to the next is, at best, very limited, and that the community needs to rely on its elected officials to act in the best interest of the community. Some are now questioning why I signed the March 2003 refinancing and why I did not first call a "Special Meeting" to take the issue to the General Membership for a vote. Quite honestly, I acted in the same way most of the past Presidents acted when faced with the same situation.

I believe, we need to ensure that a mortgage we hold and are liable for is sufficiently protected and successfully paid off. I don't necessarily know if the requirements put in place years ago are good or sufficient to ensure good oversight because they were never really followed by the pool or past CAHH Boards. While some may feel it is sufficient to know that the pool continues to make its payments and has never been late or defaulted, the issue remains that the CAHH, in good faith, agreed to hold the mortgage in exchange for certain assurances and those assurances have not been regularly met. Also, by past Boards and Paul and me, extending the mortgage, the CAHH did not have a chance to hold accountable the pool for those requirements or to decide that it no longer wanted the same financial relationship with the pool. For the members of the community that have long been committed to the pool, the carrot and stick of lending the pool money but having the pool meet its requirements was lost. Therefore, this issue has been placed on the November 18th General Membership Meeting Agenda so that it can be discussed with everyone.

I am also asking several past CAHH presidents and officers, who have been most vocal in expressing their concerns, to be members of a Swim Club Committee of the Board. They, more than anyone else, should be in the best position of knowing what has or has not worked in the past and may have the time that is urgently needed to quickly address these issues to the satisfaction of the Board and the Association. These issues have occupied an inordinate amount of time for the Board at the unfortunate expense of other pressing issues that are important to a broader base of the community.

for nearly fifty years, the Swim Club has provided a valuable service to the community and to its members. The pool is a wonderful respite

ISSUES

1. The Swim Club incorporation needs to be renewed
2. Formal election of Swim Club officers
3. Formalize Swim Club By-Laws
4. Conduct audit of the Swim Club records
5. Establishment of the Swim Club Committee to review incorporation and mortgage-related requirements, establish a process for meeting those requirements, draft a lease and make recommendations to the Board in time for action at the November 18th General Membership
6. Obtain Swim Club Promissory Note for current mortgage
7. Correct Corporate Resolution Documents possibly illegally signed by two past CAHH Presidents and Boards
8. Obtain approval (retroactive) for mortgage renewals that occurred in 1992, 1995, 1998, and 2003 from the CAHH Membership

FIXES

- Completed 8/4/03
- Scheduled 11/03
- Drafted and out for comment 8/03
- Committee being established 9/03
- 9/17/03
- Working with Swim Club Board 9/25/03
- 10/03
- 11/18/03

for both young and old in our neighborhood. I am fearful that the tone and manner in which some of the Swim Club concerns are being expressed endanger the future of the Swim Club and the involvement of many, very able and conscientious people. Frankly, I am also at a loss to understand why some members of the community are more concerned now than they, apparently, have ever been with the Swim Club and its relationship with the Civic Association. The risk to the Association is less today than at any time during the past 15 years. Having said that, as President of CAHH, I want to address the issues that should be addressed and move on....quickly...please...to topics like the future of Mount Vernon Hospital, better maintaining our parks, increasing crime prevention in the neighborhood, and, maybe, having more fun.

—Judy England-Joseph, CAHH President

At its September 17 meeting, the following resolutions were made by the CAHH Board regarding the Swim Club.

- Resolution to accept the entire contents of the letter written by the CAHH President describing the history and issues surrounding the Hollin Hills Swim Club and endorsed all of the recommendations including the establishment of a Special Committee of the Board to address Swim Club issues. The Board resolved to published the letter, in its entirety, in the September edition of the Hollin Hills Bulletin.
- Resolution to endorse the actions taken by the President and the Treasurer in March 2003 in refinancing the Swim Club mortgage.
- Resolution to obtain a promissory note from the Swim Club for the mortgage that would include the requirements stated in the 1988 Mortgage Resolution passed by the CAHH General Members.