

# Dauphin Island

## PROPERTY OWNERS ASSOCIATION

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### August/September 2011 Newsletter

Dear POA Members,

You are likely receiving an abundance of communication relative to the state of the POA, what's being done or not done, whether we are on the verge of bankruptcy, etc. We caution you to be circumspect as you receive these emails, postings, and rumors, because much of what's being said is misleading if not inaccurate. So we want to take this opportunity to explain where we are, what we are working on and planning for, and what some of the possible outcomes may be. We will also remind you of upcoming events at our facilities and the September Board of Director's meeting. So read on!

**Dues.** You should have received a dues statement in the mail last week or thereabouts. The dues letter described the serious financial situation that we find ourselves in and asked for your support as it is needed now more than ever. We also asked that you pay more than the basic \$100 if you possibly can. Many of you received emails from Island Watch urging you to withhold your dues payments-- thereby adding to the difficulties that we are facing--presumably for the purpose of causing the POA to collapse. Island Watch's motives are not clear to us but they are in our opinion definitely not acting in the best interest of the members of the POA. You may also have received an email from Kelby Linn of ACP Real Estate--a sequel to his earlier, very positive, ..."glass is half full..." email--urging members to pay dues and suggesting why the survival of the POA is important for our island community. We take this opportunity to say "Thank You Kelby"! While still too early to fully assess, we are receiving a robust stream of dues payments--many above the \$100 level--so we're optimistic. We'll explain below why dues income is critical.

**Dealing with our Financial Challenges.** The need for a long term improvement to our asset operation--particularly our golf operation--has been apparent for years. We've made efforts to find some kind of investment/operation partner with the resources to make necessary improvements, and the expertise to manage the facilities efficiently so as to create a viable operation. We've come close to finding such a time or two over the last, say, ten years; but owing to hurricanes, oil spills, the economy, the general waning of the golf industry, etc., we've not been successful. We're continuing to look for the right solution.

So in the meantime we've operated with subsidies from POA equity which is not at all uncommon for golf operations--most require infusion from dues, assessments, lodging receipts, taxes, etc. --but we scrimped and over time the course has steadily declined and become less attractive. The presence of the \$1.2 million trust enabled us to continue to operate for years--but only \$400,000 of that corpus remains, and that is not available for POA use until 2013. Our regular operating

account is just over \$100,000, and while we are adding to it with dues and royalty income we can't continue as we have indefinitely—we have to take cost out of the operation and/or add significant income in the near term.

In 2010 we adopted a business plan which included taking the grill, pool, main clubhouse, etc. back under POA control (some or all of these had been leased to private operators in the past) with the idea of improving our golf operation indirectly and at the same time receiving income from the sale of food and drink with the net effect of bringing operations to at or near break-even. The combined effect of the BP oil crisis, the economy, and higher than expected start-up costs, have caused us to rethink that approach and while we have not yet made a final decision, it is likely that we will cease to operate the facilities in house and return to the practice of leasing the various facilities. We are encouraged by the possibility of an arrangement with the State and will explain that below.

So at present we're working on various short term budget scenarios that assume some level of scale back -from open 5days/week all the way to closing and "mothballing" everything. At the same time we're ramping up our efforts to find a suitable long term solution for the golf course. While the numbers are not all in and the analysis ready, we will say that we favor a plan that will keep the golf course open -even if at significantly reduced days/hours—if possible. We favor that, because a going concern is simply more attractive to a potential partner/investor than one that is "boarded up". Further, as Kelby Linn pointed out, the course, even in its stressed condition, is important-- even essential—to the success of the snowbird season on the island. And, there is a feeling among many real estate professionals that closing the course would have a noticeable downward effect upon property values. Even so, we will await the final budget scenarios prior to making a decision beyond our normal seasonal scale back. We expect to make this decision at our September meeting.

**A State of Alabama Park on Dauphin Island?** Governor Bentley recently visited the island and was presented a letter from the POA indicating our interest in discussing the possibility of transforming our golf course -and our other adjacent facilities (not our pocket parks) if need be—into a State Park. Much detail to be worked out of course but the concept is appealing to the board for a number of reasons: it would remain a public facility available for our members to enjoy (we would require that); the State has the largess to make improvements, maintain, and staff the facility beyond what we've been able to do; the State would be in line for FEMA funding in the event of storm damage; it should improve -certainly not hurt—property values; and it would help politically by having the State more vested in Dauphin Island. We have been given a contact individual by the Governor and we will pursue talks forthwith. But whether we do this or any similar deal, we need to amend our constitution, deed, and maybe our zoning.

**Need for a Constitutional Amendment and Deed Revision.** The current version of the POA Constitution Article II, Section 2.2(d) sets forth conditions for encumbering property ( super majority of board and membership, etc) but then goes on to read that the property owner's beach, subdivision lots, and parks, can not be encumbered—this includes the most desirable arrangement of a long term lease. This restriction includes all of the POA property, so the language is confusing at best. Some say that it was never intended to be styled the way it is—but most agree it's clear in what it states and that to enter into a lease or other transfer so as to make the State Park concept work we will need an amendment. Further, the deed contains the "members only" clause with which we should all be familiar as it was part of the last election. So we will need to somehow modify the deed or render the restriction unenforceable as well. The board is working on the exact

language of a constitutional amendment and will likely vote at the September meeting to present it to the membership in the near future.

At the same time we will prepare to modify the deed language if the amendment passes. Keep in mind—constitutional amendments require a 2/3 majority for passage. If we don't pass an amendment, we are very likely sealing the fate of the golf course -i.e. it will most likely be shut down and the property would become a park of sorts. This is a very important issue deserving your understanding and involvement—so stay tuned.

**Coming Events.** Labor Day weekend will be here or near when you receive this but even though it's short notice there'll be music at the Cabana Friday, Saturday, and Sunday. Also local singer/songwriter Billy Compton will be in concert in the Wheel room on Friday Sept 9. Consult the POA website or call the office for details.

**Next Meeting** The next meeting of the POA board of directors is scheduled for Saturday, September 10, at **9:00 AM**, at the clubhouse. As you can see, this is an important meeting where much will be discussed and hopefully decided. So we hope you'll attend.

**Jack L Gaines II, Acting President**

**DIPOA Board of Directors**