

ROCKPORT COUNTRY CLUB MEMBERS ASSOCIATION  
BOARD OF DIRECTORS MEETING MINUTES  
September 19-20, 2018

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

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

Also in attendance: Rick DeLoach, General Manager and James Creekmore, Johnson and Creekmore.

1. **CALL TO ORDER:** The President convened the meeting at 4:00 PM.
2. **APPROVAL OF MINUTES:** The minutes of the Regular Board of Directors meeting held on August 15, 2018 were approved with no changes.
3. **MEMBER CORRESPONDENCE:** There was no member correspondence reported.
4. **FINANCE REPORTS:** Presented by James Creekmore, Rick DeLoach and Jon Heffron, reference reports.

- Financials – James Creekmore. James briefly summarized the August 2018 financial statements and noted that the special insurance entries were in the process of being cleared from the Balance Sheet. He also said the August financials were within normal limits and in line with expectations. There were no questions or comments.
- Summary of Operating Results/Financial Review - Rick DeLoach. Rick stated that there was nothing of significance to report regarding the operating results that James had not already reported. He noted, however, that approximately 50% of golf revenue was attributable to outside play during August.
- Overdue Report – Rick DeLoach. There was nothing new of significance to report.
- Cash Flow Projection – Jon Heffron. Jon provided an updated summary, as of August 31, of the cash flow and projected cash balance. This report includes a list of Cash Receipts and Disbursements for amounts Expected, Received and Due. The latest update reflects an expected cash balance of \$716,095 on December 31, 2018 and \$582,895 on March 31, 2019 after the payment of Ad Valorem taxes and insurance next year. This figure was down considerably from the figures provided on the July 31 report due to some entry errors that were made. After discovering the errors, Jon went over everything in detail with James Creekmore. Jon and James feel that the current projection is now an accurate representation of the Club's estimated cash flow position. He added that there

were several issues, once settled, that could make the cash balance even larger, including a favorable mediation resolution with Kustom Mitigation in October and the sale of Club-owned real estate. Jon also reported that the \$500,000 additional loan request from Prosperity Bank has been completed and the loan had been closed and funded.

## **5. STATUS OF RECOVERY EFFORTS:**

- Rebuild Status – Progress & Schedule, Budget Variances – Jon Heffron and Rick DeLoach. Jon referred to the most recent information provided by Club Design, our General Contractor revealing that the rebuild should be complete by the middle of November. Rick mentioned that the furnishings were not expected to arrive until the end of November. No Budget Variances were noted. Jon’s and Rick’s expectations are more in line with a reopening of the clubhouse around the end of this year.
- Nextech Proposal, E-Z Fencing Concrete & Fencing proposal, Home Depot Storage Buildings proposal, Covered Patio and Fire Pit. Jon Heffron.
  1. The Proposal from Nextech for electrical products and services was reviewed. This includes all TV’s, speakers, controls, security, HVAC controls, wiring, etc. After review and discussion, a motion was made and seconded to approve an expenditure of up to \$88,000 to fund the Nextech proposal. **A vote was then taken and the motion carried unanimously.**
  2. A proposal from A-Z Fencing for concrete and fencing services was reviewed. After review and discussion, a motion was made and seconded to approve an expenditure of up to \$44,000 to fund the A-Z proposal. **A vote was then taken and the motion carried unanimously.**
  3. A proposal from Home Depot for the purchase two “Tuff Shed” brand storage buildings was introduced by Rick DeLoach. After review and discussion, John Hitchcock raised an issue about the cost and quality of the buildings and suggested that more research be done regarding other possible alternatives. A decision was made to go forward with approval of the Home Depot proposal, subject to further research, as suggested by John. Accordingly, a motion was made and seconded to approve the expenditure of up to \$8,000 to fund the Home Depot proposal, subject to further research of alternative options. **A vote was then taken and the motion carried unanimously.**
  4. Covered Patio and Fire Pit. Jon mentioned the ongoing research and planning for a stamped/stained concrete surface, covered patio and fire pit area behind the clubhouse. Arno Penshorn has volunteered to work on a proposed design/cost estimate and will report to the Board in the near future. A request for approval of this item will be made at the appropriate time.

## **6. COMMITTEE REPORTS:**

- Finance Committee - Chet Cloudt, Chair. There was no meeting of the Finance Committee in August. Chet commented that the Committee would be meeting soon to begin work on the Club's Operating Budget for 2019. This work will begin as soon as Rick DeLoach is able to provide the Committee an initial proposed budget for consideration. Rick said he is about 90% finished with his initial draft and will submit it to the Committee soon. Jon requested that we be ready to go forward with a recommendation to the Board of Directors by the November Board meeting.
- Green Committee – John Hitchcock, Chair. John summarized the last Green Committee meeting, which was held on September 6. A copy of the report was submitted prior to the Board meeting. Of special mention was the need for better clean-up after mowing the greens and the amount of golf course equipment in need of repair or replacement. It was discussed that a possible source of funds for needed equipment was the LGA and MGA. Craig Bohn agreed to head up an effort to pursue these sources to help pay for the much-needed equipment.
- Golf Committee – Charles Giesey, Chair. Charles briefly summarized the 2019 Golf Events Calendar, which was provided to everyone on the board prior to the meeting. After discussion, the RCC Grand Re-opening tournament, currently scheduled for January 12<sup>th</sup> was removed from the calendar until we are more certain of an opening date. Following this was a discussion regarding the new proposed rules and regulations for private carts and the use of handicap flags and charge for them. A copy of the new proposed rules was handed out for everyone's review and consideration. A motion was then made and seconded to adopt the new proposed rules and regulations. **A vote was then taken and the motion carried unanimously.**
- Swim-Tennis-Fitness Committee – Tiffanie Hoover, Chair. Tiffanie announced that no action needed to be taken by the Board at today's meeting. She did mention that the S-T-F Committee would be having a meeting this Friday, the 21<sup>st</sup> to try and coordinate the scheduling of Tennis events at the same time major golf events were being conducted. Jon then referred to the renderings of the Fitness Center, which were provided by HEST, the company from whom we plan to lease the fitness equipment. A brief discussion followed concerning the adequacy of the various types and quantities of the machines being proposed. Jon said we were following the advice of HEST, who is very experienced in this area, but that changes could be made later, if needed.
- House Committee – Elyce Kahn, Chair. Elyce reported that the House Committee had been working very hard and had conducted numerous meetings regarding food and beverage operations. See meeting minutes. Elyce then presented the Committee's *Food and Beverage Operations* proposal, which was provided to the Board prior to the meeting. This includes the Days and Hours of Operations, Specialty Days & Dining, Tipping and Service Charges, Food and Beverage Minimums, Menus, Bar, Beer, Wine and Alcohol, Gaming and Miscellaneous. One issue was raised as to whether persons could either bring alcohol or remove alcohol from the club premises, particularly in the case of taking home a partially consumed bottle of wine that had been paid for by a member. Jon and Rick agreed to research those issues and change the rules regarding

such, as needed to confirm to the law. A motion was then made and seconded to adopt the Food and Beverage Operations proposal. **A vote was then taken and the motion carried unanimously.** A brief discussion followed regarding possible names for the various rooms in the new clubhouse, i.e., Aransas Ballroom, Live Oak Room, etc., as shown on the handout entitled *Room Names Discussion*. Elyce mentioned that she thinks it would be great if we could get participation from our members. The House Committee will consider ways to do that and make a recommendation to the Board at the next regular meeting.

- Membership Committee – Ric Young, Chair
  1. Membership Sales Report – Stan Reeder. Stan provided a handout and reported the addition of 51 total new Provisional Members since re-opening of the golf course in January, which represents an increase of nine new memberships since the last Board meeting.
  2. Amnesty Program Revision – Jon Heffron. Jon briefly summarized the need for revising the Amnesty Program and requested that the Board vote to adopt the Amnesty Program provided prior to the meeting. After a brief discussion, a motion was made and seconded to adopt the Amnesty Program policy presented, a copy of which is attached. **A vote was then taken and the motion carried by a vote of 6 for and 2 against.**
  3. Provisional Membership Promotion for 2019 – Stan Reeder. Stan provided a recommendation for the adoption of a new/revised Provisional Membership Promotion for next year. The proposal included a detailed description of the privileges and corresponding pricing for each type of Provisional Membership; Resident regular, Non-Resident Regular, Associate/Social and Young Professional. After review and brief discussion, a motion was made and seconded to adopt the proposal, as written. **A vote was then taken and the motion carried unanimously.**
  4. New Fitness and Legacy Memberships – Jon Heffron. Jon introduced the idea of several types of new memberships for the Board to consider once the Fitness Center opens. He also mentioned the possibility of a “Legacy” membership for persons meeting certain criteria as to age, membership tenure, etc. A written handout with a description of each type of membership was provided. After discussion, it was decided that this was something for the Membership Committee to consider and make an appropriate recommendation to the Board. Jon also mentioned that the Rockport Country Club HOA’s current Board of Directors was seriously considering the idea of amending their By-Laws to make it mandatory for all new homeowners to become a member of the Club in some capacity. The existing homeowners would have to vote for approval of such a By-Law change and would be “Grandfathered” so that only new owners would be affected by the change. There are now approximately 500 homeowners in the Country Club subdivision who are not members of the club. The turnover of homes in the neighborhood is about 50 per year. Using this example, it would take about 10 years for the entire neighborhood to become members of the Club. It is, however, a very complicated issue, which will require a great deal of

thought. It was decided that it would be appropriate for the Membership Committee to begin working with the HOA Board to try and come up with some viable ideas in this regard.

5. Resignation Bylaw Compliance – Jon Heffron. Jon explained that for many years the club has not been complying with its By-Laws with respect to the timing of the effective dates of resignations. After discussion, there was consensus that the club should be adhering to By-Laws with respect to resignation effective dates. The Board reviewed a new resignation form designed to assure By-Law compliance. After this review and further discussion of the resignation form, a motion was made and seconded to adopt the form as written. **A vote was then taken and the motion carried unanimously.**

DUE TO THE LENGTH OF TIME NECESSARY TO COMPLETE ALL OF THE ITEMS ON THE AGENDA, THE BOARD TOOK A RECESS AT 7:00 PM AND WILL RECONVENE THE MEETING TOMORROW AT 4:00 PM.

THE MEETING WAS RECONVENED AT 4:00 PM, SEPTEMBER 20, 2018.

#### **7. OLD BUSINESS:**

- Prosperity Bank Loan – Jon Heffron. Jon announced that the Prosperity Bank loan for up to \$1,000,000 had been closed. He further stated that this line of credit loan was for a one year term maturing in September 2019. He explained that, as previously reviewed with the Board, this line of credit will be combined with the existing term loan with the bank would be combined into a new term loan at some time in the first half of 2019.
- Debt Limit – Jon Heffron. Jon provided a written summarization of the Club's Debt Limitations per current By-Laws contained in Paragraph 15.06. See above referenced report detailing all Long and Short Term debt and Leases. The Club's current debt limitation authority per the By-Laws is \$1,675,000. Total current indebtedness is \$1,631,474, which puts the Club below the authority limit. The difference between total authority limit and actual amount borrowed will increase as the Club reduces the principle on existing debt. Rick DeLoach announced a plan to set aside a certain percentage of our profits each month (approximately 10%) as a "Rainy Day Fund".
- Sale of a portion of the Swim, Tennis Center Land – Jon Heffron. Jon said the sale of property to the Albrechts for \$150,000 has been postponed, pending approval by Prosperity Bank, which has a lien on the property. He also stated that the Albrechts are aware of the delay and are prepared to move forward with the purchase as soon as bank approval can be obtained. There is no exact time-frame for this at the present time. The question remains as to whether the bank would allow us to retain the sales proceeds from a sale or require us to use it to pay down the principle on our loan.

- Sale of 102 Cedar Ridge – Jon Heffron. Jon provided an analysis on the sale of excess land owned by the Club including prior sales prices, market values, appraised values, square footage, etc. and concluded that the Club-owned property located at 102 Cedar Ridge has a market value of approximately \$46,000 to \$50,000. Jon also mentioned that Prosperity Bank does not have a lien on this property and that we are free to sell this property and retain the proceeds without the bank’s approval. After discussion of the fact that the Club will never require the use of this property, Jon asked for a motion to put the property up for sale. Accordingly, a motion was then made and seconded to put the property up “For Sale by Owner” with an asking price of \$49,500. **A vote was then taken and the motion carried unanimously.** Rick DeLoach’s cell phone number will be placed on the sign, rather than the Club’s number.
- E-Bill and EZ-Pay Programs – Rick DeLoach. Rick announced that the Club has received excellent feed-back from the members regarding this program. A successful test case was run on a few members for the September billing cycle and everything worked as it should have. We are now ready to launch the program for all members who have signed up. It was noted that the use of this program will be the standard for all new memberships signed up in the future.
- Rules and Regulation – Jon Heffron. Jon provided a copy of the new proposed rules and regulations, which he, Rick and the entire staff have been working on for quite some time. We are now ready to proceed with a complete review and approval by the Board. After discussion, it was decided that each Board Member would study the new proposed rules and regulations affecting his/her committee areas and that a Special Board Meeting would be called later this month to go over the proposed changes line by line to come up with a final draft to be voted on for adoption.
- Request for City of Rockport Hurricane Harvey Mitigation Fund Grant for Subdivision Drainage Basin Maintenance – Jon Heffron. Jon provided a copy of the fund request submitted by the City and noted that RCC’s lake drainage project in the amount of \$475,000 had been included in the request.

**NEW BUSINESS:**

- Capital One Spark Business Credit Card – Jon Heffron. Jon announced that the Club had been approved by Capital One for the issuance of a company credit card with a credit limit of \$30,000 and a 2% cash-back benefit on credit used. The card will have the Club’s and Rick DeLoach’s names on it and will be used for monthly incidental purchases by the Club and will be paid off in full each month. There were no objections from the Board.
- Document Retention Policy – Jon Heffron. Jon announced that the Club should have a document retention policy in place and does not currently have one. Jon provided a proposed document for adoption by the Board, which states the Policy and Document

Retention Periods. Jon also stated that he had previously consulted with Mike Johnson of Johnson & Creekmore on the retention of tax-related documents. A motion was made and seconded to adopt the proposed Document Retention Policy. **A vote was then taken and the motion carried unanimously.**

- Wastewater Agreement – Jon Heffron. Jon announced that the Club had reached agreement with the City of Rockport for the purchase of wastewater for irrigation purposes. The new agreement provides for the Club to purchase up to one million gallons per day of wastewater effluent from the City for \$854.65 per month beginning January 1, 2019, increasing by 5% per year. The agreement has a primary term of five years, renewable at the Club’s option for additional five year periods. A motion was made and seconded to approve the execution of the proposed agreement. **A vote was then taken and the motion carried unanimously.**

Before conclusion of the meeting, Rick DeLoach announced that when the Club reopens, the bar would be opened for business at 8:00 AM each Saturday, Sunday and holidays with a bar tender and cook on duty. This will be incorporated into the House Committee recommendations adopted earlier in the meeting.

**ADJOURN:** No further business coming before the Board, the meeting was adjourned at 5:30 PM, September 20, 2018.