

ROCKPORT COUNTRY CLUB MEMBERS ASSOCIATION
BOARD OF DIRECTORS MEETING MINUTES
February 20, 2019

A regular meeting of the Board of Directors of the Rockport Country Club Members Association was held at the Club's meeting room located at 101 Champions Dr., Rockport, Texas.

PRESENT: Jon Heffron – President, Chet Cloudt, John Hitchcock, Elyce Kahn, Ric Young, Charles Giese, Herb Sutter, and Glenn Kliebert.

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

Tiffanie Hoover was absent.

1. CALL TO ORDER: The President convened the meeting at 4:00 PM.

2. APPROVAL OF MINUTES: The minutes of the Special Board of Directors meeting held on February 11, 2019 were approved with no changes.

3. MEMBER CORRESPONDENCE: Rick DeLoach reported having received one letter from a member suggesting the installation of a Pickleball Court. A brief discussion by the Board ensued, indicating that it might be something worth looking into in the future if there is more member interest expressed.

4. FINANCE REPORTS: James Creekmore, Rick DeLoach and Jon Heffron (Reports Referenced).

- Financial Statements, Operating Results and Past Due Reports - James Creekmore explained the January 2019 financial reports, including the Balance Sheet and Income Statement. James stated that finalization of the Balance Sheet had been delayed due to quirks in the new accounting system, but that it was now finalized. James then went over the Income Statement stating that we had Net Operating Income of \$20,371 vs. a budget of \$16,998 with a loss of \$9,751 after Depreciation and Amortization. James felt that this was very good considering the high depreciation of the Club's new facilities. He also pointed out that Food & Beverage operation had a small profit, which is something that has not happened for many years. It was then stated that golf revenues were down, apparently due to adverse weather conditions. Jon Heffron indicated that it must have been from reduced outside play as well, because it appeared from cart rental numbers that member-play had actually beaten the budget for the month. Jon also re-emphasized the need for increased outside play to bolster golf revenues and all other club revenues. Jon then mentioned F&B payroll overages and asked Rick to provide an

explanation as to the reasons. Rick stated that due to the volume of business, bar and dining room wait staff had been asked to stay past normal hours of operation. This, plus employee training and turnover resulted excess payroll expense for the month. Jon also asked Rick if we are paying payroll tax on tips collected from member account charges and expressed his understanding that the Club had no legal obligation to do this on employee tips. Rick said that if we collected the tips on behalf of the employees and paid them out as part of payroll that we had to pay the taxes on them. Jon disagreed stating that by collecting the tips and paying them over to the employees we are only acting as a pass-through agent since the tips do not represent wages paid by the club, but income earned directly from customers of the club. James raised some questions about employer tips credits. Jon replied that the issue of tip credits only came into play if the club paid the tipped employees less than \$7.25 per hour in wages. Since the club pays the tipped employees this amount of minimum wage, tip credits are irrelevant and the club has satisfied its minimum wage obligations and employee share of taxes thereon. After this, the employees are responsible for all of the taxes to be withheld and paid from their tips. Rick and James said they would look into the issue to make sure we are handling it correctly.

Rick DeLoach provided a brief summary of past due accounts (Report Referenced) and said there were no big surprises or areas of great concern. He stated that several collection letters signed by Chet Cloudt, Treasurer had been prepared for mailing this week.

- Annual Audit Status: James Creekmore. James said the annual audit would be finished by the end of February. He said there shouldn't be any problem with completion and presentation of the audit at the Annual meeting and added that he was unaware of any issues at this time.
- Cash Flow Projection: Jon Heffron. Jon went over the Cash Flow Projection (Report Referenced), which shows projected cash on January 31 and March 31, 2019 (after payment of Ad Valorem taxes and first quarter insurance) of \$580,088 and \$506,759 respectively. Jon mentioned that the Club rebuild was near completion and there were only a few items remaining to be taken care of, thus reducing the uncertainty of future cash flow. He did note that the cash projections assume reimbursement of previously paid amounts from the bank line of credit and that the projected amounts may vary and move around a little based on what has been previously paid, not paid, and reimbursed. Jon also stated that the proceeds from the pending sale of 3 lots near the tennis courts would most likely be used to pay down our line of credit with Prosperity Bank or be held

in reserve by the bank and that he had taken it out of the cash flow projection for that reason. He also mentioned that he was pretty certain that our cash position would be at least equal to our cash position prior to Hurricane Harvey (approximately \$470,000 as of 8/31/17), which means that we have essentially ended up with a brand-new Club facility for the cost of what we have had to borrow from Prosperity (currently projected to be approximately \$896,000).

5. STATUS OF RECOVERY EFFORTS:

- Rebuilding Status - Progress & Schedule and Capital Budget: Jon Heffron. Jon presented a list of Capital expense items to be completed as part of the rebuilding effort, which currently add up to a total of \$351,324. He then went over the details of each item listed and indicated whether the item was an exact amount or an estimate. He also indicated whether the items were the responsibility of Club Design Associates or that of the Club (Reports Referenced). He recommended that any capital item desired or purchased other than that set forth on the capital budget presented to the Board should go through the old normal process (capital request form and justification put together by management, then presented to the relevant committee for review and approval, then sent to the Finance Committee for review and approval, and ultimately to the Board for its final review and approval). The Board members all agreed. Rick requested that money be added for menu replacements. Jon said he would add the item and reduce the contingency.

6. COMMITTEE REPORTS:

- Finance Committee: Chet Cloudt, Chair. Chet reported that the Committee had met earlier and had essentially gone over the same financial reports covered in today's board meeting. A copy of the minutes was provided to the Board prior to today's board meeting (Minutes Referenced). He also indicated that the Committee had spent a good bit of time reviewing the Member Dues Analysis Report and impact of Provisional Memberships on the Club. Jon Heffron mentioned that there had been losses of Regular Memberships over the past year, but that the number of Provisional Memberships had more than offset those losses in revenues. He also pointed out that, while Provisional Members pay a reduced dues amount, they are paying the full \$60/month F&B minimums. Jon also concluded that the institution of Provisional Memberships has been overwhelmingly successful and has played a significant role in maintaining the viability of the Club.

At this point, Rick DeLoach reported that he had made an oversight in not charging the Dining Members for their monthly minimums in January, but that he will make that correction in the next billing cycle.

- Golf Committee, Charles Giese, Chair. Charlie stated that the Golf Committee had met earlier in the month and provided all board members a copy of the minutes prior to the board meeting (Minutes Referenced). Charlie reviewed the rounds of golf for the month and noted that they were once again very low, had been hurt by bad weather, and outside play had still not picked up. Charlie said that the Committee is going to begin putting out to the members 4 months of golf events to accommodate better advance planning. These events will be publicized on the Club's website. He then mentioned a number of tournaments that were coming up: The Rockport/Fulton High School invitational later this month, the ISA Tournament in March, the RCC Member-Member Tournament on March 9-10 and the Corpus Christi Over-60 Tournament on March 27. He also said that the RCC Member-Guest Tournament is currently scheduled for April 26-28, the cost will be \$390 per team and that there are plans to sell three \$500 and ten \$100 sponsorships. Dan Holitzke will be heading that effort.
- Green Committee, John Hitchcock, Chair. John reported that the Green Committee had also met in February. A copy of the minutes was furnished to the board prior to the meeting (Minutes Referenced). John mentioned that the fairway sodding effort continues and the bunker maintenance work has been intensified. He also mentioned the motor and starter replacement for the pump house. A discussion ensued regarding the condition of the bunkers. John reported that bunker repairs and improvements would be a very expensive undertaking and the cost for just the addition of sand for the #1 greenside bunker would be approximately \$15-20K, with transportation of sand around 50% of the cost. More discussion followed with suggestions that we consider reducing the size of some of the bunkers, reshaping of bunkers, etc. Another suggestion was made to do one bunker per year (correctly) with Club-budgeted funds, starting with the bunkers in greatest need first and so on, i.e., #1 then #7, etc. The Board agreed to keep under future consideration improvements to the bunkers.

Rick reported that Jason, the Assistant Golf Course Superintendent had been terminated by the Club due to conflicts and insubordination with management. The need for a back-up to John Z. was then discussed, especially since John Z. apparently still has plans to leave the Club at some unknown time to go into the real estate business with his wife. The golf course superintendent at Northshore CC was mentioned as a possibility. The

Board instructed Rick to treat the replacement of the vacant Assistant GCS position as a high priority.

- House Committee, Elyce Kahn, Chair. Elyce reported that there had been no formal meeting this month so far, but have plans to conduct one soon.
- Membership Committee, Ric Young, Chair. Ric reported that there had been no formal meeting this month, but that he had met with Stan Reeder concerning significant economic development in the area, especially Gregory-Portland. Jon referenced the new member and resigned member information presented in the membership report. He noted that total membership remained at 509 at the end of January compared to the end of December.
- Swim/Tennis/Fitness, Tiffanie Hoover, Chair. Tiffanie was not present. Jon and Rick mentioned that it had been determined that it would be too expensive to secure the tennis courts with card-readers and that the idea had been dropped. A card-reader will be installed for the fitness/swimming area.

7. OLD BUSINESS:

- Sale of Swim/Tennis/Fitness Land, Jon Heffron. Jon reported that the purchase and sales contract (\$150,000 price), a copy of which was included in the meeting packet, had been sent to the buyers for their signature and we are awaiting their response.
- 130 Cedar Ridge, Jon Heffron. Jon reported that a pending sale of the property to a third party had apparently been killed as a result of the HOA sending a letter to the title company concerning the fence being out of compliance. A short discussion ensued about what the Club should do, if anything, and no suggestions were made at this time. The general feeling is that we should wait to see what impact the HOA involvement will have on the current owner's willingness to resolve the problem.
- Request to City of Rockport Re: Texas hurricane Harvey Mitigation Fund, Jon Heffron. Nothing new to report.
- 2019 Board of Directors Nominating Committee – Jon Heffron. Jon reported that the Nomination Committee had successfully enlisted the following qualified members to run for the upcoming Board of Directors positions: Vicki Buck, Charles Marsh, Bill Maxwell, Craig Bohn and Red Hunt. Rick reported that we are currently collecting bios from the

nominees. Once that is done, the ballots and bios will be mailed out to the voting members. An email blast will also be sent out regarding the meeting and agenda.

- RCC App – Rick DeLoach. Rick reported that the App is almost completely functional. He added that the App is really a mirror image of the website. More employee training and member communication will be required to achieve full functionality. Members should be able to go to the Club’s website to download the App from there.

8. NEW BUSINESS:

- Employee Handbook Compliance – Jon Heffron. Jon stated that he had personally observed non-compliance with some of the Club’s Employee policies written in the Employee Handbook and stressed the need for compliance. All agreed that compliance should and will be enforced.
- Clubhouse/Fitness Center Maintenance and Operations Policies and Procedures – Jon Heffron. Jon expressed the need for development of written policies and procedures with regard to items such as lighting, temperature settings, A/C filter changes, kitchen equipment cleaning and maintenance, etc. The Board needs to work with management to assure that these policies are developed and adopted.
- Disaster Recovery Plan, Retention of Mitigation Contractor and Insurance Public Adjuster – Jon Heffron. As follow-up to the Special Meeting with Blake McDavid of GSM Insurors regarding the Club’s insurance policies for the coming year, the suggestion was made that we make arrangements for the retention of a mitigation contractor and public adjuster. Chet Cloudt volunteered to contact Blake for his suggestions on this matter and report his findings at the next regular board meeting.
- Gift to Jon Heffron of 6 months dues, Chet Cloudt. Chet stated that the board had met in a private session some months back and had decided that it would take a vote on this issue. Accordingly, a motion was made and seconded to provide Jon a gift of 6 months free dues from the club in consideration of all of his hard work and dedication over the past two years. **A vote was taken and the motion carried unanimously.**

ADJOURN: No further business coming before the Board, the meeting was adjourned at 6:45 PM.