

POA Governance Committee

Final Report

*Recommendations of the Big Canoe Property Owners
Association Governance Committee*

September 15, 2010



This final report of the Big Canoe POA Governance Committee presents a summary of the processes used and the recommended governance model for the Board and Management of the Big Canoe Property Owners Association.

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Foreword

The Governance Committee recognizes that the POA Board and Management have already begun to implement changes in their current governance practices. Many of these changes parallel or anticipate what is described in the model that is being recommended to the Board. Because the Committee's charter did not include a comprehensive evaluation of current governance practices and structure, it can be expected that the recommended model will have many areas where current Big Canoe governance practices overlap. The recommended model is intended as a comprehensive description of the elements and indicators of a model most suitable to Big Canoe.

Executive Summary

Every shared ownership community similar to Big Canoe has some form of a governance model. Some have been developed in a casual, informal way, while others have been adopted because of prior exposure to a specific model. As a result, a governance model can lack internal consistency or poorly describe the unique roles and responsibilities of the board, management and the membership. This can result in confusion and unrealistic expectations at all levels. It can also result in governance practices that are inconsistent and change when new leadership takes charge.

A well designed governance model can provide the following multiple benefits to the Big Canoe Community:

- A common vision for how Big Canoe is governed.
- An objective structure and documented processes.
- Uniform governance practices to maximize efficiency, control costs, increase productivity and maintain staff morale.
- Clearly defined roles and responsibilities for all stakeholders in the community,
- Well-defined criteria for facilitating board decisions.
- A template for strategic planning.
- High levels of trust and confidence in the board by the community.
- Effective two-way communication paths between the POA Board, staff and the community.
- Effective tools to inform the community of issues, needs and board decisions affecting Big Canoe.

The Big Canoe Hybrid Governance Model

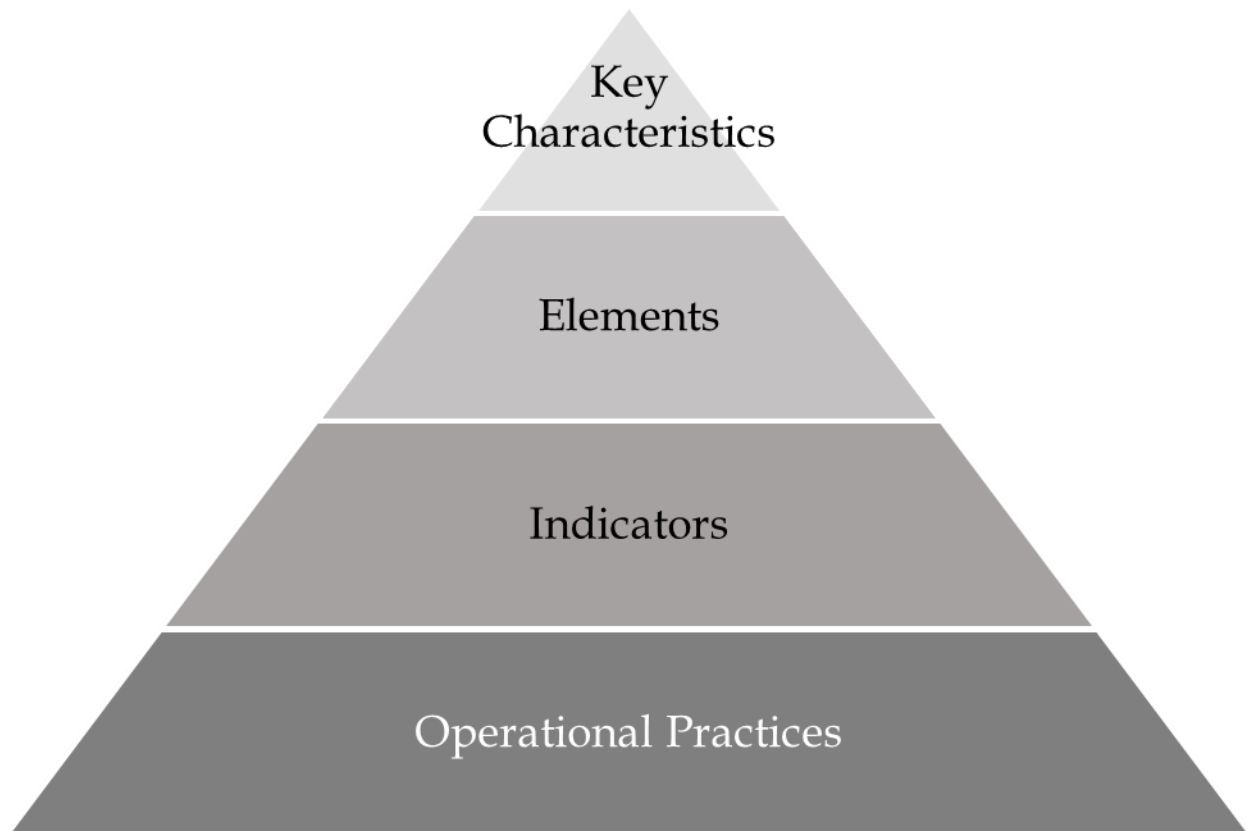
The Governance Committee identified specific components that make up a good governance model: **Characteristics**, **Elements** and **Indicators**. These components were developed through extensive literature review and interviews, and were supplemented with earlier work done by Leadership Big Canoe.

- **Characteristics** define the overarching values and context of the governance model that was developed for Big Canoe, and provided guidance in the choice of the elements of the model.
- **Elements** provide the structure that make up the model. The Committee identified seven elements, which are identified later.
- **Indicators** are guideposts that help the board and management determine whether a particular element of the governance model is functioning effectively.

In addition the Committee identified **Operational Practices** that describe how the indicators can operate effectively within the Big Canoe community.

Big Canoe Hybrid Model

The process and model are summarized in the following graphic to depict the Big Canoe Hybrid Governance Model.



The universal **Key Characteristics** that provide the overarching basis and context for good governance are:

1. Participation

Provides all men and women with a voice in decision-making.

2. Rule of Laws, Covenants, Bylaws, Rules and Regulations

Provides a regulatory structure for impartial enforcement.

3. Transparency

Builds trust based on the free flow and access to information.

4. Responsiveness

Timely action of institutions and processes to serve stakeholders.

5. Consensus Orientation

Differing interests are mediated to reach a broad consensus (acceptance) on what is in the general interest of the community.

6. Equity and Inclusiveness

All men and women have opportunities to become involved.

7. Effectiveness and Efficiency

Processes and institutions produce results that meet needs while making the best use of resources.

8. Accountability

Decision makers are accountable to internal and external stakeholders.

9. Strategic Vision

Leadership provides a clear map to successfully reach long term goals.

These **Elements, Indicators** and **Operational Practices** were the basis for the model developed for governing Big Canoe. The model can be used to benchmark current practices and identify areas that may need formalization, improvement or new practices. The model can also act as a vehicle to focus member's suggestions, concerns and ideas clearly and effectively to the POA board and staff.

The **Elements** that provide the structure of the model, with their corresponding **Indicators** and **Operational Practices**, are summarized in the following:

Element 1: Constituent Involvement and Relations

Benefits: The ability of the organization to serve and engage its constituency in a strategic, transparent and enabling capacity.

Indicators of Effective Constituent Involvement and Relations

- A. The character of the community is actively sustained, enhanced and promoted.
- B. The inclusion of diverse viewpoints and representation adds to organizational value.
- C. The organization has clearly stated the entitlements, limitations and expectations for all constituents.
- D. The organization has mechanisms in place to facilitate input from its constituency.
- E. All levels of the organization operate in a transparent manner.
- F. The organization has a clearly defined process for input and grievance, and an effective and timely manner in which to follow up and communicate its response.

Operational Practices

Character and Culture Engagement

1. The POA, through policies and actions, actively promotes retention of the character and culture of Big Canoe.
2. The POA promotes and educates the community about the bylaws, covenants, owner responsibilities, character and culture of Big Canoe.

Constituent Participation and Responsiveness

- Constituents and stakeholders are actively encouraged to participate in POA activities and functions.
- The POA employs proactive mechanisms for communicating to members and obtaining constituent input, response and consent. It also provides timely feedback to constituents.

Transparency

- All POA functions operate in a transparent manner in relation to constituents,
- Formalized processes are followed to ensure transparency of decisions and operations at all levels of the organization.

Element 2: Board Structure and Organization

Benefits: Clearly defined Board roles and responsibilities in relation to its constituency, strategic direction and multiple responsibilities.

Indicators of Good Board Structure and Organization

- A. The Board has a formal process for developing the strategic direction of the organization, including developing, implementing and updating its Strategic Plan.
- B. The Board has documented statements and policies that define how it conducts its business and defines its roles and responsibilities.
- C. The Board follows all applicable governing documents in conducting the business of the community.
- D. The organization maintains an effective leadership base with an adequate and responsive process for appointments and term of office.
- E. The Board has documented statements and policies for ethical behavior and conflicts of interest.
- F. The organization has an effective and well defined committee structure.
- G. The Board utilizes processes that support the transparency of its decisions and actions.

Operational Practices

Strategic Direction

- The POA Board, together with management, the developer and constituents uses formalized processes to establish, implement and update a strategic plan that defines the vision, mission, goals, values and objectives for Big Canoe.
- The strategic plan is publicized to the entire community as a way to ensure transparency.
- The strategic plan is updated on a regular basis to account for any changing conditions.

Board Organization and Policy

- There are clearly defined and documented leadership roles for the Board President and the GM, as well as clearly defined and documented roles and responsibilities for board members.
- The Board has clearly defined and documented policies that describe responsibilities, authorizations and limits in relationship to actions taken on behalf of the POA membership.

Committee Structure

- The POA Board uses a committee structure that engages property owners with clearly defined charters and protocols that define the scope of work, responsibilities and limitations of each committee.
- The structure and process are monitored and adjusted as conditions warrant change.

Element 3: Management and Oversight

Benefits: Clearly defined management responsibilities and objectives that contribute to organizational effectiveness and the management of people.

Indicators of Good Management and Oversight

- A. There exist clearly defined roles, responsibilities and accountability for all relevant levels of management.
- B. Operational plans exist that define success factors and describe how strategic goals and outcomes will be accomplished.
- C. Performance measures are defined, monitored, evaluated and updated on a regular basis.
- D. Policies and practices enable the attraction and retention of qualified, motivated and skilled employees, and enable effective management of people.
- E. The personnel system is based on principles of fairness, equity and diversity, which are consistent, transparent and impartial.

Operational Practices

Organizational Structure

- Established policies support the distinct responsibilities, authorizations and delegations of the board and management.
- The organizational structure clearly defines and supports effective working relationships between the Board and Management.

Planning and Evaluation process

- Management's annual operational planning process has the capacity to imbed strategic plan goals and objectives.
- Appropriate metrics and evaluation processes are used to track and measure progress.

Staff Support

- POA management employs evaluation processes that are impartial and equitable, and that operate at the line, management and executive levels.

- Adequate feedback processes are employed to identify and resolve issues in personnel management practices.

Element 4: Financial Management and Oversight

Benefits: The means by which the organization safeguards its financial integrity, transparency and accountability.

Indicators of Good financial Management and Oversight

- A. Structured processes are in place, both at the executive and Board committee levels, to monitor and audit financial performance against budget and strategic goals.
- B. Financial and budget processes are transparent and are communicated effectively to the organization's stakeholders.
- C. Appropriate financial transactional limitations are assigned to all levels of the organization (Membership, Board and Executive).
- D. Processes ensure the proper recording of financial transactions consistent with applicable accounting standards.

Operational Practices

Financial Integrity and Accountability

- The POA Board provides guidelines and parameters on the yearly budget development that are in accordance with the mission, objectives and goals of the Strategic and Operational Plan.
- There are established uniform procedures and processes for monitoring, tracking and controlling expenditures, with appropriate approval levels clearly specified.
- The Board has clearly defined policies that describe its responsibilities, authorizations and limits in relationship to any financial actions taken on behalf of the POA membership.

Financial Transparency

- Financial and budget development processes are open and transparent to the community at all levels.
- Financial materials and reports are easily accessed by constituents to help them understand the budget and financial conditions of the Big Canoe POA.

Element 5: Risk Management

Benefits: The processes and structure the organization uses to identify, evaluate, quantify and manage its risks.

Indicators of Effective Risk Management

- A. Policies exist for the governance and management of material and financial risks.
- B. Risk exposure is evaluated and remediation plans are implemented.
- C. Preventative measures are identified and assigned.
- D. Risk management is assigned to appropriate responsible parties.

Operational Practices

Risk Identification

- The POA has a methodology to identify risk within all dimensions of the organization and community (Finance, personnel, facilities and infrastructure, public safety, external issues).
- Areas of risk are assigned to appropriate parties, such as third-party insurance companies.

Risk Evaluation

- The POA has formalized processes and procedures to evaluate risk and establish a plan of corrective action.

Risk Mitigation

- The POA has suitable resources and infrastructure to mitigate risk once it has been identified and a corrective action plan developed to manage the risk mitigation.

Element 6: Communication

Benefits: The organization communicates with all parties in a way that is clearly understood, accessible, open and responsive.

Indicators of Effective Communication

- A. The organization has a strategy that drives its communications.
- B. Processes ensure proactive, transparent and responsive internal and external communication.
- C. Processes ensure public interest disclosure, freedom and integrity of information and in preventing unauthorized, false or premature disclosure.
- D. Board and Management inform the community in advance on major issues and provide timely and accurate information.

Operational Practices

Communication Plan

- The POA has a communication plan that identifies the strengths and weaknesses of the current system along with ensuring that that the POA has the capability to communicate effectively with all stakeholders.

Proactive Communications and Feedback

- The POA has a communication system that provides timely and accurate information to the community in advance on any major issues that affect the community.
- There are clearly defined processes for property owners to communicate suggestions, problems and or issues to the board or management that includes formalized feedback to close the “loop” on a timely basis.

Open Records

- Records from Board and Staff meetings and work products are made easily available to constituents.

Element 7: External Relationships

Benefits: The degree to which the organization's relationship with external parties is clear and in compliance with all governing documents.

Indicators of Effective External Relations

- A. The organization has established and maintains relationships with local media, elected officials, community leaders and public/private sector organizations where appropriate.
- B. Responsibilities are defined for the Board and/or Management with respect to external parties.
- C. Communication management processes are in place with external parties.
- D. There exists a monitoring system for external relations.

Operational Practices

Identify Key external influences and groups affecting Big Canoe

- The POA employs processes and procedures to identify external influences and groups affecting Big Canoe.
- There is a formalized system to participate with and report on external influences and groups affecting Big Canoe.

Advocate Role

- There is a process or formalized relationship with the Home Owners Association (HOA), to provide advocacy outside the gates for issues that affect Big Canoe.

Protecting Management External Operational Relations

- Management is responsible for external relations with outside parties that relate to operations and the coordination of business.

Specific Recommendations:

Summary of Recommendations from the Governance Committee to the POA Board:

1. Adopt the Big Canoe governance model defined in this document and establish as board policy.
2. Establish an ad hoc Board Committee to oversee and provide advice on implementation of the governance model. This committee should be headed by a board member (and possibly include one other board member), with the remaining members appointed by the board from property owners having backgrounds in senior management, finance, human resources, etc. The term of this committee should last until the Board determines that the governance model has been successfully implemented.

Preface – Background Information on Governance

It is necessary to fully understand the basic concepts of governance before making any attempt to enhance the current governance structure. A Big Canoe Transition document¹ contains an excellent summary of governance basics, and parts of that document are summarized in this preface.

A simple definition of governance

"The art of steering societies and organizations." Governance is about the more strategic aspects of steering and making the larger decisions about both directions and roles. Steering suggest that governance is a straightforward process, akin to a steersman in a boat. However, governance is neither simple nor neat - by nature it may be messy, tentative, unpredictable and fluid. Governance is complicated by the fact that it involves multiple actors, not a single helmsman. These multiple actors are the organization's stakeholders. They articulate their interest; influence how decisions are made, who the decision-maker is and what decisions are taken. Decision-makers must absorb this input into the decision-making process. Decision-makers are then accountable to those same stakeholders for the organization's output and the process of producing it.

Governance relates to decisions that define *expectations*, grant power, or verify performance². It consists either of a separate process or of a specific part of management or leadership processes. In the case of a non-profit organization, governance relates to consistent management, cohesive policies, processes and decision-rights for a given area of responsibility. In terms of distinguishing the term *governance* from *government* - "governance" is what a "government" does. Governance is the kinetic exercise of management power and policy, while government is the instrument (usually, collective) that does it.

Working definition for the governance of an organization: The process by which stakeholders articulate their interests, their input is absorbed, decisions are taken and decision makers are held accountable.

Basic Components of a Governance Model

A model of governance may be defined as a coherent set of policies and practices related to governance. A governance model is a particular approach to governance that is defined by the following attributes: a set of structures, functions and practices that define who does what, and how they do it. These attributes typically relate to the role and relationships of the board of directors and the senior staff member of an organization [Chief Executive Officer (CEO), Executive Director or General Manager (GM)].

Structure consists of the legislative framework under which the organization is created (its legal mandate), the bylaws, covenants and governance-related policies created by the board to define how it will carry out its responsibilities, and

¹ Big Canoe Transition" document, produced by Transition Governance Sub-Committee, 2004

² Wikipedia, definition of 'Governance', <http://en.wikipedia.org/wiki/Governance>

the general rules under which it will operate. Structure, for example, refers to the parameters for selection and operation of the board and CEO/GM.

Functions constitute the "what" of governance - what different players do. The responsibilities of the board may be described under headings such as planning for the future, financial stewardship, human resources, performance monitoring and accountability to key stakeholders.

Practices concern the "how" of governance - how functions are exercised and the organizational context in which they occur. They include board development, management of board work and meetings, managing conflicts of interest, managing volunteer board members, etc.

These areas may overlap with each other to some degree – the categories are not airtight - but together they define the main parameters of how governance works in a given organization.

Governance for Big Canoe

1.0 Introduction

In March, 2009 the Directors of the Property Owner's Association (POA) Board determined that a review of the current form of governance should be conducted and appointed the current governance committee. This review should look at the existing state of governance in Big Canoe and make recommendations on what's currently effective, what can be done to improve or build on the current model or propose an entirely new governance model. The Board appointed John Farris and Steve Brazen as Co-Chairs and ran ads in Smoke Signals describing this committee and its charter and encouraging interested volunteers to attend the first meeting on June 16, 2009. After the first meeting, everyone who accepted the one year commitment became a member of the committee

1.1 Committee Charter

The purpose of the Governance committee was to develop a governance model for the Big Canoe Property Owners Association. The proposed model must be compatible with applicable Georgia law, the Association's General Covenants and Restrictions and its Bylaws. Members of the committee must be property owners in good standing in the Big Canoe POA with an interest in Big Canoe governance. This committee is advisory only and reports to the POA Board. The governance committee was chartered for one year from March 2009. An extension to this charter until the end of September 2010 was approved in May 2010.

The expectations of this committee were to take into account the desires of the members of our community for transparency and accountability in POA affairs, explore governance models as a whole as well as those in use by communities similar to Big Canoe. Finally, the committee would propose a specific governance model for Big Canoe in writing with appropriate graphical depiction of relationships within the model and detailed recommendations for implementation of the model.

1.2 Project Team

The project team consists of Co-chairs Steve Brazen and John Farris, Group Leaders Cecil Schneider and Sandi Smalley, and committee members Phillip Anderson, John Bridges, Elizabeth Mauldin, Ardis McCain, Charlie Ragonesi, Gerry Schneider and Susan Willson. Rich Andersen served as the committee's Board Liaison and Tom Wardell as the committee legal consultant.

1.3 Why Explore Governance Models Now?

Big Canoe is now four years into the transition from a developer-dominated association to one that more fully represents property owners. The community itself is an evolving, ever-changing, growing system and the current economic downturn puts enormous pressures on this system. By improving policy and decision-making processes now and in the future an effective governance model will contribute to the success of managing growth, on-going services, budgets, personnel and resources. Furthermore, Big Canoe

is part of an even larger community, i.e., counties, regional, state and federal. This larger community, along with the pressures of “outside the gate” development and zoning, will have an impact on how Big Canoe is managed.

1.4 Scope of This Project

A term that immediately comes to mind in any discussion of governance is “Stakeholder”. The meaning of this term can vary as a function of the audience. In this document, “Stakeholder” is used to refer interchangeably to the following parties who have a stake, or vested interest, in Big Canoe (See Appendix A for further information):

- Property owners – parties who own any type of property within Big Canoe: Homes, Condos, Timeshares, lots.
- Constituent – Those who have voting rights in the POA, such as electing the Big Canoe POA directors. This includes all property owners and the Developer.
- Developer – The Big Canoe developer, who has various types of interest in Big Canoe as defined in the Big Canoe POA Articles of Incorporation.³
- Community – The term Community is used at times to refer to either the internal (Big Canoe) or external community (outside the gates, such as nearby property owners, businesses, city and county governments, etc.).

The committee will recommend a governance model that will build on the current board policies and guide the community and board in the future. The recommended model will not include “How” the recommendations will be implemented or a formalized timeline since this will be the work of a separate implementation process headed by the board.

Note: The committee has gone to great detail to explore, develop, prepare and categorize the structure and processes for a governance model that best serves the Big Canoe community. Any examination of governance is very a complex task that delves into the governance culture as well as the governance model. To put the recommended into proper context it is necessary to understand how the committee arrived at the end product – this requires an understanding of the processes used by the committee. The intent of the final recommended model in this report is to ultimately develop a defined governance culture that will be guided by the strategic plan and the governance model and not by personalities.

1.5 Deliverables

The recommended governance model will be a framework identifying essential characteristics, elements and types of activities required to govern Big Canoe in the future. It will be used to identify areas to improve and provide a vehicle to focus member’s suggestions, concerns and ideas clearly and effectively to the POA Board, staff and other members.

³ Restated Articles of Incorporation of Big Canoe Property Owners Association, Inc., May 14, 1987

2.0 Developing and Identifying Team Processes

The committee formulated an incremental process to develop recommendations for a governance model that would yield enhancements in the governance of the Big Canoe POA. It started with a thorough look at the current POA governance and management operations, reviewed governance at similar communities and reviewed governance models in common use. In addition, the committee held three public meetings to get community input on problems and issues and suggestions for governance improvement. A thorough analysis and review of the data collected throughout these processes resulted in a recommended hybrid governance model for the POA.

2.1 The Beginning through the Transition

The original “*General Declaration of Covenants and Restrictions for Big Canoe*”⁴, signed on October 31, 1972, established the Big Canoe POA. As typical with a new development, the POA Board of Directors was controlled by the Big Canoe Corporation (Developer) through a *supermajority* vote on all issues put before the membership⁵. The supermajority vote of the Big Canoe Corporation expired on December 31, 2005 as a result of governance transition negotiations completed in 2004. Critical work done during this period resulted in the “Transition Document”⁶. This was a comprehensive amendment to the General Declaration that incorporated all of the agreements reached during the negotiations. All changes to the Big Canoe Covenants were combined into a single article, Article X, “*Transition in Governance: Rights and Responsibilities*”. In October, 2004, the board also produced a rewrite of the Bylaws⁷ to reflect changes to the Covenants. The negotiated settlement led to a governance transition period where the POA Board changed to its ultimate composition of six elected directors and one developer director by 2007, with each having only one vote.

A Leadership Big Canoe (LBC) 2009 class project spawned renewed interest in resuming a process for developing a governance model for the POA. The three class groups conducted a thorough review of Big Canoe governance history and the current form of POA governance prior to dealing with the challenges enumerated below:

- What form of governance should be adopted?
- Why is change necessary and will this change improve what is currently in place?
- How (if at all) will the change affect the current GM/Board working relationship?
- What benefits will be realized by Big Canoe property owners as a result of the change?
- How would the plan for this form of governance be implemented?
- How would the plan be communicated to all those who are affected by it?

⁴ “Class A Covenants”, Big Canoe, October 9, 1972

⁵ “Big Canoe Governance History, 1972 through 2004”, John Baugus, October 2005.

⁶ “Amendment to the Amended and Restated General Declaration of Covenants and Restrictions of the Big Canoe Property Owners’ Association and Big Canoe Company”, Big Canoe, October 25, 2004.

⁷ “Second Amended and Restated Bylaws Big Canoe Property Owners Association, Inc.”, October 25, 2004.

The three LBC groups made the following recommendations:

- Evolution, not revolution – drastic change is not required.
- Get back to the roots of the Big Canoe vision/mission.
- Take the best aspects of other models and adapt a new hybrid mode.

The LBC research and recommendations helped to lead the POA Board to decide that additional efforts were needed to develop and implement a governance model for Big Canoe.

2.2 The Current State

The POA Board chartered this Governance Committee, with Rich Andersen serving as liaison from the Board, to “*develop a governance model for the Big Canoe Property Owners Association.*” This allowed for continuation of prior work accomplished during the transition period (From developer to POA governance). Documents produced during the Big Canoe transition provided an excellent framework for starting the current governance review process.

2.2.1 Review Current Governance

The initial task of the committee was a review of the current form of governance and how it operated. This included a review of the key governing documents, such as the Articles of Incorporation, Bylaws and Covenants. During this phase the committee also interviewed the GM and several members of the POA Board. This review provided the following:

- What we were doing well.
- What needed to be continued as progress was being made.
- What was missing and needed to be added.
- What needed improvement.
- Copies or listings of existing management and board documentation.

While not fully definitive, this process gave the committee a clearer picture of the ‘*current state of governance*’ of the POA. For instance, the Board is currently revising and updating the Bylaws and Covenants to incorporate all of the changes since the transition, clarify ambiguous or contradictory language, and implementing provisions for reserve funds.

Committee Process

- *Reviewed Big Canoe’s key governing documents.*
- *Interviewed Board & Management.*
- *POA Board revising & updating Covenants & Bylaws.*
- *Determined current “State of Governance”.*
- *Reviewed management of similar communities:*
 - *Visited Kiawah Island.*
- *Identified Key Characteristics of Good Governance.*
- *Developed Board & Management Issues Matrices.*
- *Public input:*
 - *Public forum - December 2009.*
 - *Public meeting – March 2010.*
 - *Public meeting – May 15, 2010.*
- *Reviewed & evaluated existing Governance Models.*
- *Developed Governance Model for Big Canoe.*
- *Prepared recommendations.*

Documents were obtained that defined procedures and processes employed by the POA in everyday operations. These included:

- Big Canoe POA Organization Chart.
- General Manager Job Description and Board Relationship – 2005, November 17, 2004.
- Role of a POA Director – November 22, 2006.
- POA Standards of Conduct – January 17, 2007.
- Typical employee Job Descriptions.
- Big Canoe Property Owners Association Procurement/Bid Policy, November 19, 2008.

These documents provided insight into the Board/GM relationships and the procedures and processes currently being used to manage the POA and its employees.

The committee looked at communities similar to Big Canoe to examine their governance structure and governance model being used. Three members of the committee visited Kiawah Island and met with officials to discuss their experiences after instituting a modified Carver model in December 2007. Their transition was a learning curve for the first two years. Even though roles and responsibilities were documented in detail before the transition many details still had to be worked out. They are very happy with the transition and would not go back to way it was before the transition. Further information on Kiawah Island is included in Appendix C.

2.2.2 Structure of Governance

The committee divided into two groups to review the POA Management and Board in terms of Structure, Policy and Standard Operating Procedures. This initial review produced a first cut at a description of the current Big Canoe Governance model. The resulting charts are shown in Appendix D. These issues were then reviewed against the key characteristics as a test to determine the degree to which each would contribute to good governance. Those with the highest degree of applicability were explored further as potential components for the model.

2.2.3 POA Reviews and Public Input

The committee held multiple meetings and conversations with the GM and staff to get practical feedback on the impact the governance model and recommendations would have on operations. In addition, ongoing feedback was obtained from the POA Board, both through the committee Board Liaison and committee presentations to working sessions of the Board.

The committee held three public meetings to solicit suggestions from POA *constituents'* on governance. These meetings provided valuable input on areas of governance that were important to Big Canoe property owners.

2.2.4 Governance Models Evaluation

The discovery process also led the committee to several documents that described governance models, including a summary in the Reference 1 Transition document. The standard governance models were considered for applicability to Big Canoe based on:

- Elements of good governance.
- Standard model descriptions.

The initial review and evaluation narrowed the committees' focus to four different governance models. This evaluation, from the viewpoint of '*What works for Big Canoe*' and '*What doesn't work for Big Canoe*', is contained in Appendix F. The evaluation process revealed that the standard models did not provide the best fit for Big Canoe. The best attributes of each model that were identified as having a significant relationship to Big Canoe were extracted to develop an outline of elements and indicators that described how a governance model would look for Big Canoe.

One of the documents, "*Non-profit Governance Models – Problems and Prospects*"⁸ described alternative governance models as well as a process to customize a governance model. This process was adapted to develop a hybrid model for Big Canoe that would be a "Blend" of the best attributes of several models based on the needs of Big Canoe. Details of the selected model are discussed in the next section.

⁸ "Nonprofit Governance Models: Problems and Prospects", Paper presented at ARNOVA Conference, Seattle, WA 1998

3.0 Findings

Every shared ownership community similar to Big Canoe has some form of a governance model. Many have been developed in a casual, informal way while others have adopted a model because of prior exposure to a specific model. As a result, a governance model can lack internal consistency or poorly describe the unique roles and responsibilities of the board, management and the membership. This can result in confusion and unrealistic expectations at all levels. It can also result in governance practices that are inconsistent and that change when new leadership takes charge.

A well-designed governance model can provide the following multiple benefits to the Big Canoe POA and community:

- Objective structure and documented processes.
- Governance practices to maximize efficiency, control costs, increase productivity and maintain staff morale.
- Clearly defined roles and responsibilities for all stakeholders in the community.
- Effective two-way communication paths between the POA, staff and the community.
- High levels of trust and confidence in the board by the community.
- Common vision for how Big Canoe is governed.
- Template for strategic planning.
- Well-defined criteria for facilitating board decisions.
- Effective tools to inform the community of issues, needs and board decisions affecting Big Canoe.

3.1 The Basic Models

The committee reviewed various governance structures and found that there were four standard models that covered most aspects of governance:

- Carver/Policy Governance.
- Entrepreneurial/Results oriented.
- Constituent/Representational.
- Cellular Associative.

Each was aligned with four standard values that describe unique characteristics of each governance model. These values are:

- **Unitary** --the tendency toward centralized authority.
- **Pluralistic** -- the degree to which diverse groups are integrated within a common structure.
- **Stability** -- the tendency toward permanency and preservation.
- **Innovation** -- the tendency toward improvement and originality.

Using the earlier work done by LBC, the committee summarized the strengths and weaknesses for each model as it relates to Big Canoe, as shown in Appendix F. Figure 1 shows the unique characteristics of each of the four models.

Figure 1. Governance Models – Strengths and Weaknesses

Unitary

Carver/Policy Governance Model

Focus on Stability & Established methods

Strengths

- Clarity of roles and responsibilities.
- Big picture, outcomes and results orientation.
- Empowered CEO.

Weaknesses

- Board can be disconnected from programs & operations.
- Board & staff relations are vulnerable.
- Policy, operations & outcomes often tenuous.
- Low turnover can lead to retrenchment of vision & mission.
- Power in hands of a few (CEO <--> Chair power struggle).
- Doesn't use committees.

Entrepreneurial/Results Model

Focus on efficiency & effectiveness to support innovation

Strengths

- Efforts focused on the “business” of the organization.
- Emphasis on efficient & effective work processes.
- Sensitivity to the environment in which the org. works.
- Leadership & resources allocated to best practices.

Weaknesses

- Mission becomes secondary to business consideration.
- External relations valued only for organizational ends.
- Short term time focus can jeopardize longer term strategic considerations.

Stability

Innovation

Constituency/ Representational Model

Focus on constituent response & institutional preservation

Strengths

- Decentralized power with a broad base of participation through committees & taskforces.
- Communication with constituency is emphasized.
- Big picture enhanced through constituent relations.
- Conflicts and multiple interests are recognized.

Weaknesses

- Dispersed energy through multiple committees & activities.
- Turnover can cause loss of vision and focus.
- Self-preservation can overwhelm innovation, growth & pressing issues.

Cellular/Associative Model

Focus on innovative technology/practices and coordination

Strengths

- Flexible structure in relation to external & internal issues (Frequent use of taskforces & ad hoc committees).
- Board monitors environment & acts as a change catalyst.
- Decisions typified by power sharing & interdependence.
- Uses an strategic process that balances multiple concerns.

Weaknesses

- New model with few examples.
- Requires strong charismatic leadership (Board & Management).
- Significant negotiations to sustain partnership.
- Multi-organizational foci can confuse membership.

Pluralistic

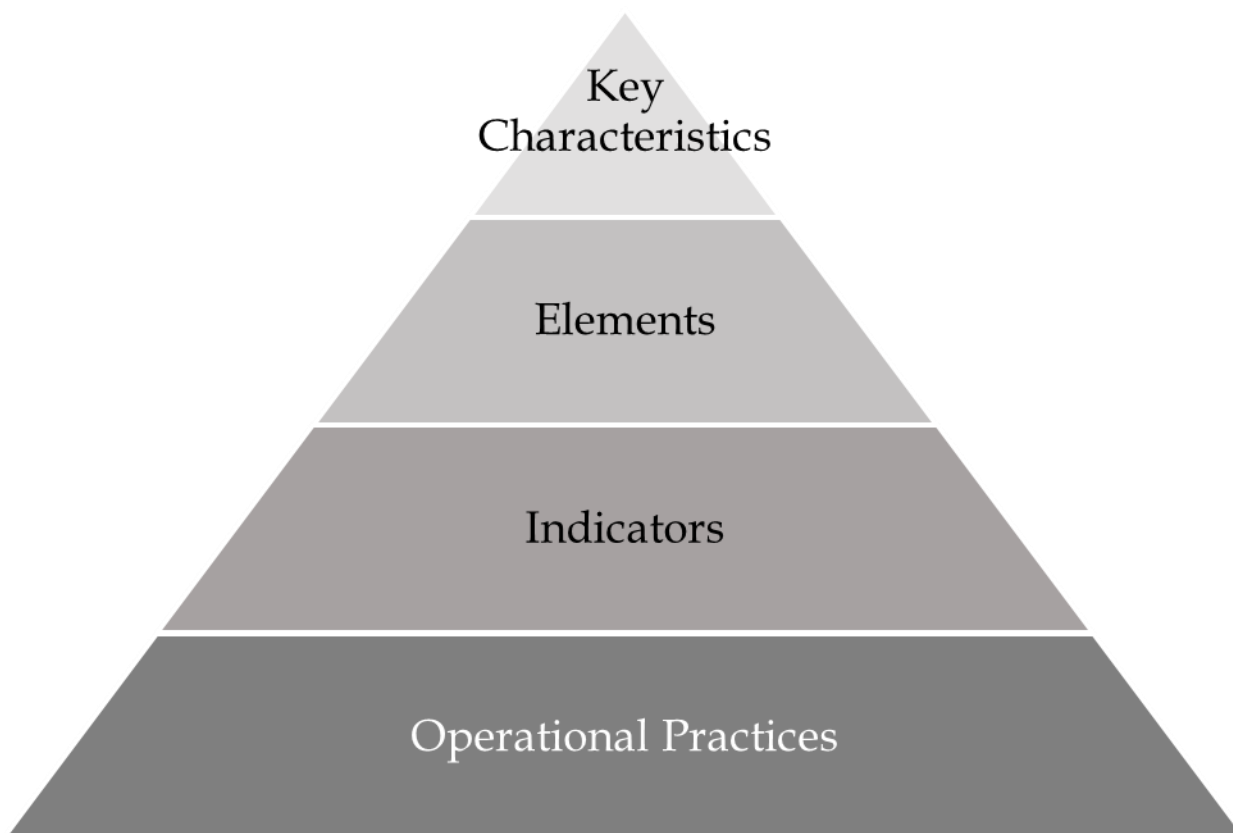
The Governance Committee identified the following specific components that make up a good governance model: **Characteristics**, **Elements** and **Indicators**. These components were developed through extensive literature review and were supplemented with earlier work done by Leadership Big Canoe.

- **Characteristics** define the overarching values and context of the governance model that was developed for Big Canoe, and which provided guidance in the choice of the elements of the model.
- **Elements** provide the structure that makes up the model. The Committee identified seven elements, which are identified later.
- **Indicators** are guideposts that will help the board and management determine whether a particular element of the governance model is functioning effectively.

In addition the Committee identified **Operational Practices** that describe how the indicators can operate effectively within the Big Canoe community.

The diagram in Figure 2 below illustrates the essential components of a hybrid model that are appropriate for Big Canoe.

Figure 2 Components of the Hybrid Model



Universal Key Characteristics Provide the Basis for Good Governance

Research into the structure of governance identified nine universal key characteristics of good governance⁹, which are shown below. These characteristics must be embedded within the operating governance model for the model to be effective.

- 1. Participation**
Provides all men and women with a voice in decision-making.
- 2. Rule of Laws, Covenants, By-laws, Rules and Regulations**
Provides a regulatory structure for impartial enforcement.
- 3. Transparency**
Builds trust based on the free flow and access to information.
- 4. Responsiveness**
Timely action of institutions and processes to serve stakeholders.
- 5. Consensus Orientation**
Differing interests are mediated to reach a broad consensus (acceptance) on what is in the general interest of the community.
- 6. Equity and Inclusiveness**
All men and women have opportunities to become involved.
- 7. Effectiveness and Efficiency**
Processes and institutions produce results that meet needs while making the best use of resources.
- 8. Accountability**
Decision makers are accountable to internal and external stakeholders.
- 9. Strategic Vision**
Leadership provides a clear map to successfully reach long term goals.

3.2 The Big Canoe Hybrid Governance Model

As stated previously, the committee identified seven common elements for any governance model. Strengths of the four models were applied to each of the seven elements. The element details are summarized below:

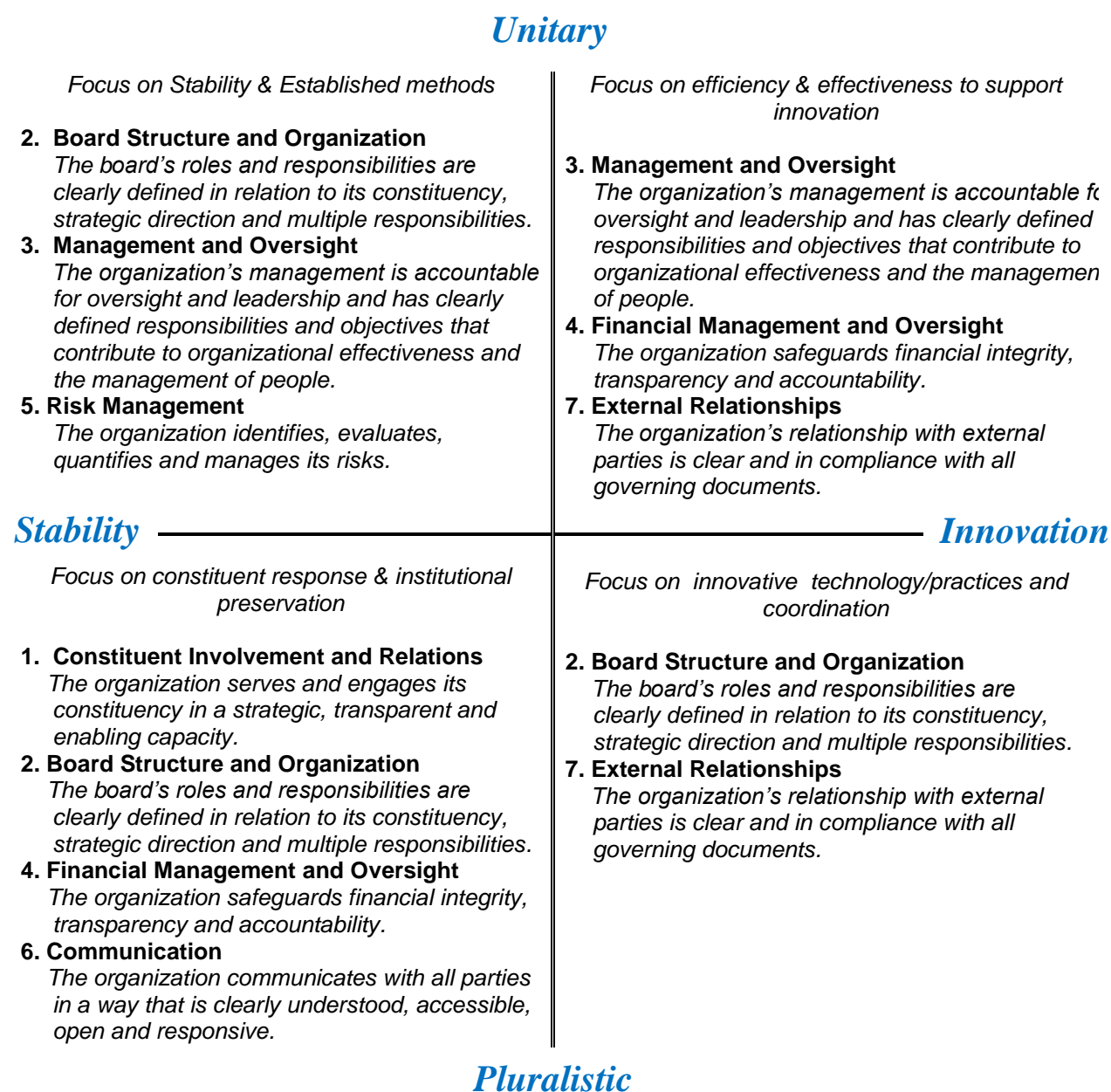
- 1. Constituent Involvement and Relations.** The ability of the organization to serve and engage its constituency in a strategic, transparent and enabling capacity.
- 2. Board Structure and Organization.** The degree to which the board's roles and responsibilities are clearly defined in relation to its constituency, strategic direction and multiple responsibilities.
- 3. Management and Oversight.** The way management is accountable for oversight and leadership and has clearly defined responsibilities and objectives that contribute to organizational effectiveness and the management of people.
- 4. Financial Management and Oversight.** The means by which the organization safeguards its financial integrity, transparency and accountability.
- 5. Risk Management.** The processes and structure the organization uses to identify, evaluate, quantify and manage its risks.
- 6. Communication.** The organization communicates with all parties in a way that is clearly understood, accessible, open and responsive.

⁹ "Governance for Sustainable Human Development". UNDP (1997), United Nations Development Programme <http://www.gdrc.org/u-gov/g-attributes.html>

- 7. External Relationships.** The degree to which the organization's relationship with external parties is clear and in compliance with all governing documents.

The elements of the Big Canoe Hybrid model are displayed against the four standard values discussed previously in Figure 3. This figure graphically shows the relationship between the model elements and each of the four standard values.

Figure 3. Elements of the Big Canoe Hybrid Model



3.3 Indicators for Each Element

Indicators were identified for each element of the model. The combined set of indicators for a given element gives one a way to see if the element of the governance model is operating effectively. The following outline shows the important indicators for each element

3.3.1 Constituent Involvement and Relations

The ability of the organization to serve and engage its constituency in a strategic, transparent and enabling capacity.

Indicators of Effective Constituent Involvement and Relations

- A. The character of the community is actively sustained, enhanced and promoted.
- B. The inclusion of diverse viewpoints and representation adds to organizational value.
- C. The organization has clearly stated the entitlements, limitations and expectations for all constituents.
- D. The organization has mechanisms in place to facilitate input from its constituency.
- E. All levels of the organization operate in a transparent manner.
- F. The organization has a clearly defined process for input and grievance and an effective and timely manner in which to follow up and communicate its response.

3.3.2 Board Structure and Organization

Clearly defined board roles and responsibilities in relation to its constituency, strategic direction and multiple responsibilities.

Indicators of Good Board Structure and Organization

- A. The Board has a formal process for developing the strategic direction of the organization, including developing, implementing and updating its Strategic Plan.
- B. The board utilizes documented statements and policies that define how it conducts its business and defines its roles and responsibilities.
- C. The Board follows all applicable governing documents in conducting the business of the community.
- D. The organization maintains an effective leadership base with an adequate and responsive process for appointments and term of office.
- E. The board has documented statements and policy for ethical behavior and conflicts of interest.
- F. The organization has an effective and well defined committee structure.
- G. The board utilizes processes that support the transparency of its decisions and actions.

3.3.3 Management and Oversight

The way management is accountable for leadership and oversight and has clearly defined responsibilities and objectives that contribute to organizational effectiveness and the management of people.

Indicators of Good Management and Oversight

- A. There exist clearly defined roles, responsibilities and accountability for all relevant levels of management.

- B. Operational plans and programs of work exist that define success factors and describe how strategic goals and outcomes will be accomplished.
- C. Performance measures are defined, monitored and evaluated on a regular basis.
- D. Policies and practices enable the attraction and retention of qualified, motivated and skilled employees, and enable effective management of people.
- E. The personnel system is based on principles of fairness, equity and diversity, which are consistent, transparent and impartial.

3.3.4 Financial Management and Oversight

The means by which organization safeguards its financial integrity, transparency and accountability.

Indicators of Good financial Management and Oversight

- A. Structured processes are in place, both at the executive and board committee levels, to monitor and audit financial performance against budget and strategic goals.
- B. Financial and budget processes are transparent and are communicated effectively to the organization's stakeholders.
- C. Appropriate financial transactional limitations are assigned to all levels of the organization (Membership, Board and Executive).
- D. Processes ensure the proper recording of financial transactions consistent with applicable accounting standards.

3.3.5 Risk Management

The processes and structure the organization uses to identify, evaluate, quantify and manage its risks.

Indicators of Effective Risk Management

- A. Policies exist for the governance and management of material and financial risks.
- B. Risk exposure is evaluated and remediation plans are implemented.
- C. Preventative measures are identified and assigned.
- D. Risk management is assigned to appropriate responsible parties.

3.3.6 Communication

The organization communicates with all parties in a way that is clearly understood, accessible, open and responsive.

Indicators of Effective Communication

- A. The organization has a strategy that drives its communications.
- B. Processes ensure proactive, transparent and responsive internal and external communication.
- C. Processes ensure public interest disclosure, freedom and integrity of information and in preventing unauthorized, false or premature disclosure.
- D. Board and Management inform the community in advance on major issues and provide timely and accurate information.

3.3.7 External Relationships

The degree to which the organization's relationship with external parties is clear and in compliance with all governing documents.

Indicators of Effective External Relations.

- A. The organization has established and maintains relationships with local media, elected officials, community leaders and public/private sector organizations where appropriate.
- B. Responsibilities are defined for the Board and/or Management with respect to external parties.
- C. Communication management processes are in place with external parties.
- D. There exists a monitoring system for external relations.

4.0 Operational Practices

The previous section described the seven elements of the recommended governance model, as well as indicators for each element. The committee further developed **Operational Practices** that describe how the indicators can function most effectively. These Operational Practices have been prioritized and sorted into two categories: (1) **Immediate**: Those that should be implemented as soon as possible, and (2) **Long range**: Those that can be accomplished later to provide further benefits.

The **Immediate**, high priority Operational Practices, are presented in this section, organized by the seven elements discussed in Section 3 and presented in the following format:

4.x Element

[Note: Indicators for each Element are discussed in section 3, but are not repeated here.]

4.x.x Operational Practices – These address the **indicators** of governance pertaining to each individual **element, and** summarize how the indicators can function most effectively to achieve governance excellence.

Details – Further specific details follow, with selected examples in some instances.

- **Operational Practice** details appear in bullet form beside the written description

The **Immediate** Operational Practices are discussed in this section and summarized in bullet format in Appendix G. **Long term** Operational Practices are listed in Appendix H.

The Governance Model and the following Operational Practices describe for the POA the benefits of enhanced productivity, efficiency and accountability, increased transparency to the stakeholders and constituents and increased trust on the part of constituents, among other benefits.

Note: It is beyond the scope of the Governance Committee's responsibility to make or suggest details on implementation of this model since implementation will be the responsibility of the POA Board and staff. However, the **committee does recommend** that the POA board appoint an Implementation Committee comprised as follows:

- Committee of the Board.
- Chaired by Board Member (Possibly with one other POA Director as a committee member).
- Remainder of committee selected from constituents on basis of specific list of member qualifications needed on the committee. i.e., Human resources, management, financial or other expertise.

4.1 Constituent Involvement and Relations

Benefits: The ability of the organization to serve and engage its constituency in a strategic, transparent and enabling capacity.

An essential ingredient of good governance is keeping all stakeholders in the organization interested and engaged in the continuing governance process. Big Canoe is different from many communities with governing organizations because of the way it was developed, the mountain environment, the fact that the POA owns and operates all amenities, and other factors. Involvement and engagement of the Big Canoe community in committee and board activities provides avenues for direct participation in directing the future of the community. All property owners must be fully advised of their rights and responsibilities, and be provided with access to the necessary governing documents. It is especially important that effective, easily used mechanisms are in place for communications from the POA to stakeholders and from stakeholders to the POA.

4.1.1 Operational Practices

4.1.1.1 Character and Culture Engagement: The POA, through policies and actions, actively promotes retention of the character and culture of Big Canoe. The POA has mechanisms in place to promote and educate the community about the bylaws, covenants, owner responsibilities, character and culture of Big Canoe.

Details: The POA Board and staff actively preserves and promotes the character and culture of Big Canoe through policies and actions. Since the culture will change over time *development and maintenance* of a strategic plan, with active participation by property owners and others in the community, will ensure that all stakeholder expectations and needs are included. The POA keeps the community aware of the responsibilities, character and culture of Big Canoe through timely educational and information programs.

Operational Practices

- *Preserve and promote the character and culture of Big Canoe.*
- *Property owners participate in the strategic planning process.*

4.1.1.2 Constituent Participation and Responsiveness: Constituents and stakeholders are actively encouraged to participate in POA activities and functions. The POA employs proactive mechanisms for communicating to members, obtaining constituent input, response and consent and to provide timely feedback to constituents.

Details: Constituents/ property owners have certain rights within the Big Canoe community, including the right to vote, have ready access to all POA corporate documents (i.e., Articles of Incorporation, Bylaws, Covenants, Board minutes, etc.) and participate in meetings and elections.

Operational Practices

- *Promote and preserve property rights and responsibilities:*
 - ✓ *Make information available to new property owners*

Constituents/property owners also have certain responsibilities and obligations, including abiding by the covenants, restrictions, rules and regulations, paying their proportionate share of common expenses and special assessments, respecting the

rights of their neighbors, maintaining casualty and liability insurance on their properties, respecting the common elements of Big Canoe, etc.

The POA Board actively encourages constituents to participate in POA activities and functions, such as board meetings, public forums, management coffees, committees and surveys, or indirectly through groups and other organizations within Big Canoe.

The POA has efficient, effective, up-to-date communication mechanisms that the Board, GM and/or staff can use for providing timely information to the membership, obtaining constituent input, response and consent (when required).

- *Constituents are actively encouraged to participate in POA activities and functions.*
- *Mechanisms are in place for communicating from the board, GM and staff to members, obtaining constituent input, response and consent (when required).*
- *There is an easily-used means for constituents to communicate with board, GM, staff and committee members to provide suggestions, ideas, problems, issues, grievances, etc., including timely response or feedback to constituents.*

The POA has user-friendly means for property owners, guests and others to communicate with the Board, staff and committee members to provide suggestions, ideas, problems, issues, grievances, etc. This process includes timely response or feedback to close the loop with those who provided input. This process also includes a matrix of who to contact for the various types of problems/issues. For example, see the matrix the committee obtained from Kiawah Island that they use for property owners to contact their association staff and Board – Appendix C. The process for follow-up/feedback to the individual who raised the problem/issue (and to the community on topics of widespread interest) includes final closure.

4.1.1.3. Transparency: All POA functions operate in a transparent manner in relation to constituents. Documented processes are followed to ensure transparency of decisions and operations at all levels of the organization.

Details: Enhanced transparency of operations to property owners and constituents is achieved through Board meetings (both formal and working meetings) that are open to the public. The exception to this is on matters and issues involving personnel, litigation or potential real estate transactions.

As a matter of board policy all board decisions are made at public meetings.

The Board has clearly defined and documented roles and responsibilities for the GM and the Board.

Operational Practices

- *Open Board Meetings – Formal and working, except for matters and issues involving personnel, litigation or potential real estate transactions.*
- *As formal policy all board decisions are made at public meetings.*
- *Roles & responsibilities of GM and Board are clearly defined and documented.*

4.2. Board Structure and Organization

Benefits: Clearly defined Board roles and responsibilities in relation to its constituency, strategic direction and multiple responsibilities.

A strategic plan helps the board to operate effectively and consistently over time by defining the long term vision, goals, objectives and direction of the organization. Development of roles, responsibilities, policies and operational plans to implement the strategic plan provides stability of the organization as well as visibility and support of the stakeholders for the boards' decisions and actions, which builds trust on the part of stakeholders that the board is working for the common good of the community. A healthy, active and organized committee structure helps engage the stakeholders and provides an effective leadership base for the community.

4.2.1 Operational Practices

4.2.1.1 Strategic Direction: The POA Board, together with management, the developer and constituents, has formalized processes to establish, implement and update a strategic plan that defines the vision, mission, goals, values and objectives for Big Canoe. The strategic plan is publicized to the entire community as a way to ensure transparency. The strategic plan is updated on a regular basis (or as required) to account for changing conditions.

Details: The board has formal policies and processes to create, update and implement a long-range strategic plan that defines the vision, mission statement, strategic goals and objectives of Big Canoe. The leadership roles for the Board President and the GM for the strategic planning process are clearly defined and documented. The plan includes input from property owners, the developer and external parties, and is made available to all property owners. The plan is reviewed on a regular basis to ensure ongoing viability, efficiency, effectiveness and proactive approach to changing needs.

Strategic goals and objectives are used to develop yearly operational plans and budgets. The board has measurable metrics that are used to track and report progress of each strategy, goal and objective, and adjusts the strategic plan on a regular basis as conditions change.

Operational Practices

- *Formal policy and process to develop, update and implement a long-range strategic plan:*
 - ✓ *Defines vision, mission statement, strategic goals and objectives.*
 - ✓ *Includes input from property owners, the developer & external parties.*
- *Develop and review the strategic plan on annual basis.*
- *Measurable metrics track/report progress of each strategy/ goal/ objective and assist to adjust plans on yearly basis, or as required.*
- *Strategic goals and objectives are embedded in yearly operational plans and budgets.*
- *Leadership roles for the Board President and the GM for the strategic planning process are clearly defined and documented.*

4.2.1.2 Board Organization and Policy: There are clearly defined and documented leadership roles for the Board President and the GM, as well as clearly defined and documented roles and responsibilities for Board members. The Board has clearly defined and documented policies that describe responsibilities, authorizations and limits in relationship to actions taken on behalf of the POA membership.

Details: The board has documented performance goals and objectives (with measurable metrics) for the GM. These are regularly reviewed and updated, with the GM's performance evaluated against the goals.

The board has a process for regular self-evaluation in relation to the goals and objectives it sets each year.

There is a formal and documented policy and standards of ethical conduct and conflicts of interest for all board members, committee members and staff.

The board has policies and processes for documenting and maintaining critical records of the POA to ensure transparency, efficiency, accountability and compliance with the strategic plan.

There is a policy that first year board members should not be elected to President because they lack of experience on the board, unless under extraordinary circumstances

Operational Practices

- *Clearly defined and documented roles and responsibilities of GM and board.*
- *Regularly review/update performance goals/objectives (with measurable metrics) and monitor/evaluate GM against the goals.*
- *Process for board self-evaluation in relation to the goals and objectives it sets each year.*
- *Documented policy and standards of ethical conduct and conflicts of interest for all board members, committee members and staff.*
- *Policy and process for documenting and maintaining critical records of the POA to ensure transparency, efficiency, accountability and compliance with strategic plan.*
- *Policy that first year board members should not be elected to President, unless under extraordinary circumstances.*

4.2.1.3 Committee Structure: The POA Board uses a committee structure that engages property owners, with clearly defined charters and protocols that define the scope of work, responsibilities and limitations of each committee. The structure and process are monitored and adjusted as conditions warrant change..

Details: Big Canoe's existing committee structure has extensive involvement of community members. The Board and GM monitor and adjust the committees as conditions warrant change. There is a formalized structure, with communications methodologies and operating procedures, for committees. The board has permanent board liaison to mission-critical committees. All committee charters and procedures are reviewed and updated to assure that committees have clear and concise guidance on roles and responsibilities. All committees publish at least a final report, which is published on the POA website.

Operational Practices

- *Active board and GM advisory committee structure.*
- *Formalized structure, communications methodology and operating procedures for all committees.*
- *Up-to-date committee charters and procedures for assuring that committees have clear and concise guidance on roles and responsibilities.*

4.3 Management and Oversight

Benefits: Clearly defined management responsibilities and objectives that contribute to organizational effectiveness and the management of people.

Clearly defined roles and responsibilities, including a delegation framework that defines authority levels and limitations for all management levels of the organization are essential to effective management. Development of yearly operational plans in accord with the strategic plan assures that short term operations serve to meet long term goals and objectives of the organization. Performance measures are defined, monitored and evaluated on a regular basis. Policies and practices enable the attraction and retention of qualified, motivated and skilled employees, and enable effective management of people. The personnel system is based on principles of fairness, equity and diversity, which are consistent, transparent and impartial.

4.3.1 Operational Practices

4.3.1.1 Organizational Structure: There are established policies that support and protect the distinct responsibilities, authorizations and delegations of the board and management. The organizational structure supports effective working relationships between the board and management.

Details: Management takes necessary measures to insure that all employees have a clear understanding with regards to the authority and limitations of their positions. Management provides as much empowerment at each level as possible.

The POA currently has job descriptions for most employees, and all positions are regularly reviewed to determine if there are positions that still require a job description. Not all job tasks are defined for each position. The job descriptions are documented and maintained in secure files in the POA offices.

There are clearly defined processes or procedures for responsibility and accountability of all positions with respect to meeting job performance goals and objectives.

Operational Practices

- *All employees have a clear understanding with regards to authority and limitations of their positions.*
- *Each staff position has as much empowerment as possible to do their job.*
- *Job descriptions are documented and maintained for all positions that require one – at high level; it is not necessary to define all job tasks*
- *Process/procedures for responsibility and accountability are clearly defined of all positions with respect to meeting job performance goals and objectives.*

4.3.1.2 Planning and Evaluation process: Management's annual planning process has the capacity to imbed strategic plan goals and objectives into the operational plans. Appropriate metrics and evaluation processes are used to track and measure progress.

Details: The GM has processes for staff to embed the strategic plan goals and objectives in the yearly operational plans. A documented process is employed for revising operational plans to meet changing conditions. i.e., Internal technical or financial

Operational Practices

- *Established processes for staff to embed strategic plan goals/objectives in operational plans.*

problems or external conditions such as rapidly changing economy, etc.

The GM and staff use appropriate metrics and evaluation processes to track and measure progress against the strategic and operational plans. These processes are documented in appropriate policy and procedures. There are documented procedures for corrective action to resolve technical and financial problems in a timely manner.

The GM and staff track and report progress on major goals to the board on a regular basis.

- *Process for revising operational plans to meet changing conditions – internal technical or financial problems, external conditions such as rapidly changing economy, etc.*
- *Appropriate metrics and evaluation processes are used to track and measure progress.*
- *Established procedures for corrective action to resolve technical and financial problems in a timely manner.*
- *Progress on goals tracked and reported to board on regular basis.*

4.3.1.3 Staff Support: POA management employs evaluation processes that are impartial and equitable, and that operate at the line, management and executive levels. Adequate feedback processes are employed to identify and resolve issues in personnel management practices.

Details: Management maintains and publishes an overall organization chart, with job descriptions, on the POA website.

There are formalized and documented processes in place for evaluating a particular position with respect to needs, job skill requirements pay scale, etc. Comparable “Best Practices” are employed in establishing positions, salary guidelines and staffing requirements.

Operational Practices

- *Established organization chart, with job descriptions.*
- *Processes for evaluating a position and job skill requirements.*
- *Comparable “Best Practices” used to establish positions, salary guidelines and staffing requirements.*
- *Documented process regarding conflict of interest.*
- *Established employee reward/recognition program.*

A documented policy is in place to prevent “Conflicts of Interest”, and make all employees are made aware of the policy. The policy includes penalties for policy violations. An example: Employees should not serve as committee members on committees that report to their immediate supervisors (with the exception of Safety Committees)

Management maintains an employee reward or recognition program to recognize outstanding performance and improve employee morale. For example, the current STAR Performer Program is an outstanding way to recognize personnel who ‘go the extra mile’ in performing their duties.

4.4 Financial Management and Oversight

Benefits: *The means by which the organization safeguards its financial integrity, transparency and accountability.*

Financial management is a key factor in good governance, and regular reviews of financial performance against budgets ensure that both executive and board levels maintain awareness of current status. Formalized processes that control how expenditures are authorized and budgets controlled, tracked and reported assures that all financial transactions are transparent and consistent with applicable accounting standards.

4.4.1 Operational Practices

4.4.1.1 Financial Integrity and Accountability. The POA Board provides guidelines and parameters on the yearly budget development that are in accordance with the mission, objectives and goals of the Strategic Plan. There are established uniform procedures and processes for monitoring, tracking and controlling expenditures, with appropriate approval levels clearly specified. The board has clearly defined policies that describe its responsibilities, authorizations and limits in relationship to any financial actions taken on behalf of the POA membership.

Details: The Finance Committee works with staff to develop a yearly budget for submittal to board for approval as documented in the POA operating procedures.

Uniform documented procedures and processes are employed for monitoring, tracking and controlling expenditures. These have appropriate approval levels clearly specified for outside procurement and internal budget expenditures. Expenditure authorization levels are clearly communicated to all stakeholders and staff to improve transparency of financial performance.

POA management is responsible for tracking and monitoring budget performance on a weekly/monthly basis and reporting to the board and stakeholders.

There are spending limits established where the board must seek approval from the POA membership.

The uses of funds from all Special Assessments is clearly defined in advance and used only for the approved purposes

4.4.1.2 Financial Transparency. Financial and budget development processes are open and transparent to the community at all levels. Financial materials and reports are easily accessible by constituents to help them understand the budget and financial conditions of the Big canoe POA.

Operational Practices

- Documented process for the Finance Committee to work with staff to develop a yearly budget for submittal to board.
- Uniform procedures and processes for monitoring, tracking and controlling expenditures, with appropriate approval levels clearly specified:
 - √ Outside procurement
 - √ Inside budget expenditures
 - √ Expenditure authorization levels clearly communicated to all stakeholders and staff.
- Track and monitor budget performance on weekly/monthly basis and report to board and stakeholders.
- Established spending limits for which the board must seek approval from the POA membership.
- Documented procedures for use of funds from Special Assessments that are clearly defined and followed to account for all fund expenditures.

Details: All budgets are published on the POA website, with highlights in Smoke Signals and other locations that are easily accessible to all property owners.

Large budget issues are communicated in advance to the community via E-mail blasts, special Smoke Signals articles or public forums if the amount exceeds board authorization limitations. Community input and feedback is actively encouraged.

Operational Practices

- All budgets published on POA website, with highlights in Smoke Signals and other locations that are easily accessible.
- Large budget issues are communicated to community via E-mail blasts, special SS articles, public forums or committees if the amount exceeds limitations, etc.
- Community feedback and input is encouraged.

4.5 Risk Management

Benefits: The processes and structure the organization uses to identify, evaluate, quantify and manage its risks.

Risk management is an important element of an effective management structure. Evaluation of risk exposure and development of preventative measures and remediation plans minimizes long term costs.

4.5.1 Operational Practices

4.5.1.1 Risk Identification: The POA has a methodology to identify risk within all dimensions of the organization and community (Finance, personnel, facilities and infrastructure, public safety, external issues). Areas of risk are assigned to appropriate parties, such as third-party insurance companies.

Details: Financial status of identified major risks is tracked and reported to the board and to the community on a regular basis.

Documented programs and procedures assure compliance with all current OSHA, County, State and Government regulations regarding public facilities and infrastructure. Compliance results are published in appropriate areas and on the POA website.

Documented metrics, tracking mechanisms and evaluation processes ensure adequate insurance coverage. These processes include risk identification and cover both internal and external risks.

Operational Practices

- Financial status of identified risks is tracked and reported to the board and Community on a regular basis.
- Established programs and procedures assure compliance with all current OSHA, County, State and Government regulations regarding public facilities and infrastructure.
- Metrics, tracking mechanisms and evaluation processes exist to ensure adequate insurance coverage and identify risks.
- Metrics, tracking mechanisms and evaluation processes to evaluate and identify external risks are documented.

4.5.1.2 Risk Evaluation: The POA has formalized processes and procedures to evaluate risk and establish a plan of corrective action.

Details: Documented procedures are used to regularly evaluate current financial status against known risks.

Documented processes and procedures are employed to evaluate risks at all levels of the organization for purposes of determining risk remediation and insurance plans.

- Operational Practices**
- Established procedures to regularly evaluate current financial status against known risks.
 - Established processes and procedures exist to evaluate risks.
 - Track and report Insurance status to the board and Community on a regular basis.

Insurance status is tracked and reported to the board and community on a regular basis to provide visibility.

4.5.1.3 Risk Mitigation: The POA has suitable resources and infrastructure to mitigate risk once it has been identified, and a corrective action plan developed to manage the risk mitigation.

Detail: Risk assessments are reported on a regular basis to management and the board. These reports include the status and any corrective actions required.

Contingency plans are documented for any known external risks, and updated on a regular basis.

A risk management committee oversees the overall risk management process and provides advice and guidance to management and the board on all aspects of risk.

There is a process to have an outside resource evaluate Big Canoe's risks above and beyond the current insurance carrier.

- Operational Practices**
- Report to the board on a regular basis the risk assessments, status and any corrective actions required.
 - Annual review of all major Big Canoe contracts by a third party to assure compliance with State and Local laws and regulations.
 - Established contingency plan for any known external risks. Updated on a regular basis.
 - Established risk management committee.
 - Established process to have an outside resource evaluate Big Canoe's risks above and beyond the current insurance company.

There is an annual review of all major Big Canoe contracts by a third party to assure compliance with State and Local laws and regulations.

4.6 Communication

Benefits: The organization has methods to communicate with all parties in a way that is clearly understood, accessible, open and responsive.

Effective two-way communications are an essential ingredient in keeping the community informed of POA activities and functions and in obtaining constituent input on key issues. Documented policies and procedures insure that all communications are accessible, open, understandable, focused, clear and responsive. Information is more effectively received when tailored to the recipient and disseminated through appropriate channels in a timely manner.

4.6.1 Operational Practices

4.6.1.1 Communication Plan: The POA has a documented communication plan that identifies the strengths and weaknesses of the current system and takes advantage of technology opportunities to make improvements to the current system to ensure that the POA has the capability to communicate effectively with all stakeholders.

Details: The POA has a comprehensive communications plan, with a communications oversight committee. Processes and procedures ensure effective and timely two-way communications between the POA and the community. Metrics are used to determine the degree of success or failure of the communications plan.

A contingency plan covers emergency communications to the community. The plan is evaluated and updated on a regular basis. This plan is in addition to the emergency communication plans established by Pickens and Dawson Counties

Operational Practices

- *Developed communication plan, with oversight committee.*
- *Established processes and procedures to ensure effective, timely and easily accessible communication.*
- *Established metrics to determine success or failure of communications plan.*
- *Established contingency plan for any emergency communication to the community. Evaluated and updated on a regular basis.*

4.6.1.2 Proactive Communications and Feedback: The POA has a communication system that provides timely and accurate information to the community in advance on any issues that affect the community. There is a clearly defined process for property owners to communicate suggestions, problems and or issues to the board or management that includes formalized feedback to close the “loop” on a timely basis.

Details: Formal documented processes are used for property owners to communicate suggestions, problems and/ or issues to the board, including feedback to complete the loop on a timely basis. The communications process include grievance procedures for POA member complaints, problems and issues, with a specific staff person identified as the focal point for communication dependent on the type of problem or issue. This includes web communications methods, such as online forms (problem, issue, visitors, grievance, etc.

Metrics are used to monitor the success or failure of the feedback and/or follow-up process to ensure that the closed-loop process operates successfully.

A formalized system provides timely information to the community on committee

Operational Practices

- *Documented processes for property owners to communicate suggestions, problems and/or issues to the board, including formalized feedback to complete the loop on a timely basis.*
- *Grievance procedures/process for POA member complaints/ problems/ issues with a specific staff person identified as the focal point for communication dependent on type of problems/issues.*
- *Established metrics measure success or failure of the feedback and/or follow-up process to ensure a closed-loop process.*
- *Timely and easily accessible feedback to the community on Committees, Board Recommendations, Public forums, Community Coffees.*

work, board recommendations, public forums, community coffees, minutes of meetings, and major issues affecting the community, etc.

Care is exercised to ensure that all information communicated to the community is accurate, timely and does not contain any false or premature information.

The POA has a “user friendly” archive for board minutes/notes, Big Canoe rules and regulations and other documents or communications that are pertinent to Big Canoe property owners. Selected key documents that are important to property owners are distributed to new owners when they purchase property (i.e., Covenants, Bylaws, Articles of Incorporation, etc.). A simple “high level” information sheet highlights the important or major items.

- *All information communicated to the community is accurate, timely and does not contain any false or premature information.*
- *“User friendly” archive for board minutes/notes, Big Canoe rules and regulations and any documents or communications that are pertinent to Big Canoe property owners.*
- *Covenants and Bylaws are distributed to all property owners:*
 - ✓ *A simple “high level” sheet highlights important or major items.*
- *Employ web communications methods, such as forms (problem, issue, grievance, visitors, etc).*

Multiple means of communicating to the community are used to ensure effective communications. These include Community Coffee’s, Town Halls and other similar events.

4.6.1.3 Open Records: Records from board and staff meetings and work products are made easily available to constituents.

Details: All records for board Meetings (Including working meetings) and other board activities are open and accessible, unless they pertain to personnel, salary and/or legal issues. These records are readily available to property owners and others on the POA website.

A formalized record is maintained for all board meetings. These recorded minutes are easily accessible by the community through the POA website.

- Operational Practices**
- *All records for board Meetings (Including working meetings) and other board activities are open and accessible, unless they pertain to personnel, salary and/or legal issues*
 - *A formalized record is maintained for all board meetings. These recorded minutes are easily accessible by the community.*

4.7 External Relationships

Benefits: The degree to which the organization’s relationship with external parties is clear and in compliance with all governing documents.

Establishing and maintaining relationships with local media, elected officials, community leaders outside of Big Canoe and public/private sector organizations helps the community stay informed of local activities and affairs and to inform the community of

Big Canoe interests. POA management has contractual relationships with outside organizations and governments to provide services within the community.

4.7.1 Operational Practices

4.7.1.1 Identify Key external influences and groups affecting Big Canoe: The POA employs processes and procedures to identify external influences and groups affecting Big Canoe. It has a formalized system to participate with and report on external influences and groups affecting Big Canoe.

Details: Processes and procedures are employed to identify external influences and groups affecting Big Canoe. These include means of participation and methods of reporting on external influences and groups affecting Big Canoe.

There is a process for educating the community on any major external influence or group that affects Big Canoe. The process uses success metrics along with tracking and reporting on a regular basis, the effectiveness of interaction with external influences and external groups. These include issues related to zoning, voting, and schools.

Operational Practices

- *Processes and procedures exist to identify external influences and groups affecting Big Canoe.*
- *Documented processes control participation and reporting on external influences and groups affecting Big Canoe.*
- *Processes exist for educating the community on any major external influence or group that affects Big Canoe.*
- *Success metrics are used to track and report, on a regular basis, the effectiveness of interaction with external influences and external groups. These include issues related to zoning, voting, schools, business groups, county issues, etc.*

4.7.1.2 Advocate Role: There are processes or formalized relationships with the HOA to provide advocacy on issues that affect Big Canoe outside the gates.

Details: The Advocate role outside the Gates of Big Canoe is formalized with the HOA since the current Articles of Incorporation prevent the POA from lobbying.

Operational Practices

- *Formalized agreement for the advocate role outside the gates of Big Canoe.*

4.7.1.3 Protecting Management External Operational Relations: Management is responsible for external relations with outside parties that relate to operations and the coordination of POA business.

Details: The working or business relationships with outside parties, such as local government, are managed and overseen by POA Management since this is a management function.

There are established reporting requirements for all meetings and other interactions with external groups.

Operational Practices

- *Management is responsible for business relations with outside parties, such as local government or businesses.*
- *Documented procedures cover reporting methods on meetings, etc. with external groups.*

4.8. Specific Recommendations of the Governance Committee:

The POA Governance Committee makes the following specific recommendations to the POA Board:

1. Adopt the Big Canoe governance model defined in this document and establish as board policy.
2. Establish an ad hoc Board Committee to oversee and provide advice on implementation of the governance model. This committee should be headed by a board member (and possibly include one other board member), with the remaining members appointed by the board from property owners having backgrounds in senior management, finance, human resources, etc. The term of this committee should last until the Board determines that the governance model has been successfully implemented.

Appendix A

Definitions

A few definitions relating to governance:

Stakeholder

Person or group with a direct interest, involvement, or investment in something. *[i.e. employees, stockholders, and customers of a business concern].*

Examples pertinent to Big Canoe:

- **Constituent Stakeholders:** All Big Canoe property owners fall into this group regardless of their “class” or ownership, residence status (full time, part time, investor, etc.) or lot versus dwelling. They are the ones who elect the POA board and can approve or disapprove of its actions based on the covenants and bylaws.
- **Vested Interest Stakeholders:** These individuals and/or organizations are directly impacted (positively or negatively) by actions that the POA may or may not take. However, they are not represented by the POA and therefore do not have the same rights as Constituent Stakeholders. Examples: Business owners operating within the gates, employees of the POA, the HOA and the Chapel. Most of these stakeholders are located “inside the gates” but could also be located “outside the gates”, such as businesses in Marble Hill or various county/city entities.
- **Tertiary Stakeholders:** Individuals and/or organizations indirectly impacted (positively or negatively) by actions that the POA may or may not take and are also not represented by the POA. Most of these stakeholders are located “outside the gates” but could also be inside the gates

Communications

As noted above, *Stakeholder* cannot be defined by one single definition. Because of that, communication to the various stakeholders has to be targeted to the various stakeholder segments along with a further subdivision of these groups. If the goal of the communication is to have the stakeholders gain further understanding of an item/issue or to get their approval, understanding the stakeholder segments is a necessity.

The key communications need to focus on further subdivision of these groups:

- **Stakeholders who care about or who have a vested interest in a particular issue.** Within this subset there are two further subsets:
 - ✓ **Stakeholders who care positively about an issue.** Communications to these stakeholders must be targeted to get them into a positive mindset about the issue at hand. Involve them in further detail discussions regarding the issue. Solicit not only their input but get them to be “advocates” for the issue. They can be powerful allies in

changing the mindset of other stakeholders to a more positive or at worst case, a neutral mindset.

- ✓ **Stakeholders who care negatively about an issue.** These stakeholders should be the initial focus of any communications effort. The objective is to get them to a more positive or at worst case, a neutral mindset. This takes a significant amount of persuasion, “selling the case”, explaining “myth versus fact” and tolerance. Tolerance is extremely necessary because the worst thing that can happen with these stakeholders is to cause them to reinforce their negative attitude and become an “evangelist” on the issue. Once they do that, they start competing for the hearts and minds of the group below. If they can’t be convinced to the positives of the issue or to remain neutral then don’t make them a stronger opponent by letting them get to this next group.
- **Stakeholders who don’t care about a particular issue.** Communication to this group must be based on how the “polls” are going and is of most concern with the Constituent Stakeholders. If those with a negative position on the issue get to these stakeholders first then they will defeat the issue. Because this stakeholder group doesn’t care initially, communications need to be focused on getting them to a position where they do care, and care with a positive position. If they are not directly impacted by the issue then they are easier to move off the fence than if they are directly impacted. Why? Because odds are that if they are directly impacted they probably already have a positive or negative position. Therefore, communications should be focused to those who are indirectly or not impacted.
 - ✓ **Example:** Consider maintenance in Wildcat as an example. A Constituent Stakeholder is directly impacted if they live in the Wildcat area. Someone who doesn’t live in Wildcat is not directly impacted but they do drive through Wildcat and may walk their dog there -- if the area is “unsightly” they may form a position on maintenance. But someone who lives elsewhere in Big Canoe probably wouldn’t care, but could form a negative position if they considered the negative impact on the POA budget for maintenance that was above the normal for the remainder of Big Canoe. Therefore, communications on this issue should be targeted to convince stakeholders that they should care and why they should be supportive of the POA position on the issue.

Culture

Beliefs, customs, practices, and social behavior of a particular people. [*i.e. society, way of life*].

Strategic Plan

A carefully devised plan of action to achieve a goal, or the art of developing or carrying out such a plan. e.g., a larger scale plan that sets the parameters and guidelines for operational level plans or activities. The science of planning and directing large scale actions, specifically (as distinguished from tactics) of

maneuvering ones situation into the most advantageous position prior to actual engagement.

Transparent

Without guile, or concealment; open; frank; candid; completely open and frank.

Appendix B

The Character of Big Canoe

THE CHARACTER OF BIG CANOE

Big Canoe is a private, gated master-planned community designed to achieve a harmonious integration of the natural beauty of the land with those elements most desired in a resort and residential community. It is a community in the true sense of the word, multi-generational, offering a small-town atmosphere.

Deeply held common values help define the character of the community of Big Canoe. Privacy and security are highly valued by all owners. A keen appreciation of the preservation of the natural environment and its ecological systems forms one of the core values uniting Big Canoe's diverse population. This population includes full-time residents, part-time residents, landowners, guests, vacationers, renters and event attendees.

An atmosphere of warmth, hospitality, tolerance, consideration and respect governs all matters among owners, guests, management and service providers. This attitude of compassion and consideration extends beyond the borders of Big Canoe through caring outreach to the local surrounding area and beyond.

Big Canoe is governed from within through the Property Owners Association (POA). The POA is charged with implementing the covenants, administering the rules and regulations, providing community services including security, operating the amenities and maintaining common property and assets. Governance is representative of and responsive to the Big Canoe population, and opportunities are available for service and contribution from those willing to do so. Management of POA operations and provision of community services is efficiently conducted to maximize quality and enhance the property values of Big Canoe owners while minimizing waste and maintaining reasonable assessments and fees.

A wide and expanding range of amenities, events and activities are provided, offering alternatives for recreation, learning and relaxation, and responding to the changing needs of the community. Amenities include golf courses, tennis courts, swimming pools, a fitness center, lakes and beaches, boat rentals, a rock slide, hiking trails, play fields, parks, children's play areas, nature preserves and more, along with cultural, educational, family and social activities and events. Effort is also made, where feasible, to encourage commercial services as needed and desired by the Big Canoe population.

The POA and the Developer strive to maintain the natural beauty of the environment. A large percentage of land is devoted to green space. Facilities are constructed and maintained to reflect a semi-rustic but high-quality, upscale atmosphere in keeping with the mountainous character of the community. Architectural Control is an important component in the preservation of the character of Big Canoe.

Change within Big Canoe is managed with the objective of maintaining the fundamental character of the community and its environment. This philosophy of change is in concert with the recognized need to continue to respond to the evolution of the needs and desires of Big Canoe's current and future population. This positive management strategy supports the continued development of Big Canoe in a manner that enhances property values for all.

Adopted December 15, 2004

Appendix C

Governance Committee Visit to Kiawah Island

Trip Report

Date: January 13-14, 2010

Attendees: Sandra Smalley, Susan Willson and Phil Anderson

BACKGROUND

In the course of researching different governance models, our committee discovered that Kiawah Island instituted a modified Carver model December 2007. It was the general feeling that meeting with their board and gaining a greater understanding of why this change in governance was made, how it was implemented and any lessons learned that have come from the subsequent 3 years of experience would be very helpful in our project. Phil Anderson contacted the board and meetings were scheduled for Jan. 13th & 14th on Kiawah Island. Sandi Smalley, Susan Willson and Phil Anderson agreed to make the trip and report on the results.

KIAWAH ISLAND PARTICIPANTS

Lois Randall, Sr. Executive Assistant, helped set up the meetings and accommodations

Dr. Paul Roberts, Chairman, Kiawah Island Community Association (KICA) Board of Directors

Dr. Armand Glassman, Vice Chairman on KICA Board of Directors

Paul Hilstad, Treasurer on KICA Board of Directors

Joe Bunting, COO (General Manager), KICA

KIAWAH ISLAND GENERAL INFORMATION

Gated Community 22 miles from Charleston, SC

Incorporated in 1989 – all behind gates

Size – 10,000 acres with only 5,000 developable

77.8% Member controlled with the rest being Developer controlled

5,350 Unit Cap - Currently there are 4,300 units

Full Time Residents – 20% Island – 10 years

Miles of Road – 40 miles

Average Home/Lot costs (2009)

Home: \$2,000,000

Lot: \$950,000

Cottages/Villas: \$525,000

Meeting – Wed. Jan 13 – 3:00 – 5:00 and Thursday, Jan 14 – 9:00 – 11:30

We met at the Kiawah Island Community building that houses the Kiawah Island Community Association's offices and personnel and also the Town of Kiawah's personnel, court, public safety office, etc. The participants were Sandi Smalley, Susan Willson and Phil Anderson along with Dr. Paul Roberts, Dr. Armand Glassman, Paul Hilstad and Joe Bunting from KICA.

Discussions included:

- a) Comparisons of our two communities (see Addendum “A”
- b) Why Kiawah Incorporated
 - To control its’ destiny and as a defensive measure to avoid annexation by Charleston
- c) Division of responsibilities under new governance
 - Board is responsible for strategic vision only
 - COO (GM) is responsible for all operations – Completely like the Carver model (See Addendum “B” “Who does What for Kiawah Island”
- d) How was transition facilitated?
 - Sandi Denton (consultant) was brought in, but only worked 2 days
 - Members decided to “go it alone” and educated themselves on models, implementation plans, etc. Chairman at that time was a former HR exec. and was responsible for managing the transition
- e) Under new governance, most changes to Strategic plan, budgets, expenditures can be done at the board level without member approval
- f) Bi-laws can be changed at the board level without member approval
- g) Transition Plan – Vice Chairman automatically becomes the Chair the following year and as Vice Chairman is responsible for creating the annual strategic plan – continuity. Initially this was true, but the board has not followed this model recently
- h) Funding/Revenue Stream
 - Assessments (1/2 ours)
 - Capital Reserve Fund – 1/2% on the sale of home/unit or resale
 - Local Accommodation Taxes, Hospitality taxes and Franchise Fees go to the Town of Kiawah (TOKI). The association gets indirect benefits
 - Kiawah Island residents(behind the gates) do not pay property taxes to the Town of Kiawah (TOKI)
 - Assessments are paid in full annually and are required to be paid within 30 days. This means that KICA has their funds at the start of their fiscal year
- i) Meetings – Board Level:
 - Board Meetings are open and members can ask questions/speak for ½ hour at the start of the meeting. The board if possible will respond at that time to questions/concerns, etc. Members do not have to pre-submit comments
 - Strategic Sessions, Planning sessions and Executive sessions are closed
 - Board committee meetings are open
 - All open board/board committee meetings are required to take minutes and post them within 3 days on their web site.
 - ALL meetings were open until 2 years ago when the board felt that having them open was not productive
 - Meetings – COO(GM)
 - i. Most COO meetings are closed
 - ii. COO committee meetings, except for HR and legal issues are open
 - iii. COO hosts a monthly “Mornings with Joe” meeting for the community that does NOT include the board
- j) Board composition

- 6 Board members and 1 developer representative. The developer does not have a majority vote as of 3 years ago. Terms are for 3 years with 2 members rolling off every two years.
- k) This year's strategic initiatives
- Communication
 - i. Communication between board and community and volunteers. This was one of the areas where the board felt they needed improvement.
 - ii. Board has chartered a Long Range Communication Plan committee to address this issue
 - HR rules for the board of Directors on conflict of interest and confidentiality
 - 5 year capital improvement plan
 - New access road for the island to improve accessibility and safety

INSIGHTS/FINDINGS

- a) Transition was a learning curve for the first two years. Roles and responsibilities even when documented in detail still had to be worked out.
- b) All their amenities are losing money. They felt that we should be very proud of ourselves if ours are making money in total. Their feeling was that the amenities were there as part of the experience.
- c) They are very happy with the transition and would not go back to way it was before the transition.
- d) All roads are maintained out of the Capital Reserves rather than through the assessments. Their Capital Reserve currently is \$6 million +. Property Owners do not approve any of the Capital Expenses
- e) The Association strives to be in the "Surprise and Delight" Business.,
- f) The Association does not own any amenity in Kiawah Island. All Golf Courses, Club Houses, restaurants, time shares, villas, etc. are owned by either the Developer, a private resort company, LLC corporations, etc. This removes them from all responsibility relating to the amenities.

ADDENDUM "A"

KIAWAH ISLAND PROFILE AND MAKE-UP (As they call it "the maze of K's" – much more complex than ours)

- a) **KICA -Kiawah Island Community Association** – Their POA/HOA. KICA's members are property owners, and the association's operations are financed by members' annual assessments. Reserve funds are financed primarily by contributions to reserves fees paid by purchasers of property and fees collected from contractors performing services on Kiawah. KICA is governed by a board of directors, which consists of six (6) directors elected by the members and one director appointed by the developer. The association owns, maintains, insures and improves common properties, such as roads behind the gate, drainage systems, rights-of-way, the Sandcastle Community Center and pool, boardwalks, bridges, lakes and leisure trails. Other key functions include providing member safety services, Island access, mosquito abatement, grounds and lakes maintenance and natural disaster recovery. NOTE: KICA does not own any of the golf courses, restaurants, clubs and commercial areas. It publishes a newspaper called Kiawah

Island Digest (the official publication of the Kiawah Island Community Association) and an official telephone directory.

b) **TOKI – Town of Kiawah Island (encompasses area outside of gates on Kiawah Island and does not own anything inside the gates)** The Town was formed in 1988 when Kiawah was incorporated to ensure that it would remain independent of neighboring political powers and direct its own destiny. Owners of property on Kiawah pay no taxes to the town. It is financed primarily by business license and franchise fees and state, county and local accommodations tax (ATAX) receipts. The town is governed by the mayor and the town council, which consists of the mayor and four councilmen. The town owns, maintains, insures and improves the Municipal Center, The Kiawah Island Parkway (outside of the Kiawah Island Resort Main Gate). Key Functions of the Town of Kiawah Island include:

- a. Providing beach management and safety
- b. Issuing of business licenses and collecting franchise fees
- c. Providing public safety and health services through Town Code Enforcement officers and the hiring of off-duty Charleston County Sheriff's deputies, overseeing emergency response and evacuation. They have the power to arrest and issue tickets throughout the entire island
- d. Manage the solid waste collection and recycling effort.
- e. Provide judicial services (municipal court)

Percentage of the Town Budget:

LOST from state – 4%-5%

Business Licenses - 48%

Accommodation Taxes

State Direct – 6%-8%

County 2%

Local Accommodation Tax - 1%

Franchise fees (Vendor, Cable, Elec. Co) 6%-7%

c) **KDP – Kiawah Development Partners, L.P.** – KDP is the Kiawah Island master developer and is in the business of creating attractive real estate purchase opportunities on the island under its master plan. It builds new roadways and designs new neighborhoods with residential lots to be sold through Kiawah Island Real Estate (**KIRE**). Roads built by KDP are typically deeded to KICA, which assumes maintenance responsibility. KDP's functions are:

- a. Owning un-subdivided land and operation Kiawah Island Club (Beach Club, Cassique and River Golf Course – all private) Kiawah Island Real Estate, Freshfields Village (a mixed –use commercial village) and the water and sewer provider, Kiawah Island Utilities (**KIU**).
- b. Providing recreational facilities (clubhouse and golf courses) to members of the Kiawah Island Club (private) and publishing *Legends* and *Island Insights* to promote island living.
- c. Providing security services for KDP properties and club members and guests (Note: separate from KICA controlled areas), island access for club members and recovery of KDP properties after natural disasters and insurance on KDP properties.
- d. **ARB** – Architectural Review Board – Owned and operated by KDP

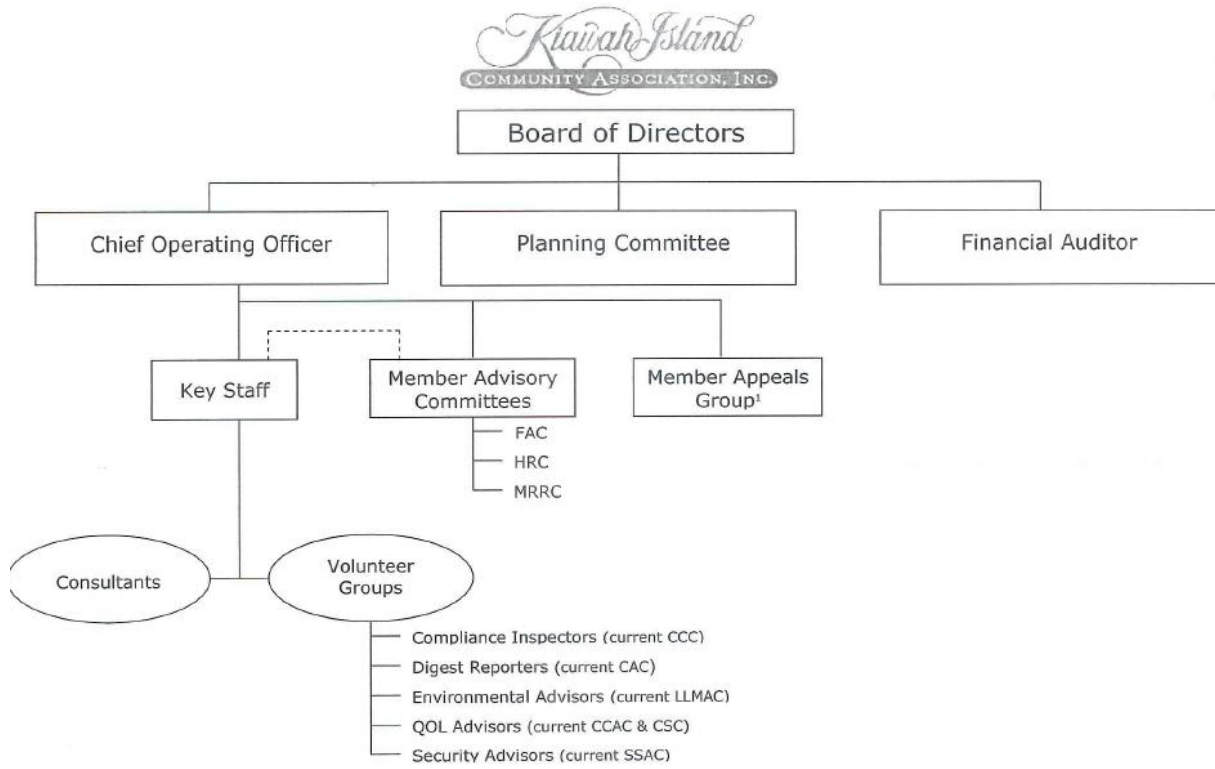
- e. **KIU** – Kiawah Island Utility company – A subsidiary of the developer, KIU develops and maintains all island water supply and sewage facilities
- d) **KIGR – Kiawah Island Golf Resort** – The resort owns, maintains, insures and improves the structures and grounds of the beachfront hotel and spa called The Sanctuary at Kiawah Island, nine (9) restaurants and five (5) golf courses (on-island: The Ocean Course, Cougar Point, Turtle Point, osprey Point and immediately off-island: Oak Point), as well as East and West Beach Tennis Centers, Night Heron Park and Nature Center, East Beach Conference Center, the Straw Market and Mingo Point commercial areas. The resort also operates the Governor’s club, which includes all of KIGR’s tennis facilities and golf courses on and off-island.
- e) **KINHC – Kiawah Island Natural Habitat Conservancy** - The conservancy is a separate 501(c)(3) non-profit organization incorporated in 1997. The conservancy’s purpose is to provide for the identification, preservation and appropriate management of the natural habitat on Kiawah. It publishes a bi-annual magazine named Naturally Kiawah and maintains a web sit. The conservancy is also a holder of land and conservation easements and as such it acts as a land trust.
- f) **KPOG – Kiawah Property Owners Group** (Note: NOT the island POA and not really a traditional HOA) – KPOG is an independent advocacy group formed to represent the collective interests of Kiawah Island property owners. It publishes a newsletter, Kiawah Island Talk, and its own telephone directory.
- g) **POPS – Property Owners Parties** – POPS is an island-wide organization dedicated to the sponsorship and promotion of a broad spectrum of social and cultural activities and currently sponsors four parties and nine clubs. These clubs include Alternatives, Bible Study, Book Club, Bridge Club, Dinner Club, Garden Club and Stitches and Conversation.
- h) **Regime Management – Villas, cottages and town homes** – KICA members who own a villa, cottage or town home are also members of a specific regime, that is, the small “neighborhood” of units in the surrounding area. Owners of a regime property pay an annual assessment to the regime, as well as a general assessment to KICA. Each regime is responsible for maintenance, insurance and improvement of its own landscape and infrastructure. Some single-family home sub-divisions such as Terrapin Island and The Settlement are also part of fee-simple associations, called regimes for simplicity, which are technically distinct home-owner associations. Regimes are managed by one of several local management companies.

Kiawah Island of Board/GM Responsibilities

Roles of Board and COO	BOD	COO
<u>PLANNING</u>		
<input type="checkbox"/> Provides mission & vision	X	
<input type="checkbox"/> Initiates/establishes/approves the planning process; Determines long- range priorities, goals and objectives	X	
<input type="checkbox"/> Identifies performance indicators of success necessary to monitor goals and objectives	X	
<input type="checkbox"/> Directs process of planning for first year of the rolling 5-year Strategic Plan; manages that year's operational action items		X
<input type="checkbox"/> Reports annual objectives variances; reports on achievement of goals & objectives at board's winter retreat		X
<input type="checkbox"/> Establishes quality of life and property values outcomes to meet members needs	X	
<input type="checkbox"/> Implements means and tactics to achieve QOL, environment & property value outcomes to meet members needs		X
<input type="checkbox"/> Understands needs of varied constituencies	X	
<input type="checkbox"/> Monitors achievement of goals & objectives	X	
<u>PROGRAMMING</u>		
<input type="checkbox"/> Assesses & reports member needs (Member Survey, Focus Groups)		X
<input type="checkbox"/> Trains volunteers		X
<input type="checkbox"/> Evaluates products, services and programs as measures of the established outcomes	X	
<input type="checkbox"/> Provides new products, services and programs for members as means to meet established outcomes		X
<input type="checkbox"/> Prepares/maintains program records/reports		X
<input type="checkbox"/> Prepares prelim budget assumptions based on board's goals; drafts budget		X
<input type="checkbox"/> Approves budget and capital projects	X	
<input type="checkbox"/> Manages the physical plant and site per the budget; Keeps expenditures within budget		X
<input type="checkbox"/> Approves replacements of infrastructure already planned in the approved budget		X
<input type="checkbox"/> Approves unbudgeted expenditures over 10% on operating dept budget or over 5% on reserves project	X	
<input type="checkbox"/> Approves unbudgeted expenditures as long as budget for that department is on target		X
<input type="checkbox"/> Ensures annual financial audit of accounts	X	
<input type="checkbox"/> Ensures annual reserves infrastructure "property audit" (Reserves Study)		X

Roles of Board and Chief Operating Officer	Board	COO
<u>PERSONNEL</u>		
<input type="checkbox"/> Employs chief operating officer, monitors his/her performance, coaches performance, fixes his/her compensation, establishes the COO's executive limitations	X	
<input type="checkbox"/> Directs & manages all staff, including hiring and firing		X
<input type="checkbox"/> Determines need for any/all professional consultants (financial, legal, etc)	X	
<input type="checkbox"/> Hires & manages the Board's consultants	X	
<input type="checkbox"/> Manages the COO's consultants (Note: All must be board approved before COO can hire)		X
<input type="checkbox"/> Seeks association volunteers for Board committees	X	
<input type="checkbox"/> Seeks association volunteers for COO committees and groups		X
<input type="checkbox"/> Drafts charters (including membership) for Fin comm., HR comm., MR comm. and Appeals Group; and, the FAC, HRC, MRC and Appeals Group report to.		X
<input type="checkbox"/> Financial Auditor reports to	X	
<input type="checkbox"/> Approves charters for FC, HRC, MRRC and Appeals Group.	X	
<input type="checkbox"/> Appoints, organizes and leads volunteer groups		X
<input type="checkbox"/> Hires and directs long-range planning advisors, facilitators and the strategic planning committee	X	
<u>COMMUNITY RELATIONS</u>		
<input type="checkbox"/> Interprets organization to community via newsletter and other communication vehicles		X
<input type="checkbox"/> Communicates the organization's mission to be the premier association	X	
<input type="checkbox"/> Writes and edits news stories		X
<input type="checkbox"/> Provides linkage to regime meetings, community group meetings		X
<input type="checkbox"/> Provides linkage to other organizations on policy and strategic planning matters	X	
<input type="checkbox"/> Provide linkage to other organizations on operations matters		X
<input type="checkbox"/> Enhances relations with resort, town, developer	X	
<input type="checkbox"/> Identifies ideas to improve all members' quality of life, environment and property values; identify ideas for the island's varied constituencies	X	
<input type="checkbox"/> Determines security tactics		X
<input type="checkbox"/> Determines traffic management plan		X
<input type="checkbox"/> Presides over annual meeting	X	
<input type="checkbox"/> Handles "flash-point" issues		X
<input type="checkbox"/> Gives members a standard due-process for appeals, and notifies Board before making a decision to allow or disallow an appeal		X

Kiawah Island POA Organization Chart



¹ for covenant compliance, QOL, environment or common area issues.

12/2/2006 1:21:00 PM

Kiawah Island - "Who Does What"

	TOWN of KIAWAH ISLAND	CHARLESTON COUNTY	ASSOCIATION (KICA)	DEVELOPER (KDP)	RESORT (KIGR)	KPOG
MAJOR REPAIR & REPLACEMENT (roads, drainage, lakes)	<ul style="list-style-type: none"> • Infrastructure outside gate • Beach management on behalf of state of SC 		All infrastructure inside the gate	<ul style="list-style-type: none"> • Roads not yet conveyed • Certain sub-associations w/specific deed restrictions 		
PUBLIC SAFETY (security)	<ul style="list-style-type: none"> • Contracts county sheriff for enforcement and code enforcement • Beach • Disaster awareness meetings • Administers cleanup and secures FEMA reimbursement in case of natural disaster 	Sheriff has jurisdiction	<ul style="list-style-type: none"> • Gate access • Private security services 		Private security services	
WATER				Owns local water utility		
FIRE		St. Johns F.D. (2 fire stations on island)				
EMS		X 1 EMS station off island				
PLANNING	<ul style="list-style-type: none"> • Zoning: contract staff from county • Planning Commission 		Eventually ARB transitions to KICA	ARB is developer controlled		
	TOWN of KIAWAH ISLAND	COUNTY	ASSOCIATION KICA	DEVELOPER (KDP)	RESORT (KIGR)	KPOG
GARBAGE/ RECYCLING (yard debris, brown trash, household hazardous waste)	X				Has its own "greener" recycling program (batteries, cell phones, etc.)	
RECREATION	Arts Council events		<ul style="list-style-type: none"> • Recreation Centers • Pools • Social & educational programs 	Private club: <ul style="list-style-type: none"> • 1 golf course • tennis • spa • pools 	<ul style="list-style-type: none"> • 4 golf courses • Hotel • nature center • tennis 	

COMMUNICATIONS	Monthly newsletter hard copy (sent with KICA newsletter) & web	Web	Monthly newsletter hard copy & web	Web	Quarterly newsletter hard copy & web	Monthly newsletter hard copy & web
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Appendix D

Governance Issues Matrix

Board

Governance Issues Matrix			
	Board & Related Groups (i.e., Committees & Volunteers)		
Structure	Formalized Board Roles & Definition <ul style="list-style-type: none"> • Purpose • Size & Terms • Board Roles • Election Of Board President 	Committee Effectiveness <ul style="list-style-type: none"> • Purpose • Size & Terms • Subject Matter Expert As Member • Board Member To Chair? 	External Relations Role Change <ul style="list-style-type: none"> • Clear POA/HOA Roles • POA/HOA Responsibilities (Same As Above?) • Advocacy For Homeowners/Big Canoe Internally And Externally • Zoning • Connection to Outside Groups
Policy	Public Financial Modeling <ul style="list-style-type: none"> • Transparency Of Process • Transparency Of Information • Balanced Budget Requirements • Limits And Parameters • Community Input • Accountability Measures & Systems • Ethics • Periodic Review of Effectiveness 	Proper Decision Making Processes <ul style="list-style-type: none"> • Community Vote Vs. Board Decisions • Transparency • Open Work Sessions • Open Record Policy Except For Legal And Personnel Records • Policy Change/Adherence • Legal Impediments Or Requirements • Policy Standardization • Measurable Accountability • Eliminating 1st year Board Member as GM • Election of GM 	Formalized Short/Long Term Goals <ul style="list-style-type: none"> • Strategic Goal • Clear Vision Statement • Adaptation to changing demographics

SOP	<p>Effective Information Sharing & Communication</p> <ul style="list-style-type: none"> • Video of Meetings • Ease of retrieval of information • Consistency • Education for the Community on issues, policies, budgets, etc. 	<p>Standardization</p> <ul style="list-style-type: none"> • Board and Staff Committees • Board Procedures
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Management

Governance Issues - Management				
	Management & Related Groups (i.e., Staff, Committees & Volunteers)			
Structure	Information Sharing and Communication <ul style="list-style-type: none"> Org. Chart Review Clear Lines of Communication Grievance Process Location Info. with Ease 	Formalized Roles and Definitions <ul style="list-style-type: none"> Informal areas needing to be formalized Committee Participation In Management 	External Influences <ul style="list-style-type: none"> Lobbying Restriction Interaction with County & Other External Parties Legal Agreements 	
Policy	Professional Development and Incentives <ul style="list-style-type: none"> Evaluation & Accountability (GM & Staff) Entrepreneurial Incentives Employee Training & Task Clarity Incentivizing New Qualifications 	Budget Control <ul style="list-style-type: none"> Management Authorizations 	Formalization of Operating Plans and Budget <ul style="list-style-type: none"> Defined by Mngt. In Absence of Strategy Reactive at Strategic Level 	Mechanism for Changing Policy <ul style="list-style-type: none"> Policy on Establishing SOP
SOP	Review Not Required,			

Appendix E

Governance Issues/Key Characteristics

Board

(Page 1 of 2)

Governance Issues & Conclusions/Recommendations - Board										
Board & Related Groups (i.e., Committees & Volunteers)										
Item	Process	Relationship to Key Characteristics								
		Participation	Rule of Law	Transparency	Responsiveness	Consensus Orientation	Efficiency & Effectiveness	Efficiency & Effectiveness	Accountability	Strategic Vision
Structure	Formalized Roles & Definitions									
<i>(A system or organization made up of interrelated parts functioning as a whole)</i>	Purpose		✓		✓				✓	
	Size & Terms		✓						✓	
	Board Roles		✓		✓				✓	
	Election of Board President		✓					✓	✓	
	Committee Effectiveness									
	Purpose	✓	✓	✓	✓					
	Size & Terms							✓	✓	
	Subject Matter Expert as Member	✓			✓			✓		
	Board Member to Chair							✓		
	Measurable Accountability				✓				✓	
	External Influences									
	Clarity POA/HOA Roles & Responsibilities				✓	✓			✓	✓
	Interaction with County & Other External Parties	✓				✓			✓	
	Zoning	✓				✓			✓	
Advocacy for Homeowners - Internally & Externally	✓				✓			✓		
Legal Agreements	✓	✓			✓					
Policy	Public Financial Modeling									
<i>(A formal set of principles on which governance practices are based)</i>	Transparency of Process/Information				✓				✓	
	Balanced Budget							✓	✓	
	Limits & Parameters					✓			✓	
	Community Input	✓			✓	✓		✓		
	Accountability measures & Systems					✓			✓	
	Ethics		✓	✓					✓	
	Periodic Review of Effectiveness				✓	✓			✓	✓
	Proper Decision Making Process									
	Community Vote vs. Board Decision			✓		✓			✓	
	Transparency of Process/Information	✓			✓				✓	
Open Work Sessions				✓				✓		

Governance Issues & Conclusions/Recommendations - Board										
Board & Related Groups (i.e., Committees & Volunteers)										
Item	Process	Relationship to Key Characteristics								
		Participation	Rule of Law	Transparency	Responsiveness	Consensus Orientation	Equity & Inclusiveness	Effectiveness & Efficiency	Accountability	Strategic Vision
	Open Record Policy except for Legal & Personnel Records			✓					✓	
	Policy Change/Adherence		✓	✓					✓	
	Legal Impediments or Requirements		✓	✓					✓	
	Policy Standardization							✓	✓	
	Measureable Accountability			✓					✓	
	Eliminating 1st yr. Board Member as President							✓		
	Election of Board President							✓		
	Formalized Short/Long Term Goals									
	Strategic Goal				✓					✓
	No Clear Vision Statement				✓					✓
	Adaptation to changing demographics							✓		
SOP	Effective Information Sharing & Communication									
	<i>[An established or correct method of doing something]</i> Ease of information retrieval – staff & community	✓		✓	✓			✓		
	Process for homeowners to communicate problems & issues to POA, including feedback	✓			✓		✓		✓	
	Video of Meeting				✓					
	Education for the community on issues, policies, budgets, etc.	✓			✓					
	Incorporate Community Feedback	✓			✓			✓		
	Standardization									
	Committee charters/processes	✓						✓		
	Board Procedures	✓						✓		
	SOP's for Board & Committees	✓						✓		

Management

Governance Issues & Conclusions/Recommendations - Management									
Management & Related Groups (Le., Staff, Committees & Volunteers)									
Item	Process	Relationship to Key Characteristics							
		Participate in	Adhere to Law	Transparency	Accountability	Controlled Expenditure	Skills & Qualifications	Efficiency & Effectiveness	Responsibility
Structure	Information Sharing and Communication								
[A system or organization made up of interrelated parts functioning as a whole]	Organization Review		✓					✓	
	Clear Lines of Communication	✓		✓	✓				
	Grievance Process	✓		✓	✓		✓	✓	
	Locate Information Easily			✓			✓	✓	
	Formalized Roles and Definitions								
	Informal areas needing to be formalized		✓						✓
	Committee Participation in Management				✓				
	External Influences								
	Lobbying Restriction	✓			✓				
	Interaction with County & Other External Parties				✓				
Legal Agreements		✓							
Policy	Professional Development and Incentives								
[A formal set of principles on which governance practices are based]	Evaluation & Accountability (GM & Staff)								✓
	Entrepreneurial Incentives								
	Employee Training & Task Clarity							✓	
	Incentivizing New Qualifications						✓	✓	
	Budget Control								
	Management Authorizations		✓		✓				✓
	Budget Tracking and Control								✓
	Corrective Actions								✓
	Formalization of Operating Plans and Budget								
	Defined by Mngt. In Absence of Strategy							✓	
Reactive at Strategic Level								✓	
Mechanism for Changing Policy									
Policy on Establishing SOP								✓	
SOP	Effective Information Sharing & Communication								
[An established or correct method of doing something]	Ease of information retrieval – staff & community	✓		✓				✓	
	Process for nonmembers to communicate problems & issues to PGM, including feedback	✓			✓				✓
	Regular updates to the Community on issues, budgets, etc.			✓	✓				
	Standardization								
	Committee charters/processes		✓	✓					✓
	Records retention procedures								
Process for communication of employee problems, issues and grievances to senior management	✓		✓	✓					

Appendix F

Governance Models Evaluation

Governance Models Evaluation 1. Traditional and Policy Governance

What Works for Big Canoe?

- Easily Understood by Community
- Easily adapted
- Committees are used to process information for the board and sometimes do the work of the board
- Committees serve primarily as a conduit for passing information to the board, reviewing staff recommendations and providing community feedback
- Committee/staff cooperation
- Role of Board and CEO clearly defined
- Delegates management function to the General Manager
- Liberates, empowers, and supports the General Manager
- General manager reports to Board Chair gives clear path of authority and accountability

What Doesn't Work for Big Canoe?

- Not Evolutionary
- CEO Reporting only to chair and has too much authority
- Manager - Board reporting structure
- Limits innovation/change
- Top down control which can/does lead to mistrust
- Power is concentrated in the hands of a few.
- Govern through committees – committees have more authority than current – could create problems with accountability
- Extensive use of committees and ad hoc task forces periodically drifts into operational matters

Governance Models Evaluation

2. Carver and Policy Governance

What Works for Big Canoe?

- Board has a clear vision and clear set of values which are set through a strategic planning process
- The board governs through policies that establish organizational aims (ends), governance approach, and management limitations and define the Board/ Manager relationship which is well defined
- Governance through board setting policy is good – right place for policy making
- Metrics and outcomes must be clearly identified and tracked
- The Manager has broad freedom to determine the means that will be used to achieve organizational aims which means that day to day operations are taken out of board's hands
- The manager reports to full board.
- Uses task teams to assist the board
- Committees could be converted to Task Forces – but probably still a perception problem
- Committees get community involved and help identify and train future leaders

What Doesn't Work for Big Canoe?

- Too rigid and strict
- Doesn't allow for modification
- Could lead to disconnect between board & staff
- Lack of Committees at board Level, which are the backbone of BC, can cause a disconnect with the community
- The board may use task teams to assist the board in specific aspects of its work.
- Board could be too removed from reality
- Manager freedom to determine means to ends without board
- Discourages teamwork between board and management
- Manager reporting to full board appears to give Manager more freedom to run the organization as he/she sees fit – which could be at odds with board/community
- Board members and Manager do not have to be community members

Governance Models Evaluation

3. Results and Entrepreneurial

What Works for Big Canoe?

- Management by objectives for community & Amenities
- Objectives are monitored by using benchmarks and auditing results.
- Rewards entrepreneurial spirit which focuses on innovation and change – active rather than always reactive
- Concern for the bottom line and a business-like attitude and leans towards more efficiency and effectiveness
- The CEO is a non-voting member of the board, carries substantial influence over policy-making, is viewed as a full partner with the board and has a relatively free hand at managing to achieve objectives established by the board.
- Committees are used for monitoring/auditing performance of the board, Manager and organization.
- Board members are selected for community profile, capacity to open doors for the organization and may be used for selected tasks in their area of expertise.
- Uses committees to monitor and audit performance of board similar to today for board committees
- Board is held accountable by managing by objectives
- This is how I see the BC Board operating today.

What Doesn't Work for Big Canoe?

- Always focused on bottom line instead of the “Big Picture” which might not meet all the needs of the community
- Focus is on innovation and change which might not meet all the needs of the community
- This model does not require the board to focus on vision, strategy and goals as in the Carver model. The board's focus is on achieving results rather than formulating policies.
- Too closed and not transparent
- Weak accountability
- The quality and value of a community may not be the most economical way to go, i.e.; quality of life, not profit
- Little incentive for innovation on behalf of community
- We have too broad based and far reaching constituency/community for this model
- General Manager as a non-voting member, primary policy maker and a full partner with the board is a problem
- General Manager has a free hand at managing to achieve objectives of the board.
- Could be problem for GM committees in monitoring & auditing performance of staff

Governance Models Evaluation

4. Representational and Constituent Representation

What Works for Big Canoe?

- Direct Constituent representation on the board
- Balances interests of various elements of community
- Direct grievances to representative on board
- Property Owners can have direct link to the board thru their representative
- Board might have bigger/larger pulse on what the property owners want thru input from constituents
- Board is elected
- Constituents are on the board and participate in policy development and planning
- Great for participation of community

What Doesn't Work for Big Canoe?

- Vision can change because of turnover in board membership and constituent turnover
- Power is decentralized and fragmented
- The board challenge is to balance the interests of particular constituents with the best interests of the community
- Board's relationship to General Manager is not clearly defined
- There are no distinguishable districts/or groups of constituents in BC
- Electing members from 'districts' could be problem in getting the best candidates
- Tendency for board members to be 'territorial" and not represent interest of all community
- Size of board (15 to 40 members) and the large number of committees and activities can be unwieldy
- Constituents with all sorts of different wants and needs and not all present or even accessible. Consensus building could be a major hurdle
- Communication is not always clear, timely, adequate, consistent and accessible.

Appendix G

Summary of Immediate Recommendations

4.1. Constituent Involvement and Relations

4.1.2 Operational Practices

1. Character and Culture Engagement

- Board preserves and promotes the character and culture of Big Canoe.
- Property owners participate in the strategic planning process.

2. Constituent Participation

- Property Owner Rights:
 - ✓ Vote.
 - ✓ Be familiar with all corporate documents (Covenants, Bylaws, rules, regulations, etc.).
 - ✓ Participation in meetings and elections.
 - ✓ Use of Big Canoe common elements.
- And Responsibilities:
 - ✓ Abide by the covenants, restrictions, rules and regulations.
 - ✓ Pay proportionate share of common expenses and special assessments on time.
 - ✓ Maintain casualty and liability insurance.
 - ✓ Respect the common elements of Big Canoe.
- Constituents are actively encouraged to participate in POA activities and functions:
 - ✓ Attend board meetings, public forums, Management Coffees, etc.
 - ✓ Participate in committees, surveys, indirectly through groups or organizations within Big Canoe.
- Mechanisms are in place for communicating to members, obtaining constituent input, response and consent (when required).
- There are easily-used means for constituents to communicate with the board, staff and committee members to provide suggestions, ideas, problems, grievances, etc. This process includes timely response or feedback to constituents.
- There is a formal process for constituents to communicate with the board/GM for suggestions, grievances and issues and receive a timely feedback/response:
 - ✓ A matrix of problem/issue type and who to contact provides members with a ready reference for contacts within the POA. See example for Kiawah Island, Appendix C.
 - ✓ A documented process for follow-up/feedback to the individual who raised the problem/issue (and to the community on topics of widespread interest) – including final closure.

3. Transparency

- Open Board Meetings – All Board meeting, whether formal or working, are open to property owners -- Except for matters and issues involving personnel, litigation or potential real estate transactions. All board decisions are made at public meetings as a formal policy.
- Clearly defined and documented roles and responsibilities of the GM and Board.

4.2. Board Structure and Organization

4.2.2 Operational Practices

1. Strategic Direction

- Documented policy and process to develop, update and implement a long-range strategic plan that defines the vision, mission statement, strategic goals and policies for the Big Canoe POA.
 - ✓ The plan includes input from property owners, the developer and external parties.
- Strategic plan reviewed on an annual basis to ensure ongoing viability, efficiency, effectiveness and proactive approach to changing needs.
- Measurable metrics and track/report progress of each strategy/goal/objective and adjust plans on a yearly basis.
- Embed the strategic goals and objectives in yearly operational plans and budgets.
- Clearly defined and documented leadership roles for the Board President and the GM for the strategic planning process.

2. Board Organization and Policy

- Clearly defined and documented roles and responsibilities of the GM and the POA Board.
- Regularly review and update performance goals and objectives (with measurable metrics) and monitor/evaluate the GM against these goals.
- Process for board self-evaluation in relation to the goals and objectives it sets each year.
- Documented policy and standards of ethical conduct and conflicts of interest for all board members, committee members and staff.
- Established policy and process for documenting and maintaining critical records of the POA to ensure transparency, efficiency, accountability and compliance with strategic plan.
- Established policy that first year board members should not be elected to President, unless under extraordinary circumstances.

3. Committee Structure

- Active board advisory committee structure that is monitored and adjusted as conditions warrant change.
- Formalized structure, communications methodology and operating procedures for all Board sponsored committees.
- Up-to-date committee charters and procedures for assuring that committees have clear and concise guidance on roles and responsibilities.

4.3 Management and Oversight

4.3.2 Operational Practices

1. Organizational Structure:

- All employees have a clear understanding with regards to authority and limitations.
- Each staff position has as much empowerment as possible to enable them to do their job effectively.
- Documented job descriptions for all positions that require one – at high level, not necessarily to define all job tasks.
- Clearly defined processes/procedures for responsibility and accountability of all positions with respect to meeting job performance goals and objectives.

2. Planning and Evaluation process

- Established processes for staff to embed strategic plan goals/objectives in operational plans.
- Formalized process for revising operational plans to meet changing conditions – internal technical or financial problems, external conditions such as rapidly changing economy, etc.
- Appropriate metrics and evaluation processes are used to track and measure progress.
- Established procedures for corrective action to resolve technical and financial problems in a timely manner.
- Progress on goals tracked and reported to board on a regular basis.

3. Staff Support

- Documented organization chart, with job descriptions.
- Defined and documented job skill requirements.
- Formalized processes used for evaluating a position.
- Comparable “Best Practices” are used in establishing positions, salary guidelines and staffing requirements.
- Documented processes for defining and resolving conflicts of Interest.
 - ✓ Employees should not be serving as committee members on committees that report to their immediate supervisors (with the exception of Safety Committees).
- Established employee reward/recognition programs -- such as STAR Performer Program and other motivational programs.

4.4. Financial Management and Oversight

4.4.2. Operational Practices

1. Financial Integrity and Accountability

- Formalized process for the Finance Committee to work with staff to develop a yearly budget for submittal to the board.
- Established uniform procedures and processes for monitoring, tracking and controlling expenditures, with appropriate approval levels clearly specified:
 - ✓ Outside procurement.
 - ✓ Inside budget expenditures.

- √ Expenditure authorization levels clearly communicated to all stakeholders and staff.
- Track and monitor budget performance on weekly/monthly basis and report to the board and stakeholders.
- Established spending limits for which the board must seek approval from the POA membership.
- Documented procedures for use of funds from Special Assessments that are clearly defined and followed to account for all fund expenditures.

2. Financial Transparency

- All budgets published on POA website, with highlights in Smoke Signals and other locations that are easily accessible by stakeholders.
- Large budget issues are communicated to stakeholders via E-mail blasts, special SS articles, public forums or committees if the amount exceeds limitations, etc.
- Community feedback and input is encouraged.

4.5. Risk Management

4.5.2 Operational Practices

1. Risk Identification

- Financial status of identified risks is tracked and reported to the board and community on a regular basis.
- Established programs and procedures assure compliance with all current OSHA, County, State and Government regulations regarding public facilities and infrastructure.
- Established metrics, tracking mechanisms and evaluation processes ensure adequate insurance coverage and provide early identification of risks.
- Established metrics, tracking mechanisms and evaluation processes to evaluate and identify external risks.

2. Risk Evaluation

- Established procedures to continually evaluate current financial status against known risks.
- Established processes and procedures to evaluate risks.
- Established procedures to track and report Insurance status to the board and Community on a regular basis.

3. Risk Mitigation

- Report issued to the board on a regular basis covering risk assessments, status and any corrective actions required for the period.
- Established contingency plan for any known external risks. Updated on a regular basis.
- Established risk management committee.
- Established process to have an outside resource evaluate Big Canoe's risks above and beyond the current insurance company.
- All major Big Canoe contracts are reviewed annually by a third party to assure compliance with State and Local laws and regulations.

4.6. Communication

4.6.2 Operational Practices

1. Communication Plan

- Developed communication plan, with an oversight committee.
- Established processes and procedures to ensure effective, timely and easily accessible communications.
- Established contingency plan for any emergency communication to the community. Evaluated and updated on a regular basis.

2. Proactive Communications and Feedback

- Documented processes for property owners to communicate suggestions, problems and/or issues to the board, including formalized feedback to complete the loop on a timely basis.
- Documented grievance procedures for POA members complaints, problems or issues, with a specific staff person identified as the focal point or different staff members dependent on type of problem/issue.
- Established metrics on the success or failure of the feedback and/or follow-up process to ensure that a closed-loop communication process is operating correctly and effectively.
- Established and easily accessible process for timely feedback to the community on Committees, Board Recommendations, Public forums, Community Coffees, etc.
- “User-friendly” archive for Board minutes/notes, Big Canoe rules and regulations and other documents or communications that are pertinent to Big Canoe property owners.
- All information communicated to the community is accurate, timely and does not contain any false or premature information.
- Covenants and Bi-laws are distributed to all property owners upon their purchase of Big Canoe property:
 - ✓ A simple “high level” sheet highlights important information and major items.
- Advanced information technology is employed in web communications, including simple fill-in e-mail forms for reporting problems, issues, grievances, visitors, etc.

3. Open Records

- All records for Board Meetings (Including working meetings) and other board activities are open and accessible, unless they pertain to personnel, salary and/or legal issues.
- A formalized record is maintained for all board meetings. These recorded minutes are easily accessible by the community.

4.7. External Relationships

4.7.2 Operational Practices

1. Identify Key external influences and groups affecting Big Canoe

- Documented processes and procedures to identify external influences and groups affecting Big Canoe.

- Documented processes define and control participation and reporting on external influences and groups affecting Big Canoe.
- Established process for educating the community on any major external influence or group that affects Big Canoe.
- Success metrics are used to track and report, on a regular basis, the effectiveness of interaction with external influences and external groups. These include issues related to zoning, voting, schools, business groups, county issues, etc.

2. Advocate Role

- Formalized agreement with the HOA regarding the advocate role outside the Gates of Big Canoe.

3. Management of External Operational Relations

- Working or business relations with outside parties, such as local government, is the function of Management.
- Established reporting methods on meetings, etc. with external groups.

Appendix H

Long Term Recommendations

1. Constituent Involvement and Relations

- Constituents attend board meetings as much as possible.
- Committee participation brings in representatives from diverse areas and views from the Big Canoe community and helps identify future leaders.
- Participate in surveys, public forums, management coffees, etc. Participate indirectly through groups or organizations within Big Canoe.
- Use the FAQ area on the POA website, the Community HOT LINE, Smoke Signals survey capability, inserts in POA billings, etc., to keep informed of current events.
- New property owners are informed of their responsibilities and given a hard copy of a document describing responsibilities of property owners in a gated community (Ref. Document provided to the Committee by Terry Bacigalupo).
- All important Board meetings are videotaped and the records posted on the POA website.
- Clearly defined responsibilities and limitations of the POA -- documented and available on POA website (Clear definition of bounds on authority – such as probation on lobbying.)
- Procedures to review, update and distribute (make available) Covenants, Bylaws, and Articles of Incorporation as they change.
- POA website is use as the major communication tool to and from constituents: “Everything you wanted to know about Big Canoe” – POA fees, etc. See *Bent Tree website*.
- Special reports by committees, board, and staff published on website.

2. Board Structure and Organization

- Established guidance for board, staff and committees on how to use Strategic Plan for guiding their activities.
- Established process for an outside expert to periodically review the strategic plan. This includes evaluation of the effects of outside influences on the plan.
- Regular reviews and updates on policies regarding the Board/GM relationships and limitations, governing processes, etc. This includes the Governance Model.
- Board members serve as ex officio or liaison members of board Committees.
- Records retention: Established policy for documenting and maintaining critical records of the POA to ensure transparency, efficiency, accountability and compliance with strategic plan – including requirements for what to save, where to save/store, format for storage (paper vs. digital), length or retention, etc.
- All committees prepare timely minutes and publish on the POA website (Requires reversal of current policy that committees are not required to prepare minutes of meetings).
- Documented process for encouraging qualified leaders to volunteer their time, energy and skills to continue to build a better community.

- Individuals for future leadership are identified through POA committee service, Leadership Big Canoe, and service on HOA committees or boards:
 - ✓ Formal process for documenting individual service and performance.
- Celebrate committee successes in appropriate manner:
 - ✓ Recognize and publicize successful accomplishments.
 - ✓ Success party for participants.

3. Management and Oversight

- Documented process for education and training goals for employees – for current job and potential job upgrade/promotion, including incentives.
- Established procedures for corrective action to resolve technical and financial problems in a timely manner.
- Formalized process for employees, including feedback, to report and follow-up on personnel issues.

4. Financial Management and Oversight

- Adequate budget and resources are provided to staff to accomplish the mission that is laid out in the Strategic Plan.
- Documented policy to change auditor every 5 years.
- Suitable mechanisms are in place, at the right management levels, to provide for corrective actions when budget problem areas arise.
- Established uniform procedures for financial accounting documentation.
- Documented plans and processes for data backup/retention, including offsite storage of critical financial data.
- Documented process to assure that all financial computer programs adhere to applicable accounting standards, government regulations, etc.

5. Risk Management

- Any known Public Safety risks are tracked and reported on a regular basis to the board and the community.

6. Communication

- Established metrics on the success or failure of communications feedback and/or follow-up processes to ensure that the closed-loop process is working effectively.
- Established success metrics, along with tracking and reporting on a regular basis, the effectiveness of communication.
- The overall communication process is regularly publicized.
- Established process for educating the community on any major changes to the Strategic Plan, Board actions or budget/expenditure changes.
- Established training program, with appropriate documentation, on effective communications provide to the board, staff, committees and community members.

7. External Relationships

- No further recommendations.

Appendix I – Articles from Smoke Signals

<u>Article Title</u>	<u>Publication Date</u>
Participate in exchange of ideas on Dec. 8	<i>December 1, 2009</i>
POA Board approves 'amenity expectation' policy <i>Governance committee reports</i>	<i>October 27, 2009</i>
Governance Committee Seeks Community Input	<i>November 25, 2009</i>
Governance Committee updates property owners	<i>December 13, 2009</i>
"Why are you doing this ... now?" <i>Governance committee answers questions from the community</i>	<i>February 23, 2010</i>
Kiawah Island offers insight into Carver governance model	<i>February 23, 2010</i>
POA Committee Reviewing Nine Governance Areas <i>POA Governance Committee seeks input from the community</i>	<i>March 27, 2010</i>
Character district, governance concepts presented to HOA Board <i>Governance committee seeks feedback at May 15 public meeting</i>	<i>April 30, 2010</i>
Review of proposed Big Canoe governance model set for May 15	<i>May 10, 2010</i>
Governance committee hears feedback at public meeting	<i>June 12, 2010</i>



Members of the Big Canoe Governance Committee: Front Row (l-r) Susan Willson, Ardis McCain, Steve Brazen, John Farris, Sandi Smalley; Back Row, Rich Andersen, Phil Anderson, Charlie Ragonesi, John Bridges, Cecil Schneider, Gerry Schneider. Not pictured, Allan DeNiro, Elizabeth Mauldin.