

BOARD OF DIRECTORS MEETING MINUTES

Rockport Country Club Members Association

July 31, 2019

BOARD OF DIRECTORS members in attendance were: Craig Bohn, President, Chet Cloudt, via telephone Charles Giesey, Red Hunt, Vicky Buck, Glenn Kliebert and Elyce Kahn.

Herb Sutter was absent.

Others in attendance were: Rick DeLoach, General Manager and James Creekmore of Johnson & Creekmore, CPA's.

The meeting was called to order by Craig Bohn at 4:00 PM

Approval of prior Minutes:

A motion was made and seconded to approve the minutes from the last Board of Directors meeting held on June 26, 2019. A vote was taken and the motion carried.

Member Correspondence: Rick DeLoach reported that letters (copies attached) had been written to two members concerning a verbal altercation between the two that had taken place on Club property. The two persons involved were Mr. Chris Gover and Ms. Kristy Moore. The assertion had been made that Mr. Gover made a vulgar gesture toward Ms. Moore while at the Club and, as a result, Mr. Gover had been asked by Club employees to leave the property, which he did. Rick subsequently met with Mr. Gover about the incident to hear his side and clear the matter up. After his meeting with Mr. Gover, Rick reviewed video the Club had recorded of the incident and found no evidence that Mr. Gover made any obscene gesture. Rick then wrote the letters referred to above to the persons involved to clarify his findings and conclude the matter, so far as the Club is concerned.

Financial Reports as of June 30, 2019 (James Creekmore): James reported that there is still a small glitch within the EZ Links accounting system and that the numbers being reported were not final. He also said the magnitude of the issue was minor and that Rick would send out the final reports after the issue is rectified. James then reviewed and summarized the June 30, 2019 Financial Statements, both Balance Sheet and Income Statement (reports referenced). Referring to the Income Statement Summary page, James reported that the Club had an NOI gain in June of \$14,935 vs. a budget of \$5,305 and a \$15,187 loss in June vs a budgeted loss of \$24,818 after depreciation and amortization. He also stated that the Club is about even for the year vs. budget. There were no questions regarding the financial statements.

General Manager's Report – June 30, 2019 (Rick DeLoach):

- **Operating Results:** Rick summarized his June Financial Review (report referenced), which provides the highlights for each segment of the Club's business activities, including an over/under analysis of actual performance vs. budget for most of the important club functions. He opened his remarks with a comment that we continue to face challenges with cost overruns

in the kitchen operation, but thinks that we are moving in the right direction to make improvements in this area of operation. He said that Chef Gordon is well aware of these problems and is taking greater ownership in the management of these issues. He then said that the budget is really not correct for what it costs to operate the kitchen, but that this will be addressed in next year's budget. Rick also mentioned that he had contacted other acquaintances in the Country Club business, whom he has known for years to compare notes and concluded that we are in line with industry norms with the exception of our back-of-the-house labor costs, which are running about 6-7 percentage points high. Furthermore, he pointed out, it appears that we have made some improvements in our COGS for both the food and beverage operations, which were 38% and 22% respectively for June and 41% and 29% year to date. Rick then explained that the ongoing challenge is to identify what our members want out of the food & beverage operation and what they are willing to pay.

- Past Due report: Rick passed out a copy of the Member Aging Report (report referenced). He went over it briefly and referred to the hand-written notes he had made at the bottom of the report. Rick said he had spent a good bit of time the past week working on the issue and that Hugh Morrison and John Mann had both paid up in full. He also mentioned that he had been in contact with the Son of Joan Dushinske and was confident that the Club would get paid for what she owes, but that her membership would probably be resigned due to her poor health. Dan Winkles name was also mentioned. Glenn Kliebert said he knows him from work and will contact him on behalf of the Club. Finally, Rick said he was going to contact Rock Reese again and that we must get a payment from him soon or other action will be needed.
- Cash Flow Forecast Report, Capital Expenditure Update and Projects to Complete (reports referenced):
 - Cash Flow Forecast - Rick went over the report, which shows actual figures for completed months and budgeted figures for future months through the end of the year. He stated that the current cash flow projection for December 31, 2019 is \$649,998 at the end of June vs. \$708,815 projected at the end of May.
 - Capital Expenditure Update and Projects to be Completed - Rick went over the list of approved capital items completed and those yet to be completed with an expected cost of \$119,364 for items yet to be completed. He first mentioned the Maintenance Building and said he would defer a discussion about that until later in the meeting. He said the new A/C unit in the Fitness Center was installed, but was still on the left side of the report because payment for the unit had not yet been made. He also said the new bar doors leading outdoors from the Copper Room had been installed and that we are currently working on the menus and cost for them. He said the final price for the shades in banquet area was \$15,082.95, including tax and that the Finance Committee had voted to recommend the purchase. The money for the shades will be taken from the capital landscape budget, which had been previously approved. He also said he is

waiting for one additional punch-list item to be finished before he makes final payment to ClubDesign.

A discussion then jumped to the negotiation of a long-term loan with Community Bank. Rick explained that the two options were; 1. To roll the existing \$1mil line of credit used to rebuild the Club into a separate long-term note from the existing \$500K long-term note, or; 2. To combine the two amounts into a single long-term note amounting to \$1.5 mil. Rick and Craig said they favor a new note for the full \$1.5mil amount, which can hopefully be negotiated under at a favorable rate and amortization schedule of 30 years. It was recommended by Chet that we solicit the assistance of Tom Rhodes in our negotiation of the note with Community Bank, because of his experience with commercial lending. Craig and Rick said they would welcome Tom's assistance and will contact him soon. The timing to complete the note is September of this year.

Committee Reports:

- **Finance Committee:** It was first announced by Craig that Charles Marsh, newly elected Board Member, had agreed to take over for Vicki Buck as Treasurer and Chair of the Finance Committee and that Board action is required to formalize it.

Accordingly, a motion was made and seconded to accept Vicki Buck's resignation as Club Treasurer and Finance Committee Chair and for Charles Marsh to take her place in those positions. A vote was then taken and the motion carried.

Charles Marsh then reported that the Committee had met on July 23rd (see minutes for details). Charles said the committee had gone over the financials, voted to recommend the purchase of the shades for the banquet area and discussed the proposed sale of lots 33-A, 33-B and 33-C adjacent to the tennis courts. He reported that the Committee had recommended the Club not pursue the sale of above the lots until after the completion of the bank appraisal of Club property and negotiation of the long-term note. It was also recommended that we notify the broker that we are refusing the offer and are taking the property off the market until further notice. No formal vote was taken, but all Board Members were in agreement with this action. Charles also mentioned that there had also been some discussion regarding the conversion of Provisional members and the financial impact that it would have on the Club next year.

Charles' comment lead into a discussion regarding Provisional Membership conversions beginning next year. Glenn Kliebert reported that the Membership Committee had previously considered the removal of the label "Provisional" from this membership, but that we continue to keep the promotional discount program in place, due to its tremendous success. Glenn and Rick both mentioned that Stan Reeder is of the opinion that the initiation fee has never been a point of contention when a discounted (Provisional) membership has been sold in the past and recommended that we consider an increase in the initiation fees. Glenn then referred to a

proposed initiation fee rate increase document entitled “Proposed Provisional Initiation Increases”, which was included as part of the meeting packet. At that point, Rick provided a summary explanation of the various types of “Provisional” membership plans, which have been put in place over the past couple of years. He also referred to a spreadsheet he prepared showing the financial impact of those memberships as they convert to full memberships beginning in year 2020. Assuming no additional “Provisional” memberships are added or dropped, the financial impact of those conversions amounts to approximately \$55K in additional dues revenue. He also pointed out that the existing “Provisional” members are spending more money per capita at the Club than the Regular Members, which he and Stan believe is a very good indicator that a high percentage of the Provisional members will convert to regular membership status. He then mentioned that we had sold 12 more Provisional memberships in July and 96 so far this year. At that point, Vicki Buck voiced the opinion that we should not have a dues increase until after we have had a chance to see how the provisional conversion process goes next year and that we can always raise dues later, if the need arises. Everyone present seemed to agree with this suggestion, but no further action was taken in that regard. A question then arose as to the impact on the Club on the credit-back of the initiation fee to be used for the purchase of F&B or merchandise at the Club, which was granted to the original Provisional memberships sold in year 2018. Rick explained that this amounts to a \$75K liability on the books, but that the actual impact is not that great, since the Club will make a margin on those purchases. He also mentioned that the initiation money will be retained by the Club and go to earnings in the event a given Provisional member does not convert to regular membership. Rick then suggested that we consider a vote to raise the initiation fees, as per the handout schedule referred to above. Glenn also suggested that we consider dropping the nomenclature “Provisional”, but continue the discount program, as is, for the first year of membership and simply label it as a first-year promotional discount. Rick pointed out that the bylaws provide that no discounted membership has the right to a vote, regardless of how it is labeled. Rick will research the issue of how to eliminate the “P” prefix before the membership number in the EZ Links system.

A motion was then made and seconded to eliminate the label “Provisional” from all discounted memberships and to increase the initiation fees, as proposed. A vote was taken and the motion carried.

- Golf Committee: Red Hunt reported that the Golf Committee had met in July (see minutes for details). He said rounds of golf in June were 1,514, about equal to previous years in the same month. He also went over a list of all of the upcoming tournaments, a schedule of which is attached to the minutes.

Rick then initiated a discussion regarding outside play. He said we can facilitate outside play through the use of a service provided by GolfNow. There is no cash outlay to access this service, but you must provide GolfNow one tee-time per day, for which they can charge whatever they want and keep 100% of the money as payment for the service. If they don’t use the tee-time

provided it does not roll over to the next month, i.e., they use it or lose it. If we employ the use of this service, it will not show up on the Club's website and is therefore utilized in a discrete manner. Rick added that we have a significant amount of revenue projected in our 2019 budget for outside play and this service would be helpful in achieving that objective. He added that we do have the ability to control what we charge and what times we want to offer outside play, other than the one tee-time we provide GolfNow. Rick said he has been hesitant to employ the use of this service due to the condition of our golf course, but believes we are now in position to offer a quality product. Rick agreed to provide a pricing schedule along with suggested times that would be offered before the board approved the go-ahead.

- Green Committee: Rick reported that Green Committee Chair, Herb Sutter was currently out of town, but that the Committee had met on July 12th (see minutes for details). Highlights of the meeting were the introduction of Derrick Hashimoto, Golf Course Superintendent and his Assistant, Wayne Anderson, who provided their background and experience to the Committee. Derrick then reported his general impressions of the golf course and noted that he and Wayne are concentrating on the greens as their first priority. He said they are busy top-dressing the greens and plan a deep-tine aerification (drill & fill) on August 5 and 6. A plan for improvement of the bunkers was mentioned and Craig asked that we let Derrick and Wayne get established and, on their feet, before we start tackling that issue.
- House Committee: Elyce Kahn reported that the Committee had not met in June. She commented that the Sunday brunch had been discontinued during the summer, but that the restaurant would be open from 10:00 AM until 2:00 PM for breakfast and lunch menu items. She also said sandwiches and drinks would be available at the bar until 5:00 PM. Elyce also reported that the lunch buffet served during the week had been successful and was well-received by the members and outside parties, who had been invited to the Club. She said certain ladies' groups were now eating from the buffet and that it was a very efficient way to use up excess supplies of food on hand and eliminate waste. A comment was also made that the specialty nights have been very successful.
- Membership/Bylaws and Swim/Tennis/Fitness Committee: Glen Kliebert reported that the Committee had not met during the month due to lack of a quorum. He said, however, the issue of initiation fees and the elimination of the nomenclature "Provisional" had been discussed earlier in the meeting and voted on.

Old Business: No discussion

New Business:

- Lot Sales by Tennis Courts: Previously discussed above
- Future Loan Agreement: Previously discussed above

- Clubhouse Blinds: Rick reported that we have received a proposal for the new shades in the banquet area from C-Side Decorating at a total cost of \$15,082.95 including tax. He mentioned that then Finance Committee had recommended the purchase and asked for a vote from the Board to go forward.

Accordingly, a motion was made and seconded to approve the purchase of the new shades for the above amount. A vote was taken and the motion carried.

- Status of recovery effort and projects to be completed: All items, except the maintenance building were previously covered in General Manager's Report. Rick opened the discussion about the maintenance building by stating that the building materials should be delivered by around August 28th. The total cost of the materials is \$25,000. He also reported that the contractor previously selected was no longer interested in doing the construction of the building. Rick has contacted several alternative contractors and has located a suitable contractor who is willing to provide the work within our cost parameters. The name of the contractor Rick recommends is A-Plus Construction, who has agreed to provide the construction work at a turnkey price of \$27,300, but this price does not include the interior build-out. Rick has discussed this with John Hitchcock and believes we can complete the interior buildout within our total budget of \$65,000. Rick then asked for a vote to approve A-Plus Construction to provide the service referenced above.

Accordingly, a motion was made and seconded to approve A-Plus Construction to provide the exterior construction of the maintenance building at a price of \$27,300. A vote was taken and the motion carried.

At this time, Craig announced that Rick would be out of town on vacation for a week beginning August 12th and Thane would also be on vacation starting August 5th. Craig also mentioned that the Board would discuss and vote on Rick's 2020 Bonus Plan at the next regular board meeting. A copy of the Plan will be emailed to all board members for their prior review and comments. Rick then mentioned that he and Diane Hipp had visited Karen Hernandez at her home and that she was doing well recovering from the effects of chemo and radiation treatments, but that she is anxious the return to work as soon as possible. He also said they had presented her with a check from the members for \$7,500 and that another \$1,500 had been collected and would also be presented to Karen. He said Karen was very appreciative and overwhelmed at the generosity shown by the membership. Finally, Rick mentioned that the Club had presented Joe Flores a check in the amount of \$500 for his 30-year anniversary of employment.

Adjourn: No further business coming before the Board, the meeting was adjourned at 5:50 PM.