



GVR Special Board Meeting

Friday, April 13, 2018 – GVR Desert Hills Center

The State of GVR & An Answer to the Question ‘What Keeps Me Up at Night?’ Remarks of Kent J. Blumenthal, CEO

Staff is distributing to the Board and members in the audience some ‘GVR by the Numbers’ data sheets that I put together. There should be enough for all Directors, members and guests to receive a copy. Also there are two other documents – I believe we’ve printed enough for everyone:

- An updated GVR Staff Organizational Chart
- Snapshot of Projected Revenue and Projected Expenses for 2018

I’ll refer to those items as we go through things.

I appreciate the opportunity that President Crothers gave me to give a snapshot of where I think we are and how we’re doing. And Carol asked me an interesting question and asked that I share my thoughts with members and the Board at this meeting. She asked, “Kent, what are things that keep you up at night?” So I focused my thoughts about our beloved non-profit corporation. And I want to start with addressing that question.

I’ve spent a career in administration of non-profits and with organizations and associations mostly in the recreation and leisure services field. I’ve worked for nonprofit 501 (C)(3)s, that’s the most broadest-defined Charitable Giving organizations; 501(C)(6)s, which is kind of a Trade Non-Profit Membership Organization; and (C)(4) which is what GVR is.

So, specific to GVR - what keeps me up at night? Not necessarily every night and not necessarily the same issues, but it’s related to these five things that I think about.

- One is GVR's dependency on a growing economy to meet baseline expectations for our programs and services. So what do I mean by that? Well, I'm going to refer to the data sheets that was handed out to the audience. I turn your attention to the side that says 2018 Budgeted Revenues. Now this is not drilling down into details of line items and so forth. This is a 35,000 foot view that I have, and I want to share this perspective. This is the third year we've broken the budget down this way to have an important "look see". Our member dues support only about 60% of the total overall operating and capital budget. Only 60%. So that means that in order to have all that we provide to our members each and every day, we need to find another 40% of revenue. This is where dependency on a strong economy comes in. Because when there is a strong economy as opposed to a weak economy, our GVR member properties are selling more quickly, at a more appreciated value. But most importantly, that they're selling at all. If you look at the diagram (the pie chart) that explains the 60%-40% ration, about 20%, % of our non-dues revenue stream comes from Initial Fees and New Member Capital Fees. Last year we had a banner year of 966 properties turning over to GVR. We added 30+ totally new ones to GVR membership - never in GVR before. People said, "we want into GVR, and we're paying that type of country club Initial Fee" (that's what I call it), that \$2,400 one-time fee) "and we're going to join that organization forever and deed that home." This doesn't happen so much in a poor economy. So the issue for governance is, how you plan for the down years. And I don't want to wax biblical, but we're all familiar with the story of Joseph – of the multicolored coat story (it was on Broadway). The bottom line was - he foresaw a drought coming and they stored food away for seven years to make it through the bad years. That kind of forward thinking, I suggest, is important to GVR.
- Second, I think about how to retain talented and loyal staff. I go back a little more than four years to 2014 working for GVR, and fair compensation and livable wages for my staff are important to me. There are several entry level positions at GVR: Custodial, Landscape, some in Maintenance and some in Recreation. Going back to 2014, 2015 and even 2016, I shared the perspective with the Board that not only do we have to compete to get the best staff, we must retain them. And a fair and livable wage based on labor market trends is important. These Boards worked with me and we had staff compensation studies done, and we targeted where positions needed to be brought up, as there were many that were well below what the market was paying. And we've been on that path since then. And I thank GVR's past Boards for their support for this. And this is an ongoing issue that needs constant attention.
- Another issue that I am aware of, and I think about how to do better at, is communicating in a way that elevates the understanding of the inevitable growth and change which will absorb all of Green Valley. Those of us that sit here – whether we want it or not, it doesn't matter. Growth is coming. We did a projection based on the number of available lots in the two zip codes which constitute Green Valley about two years ago, to project population growth and what this community would have and would have to sustain. The max it was about 31,000 people, as compared to

approximately 27,000 that is here now. That's it. Those of you who live in this area – off of Camino del Sol - may have seen signage that the developer Meritage is accepting names and interest in for future home development. Now what's that about? Well, GVR is built on Developer/Member Agreements, and then there are Side Agreements. Meritage as a developer, has not sold one home since 2010. But they're coming back. Between them and Fairfield alone, there are about 2,000 vacant lots yet to be sold, mostly on the south end of town. Do the math. We calculate, based on our current numbers per rooftop, that there are 1.74 persons per GVR rooftop. You add 2,000 homes, that gives you - down at the south end of our expanse of 8.6 miles of GVR from our northernmost to our southernmost facility – an additional 4000 individuals, not counting guests, tenants and so forth. Plus, annually we have a voluntary opt-in adoption rate within GVR - I mentioned earlier that 30 new homes came in this year – and most of them were existing homes that after maybe 30 years or so, a new owner said, "we want in". That's going to continue to happen. So what is our adoption rate? The overall adoption rate is now about 63% of all homes in the older parts of Green Valley that have opted in to GVR. Those will continue to happen. What am I concerned with is planning for the future. This is because that history shows that those among us who live only in the past or the present are bound to miss the future. And the local growth is going to happen with or without us. And I ask the Board - that's technically who I'm addressing here though I'm glad for our members and guests – how many are aware of the "The Continental Farms Specific Plan". Anybody hear of that? Ok, so 2 or 3? Well, that plan has been approved for future residential and commercial development of the FICO Pecan Groves that run through Green Valley. There is also a Sahuarita Farms Specific Plan that's already been approved by Pima County whereby those Pecan Groves are going to be developed. They're going away. They're actually planting new pecan groves 100 miles or so from here. FICO will sell off these groves in order to develop them. Right by where we hope to have our 24-court GVR Pickleball Center. There's nothing we can do in this room that's going to change that. But we better be aware that it's going to happen. Because it's going to affect everything – from security, to traffic, to roads - to everything.

- Next, having spent a career with non-profits and Boards, I've seen this ebb & flow with pretty much every organization I've ever worked with, and that is the ability of volunteer leaders to fully appreciate and understand their legal duty of care and the legal duty of loyalty - and in this case, regarding GVR – that mandates putting the organization's needs first, rather than those of an individual or a specific stakeholder group. And that's not always easy to do. The nature of our business is recreation, and many of us are involved in a variety of leisure pursuits. But what's difficult - and it come up at times in different conversations that we will have and have had, is a parochial view about our organization when, in fact, a more global view is critical.

- Lastly, one of the charges that the Board that hired me gave me back in 2014 – actually it was in the interview process in 2013 – was to establish a non-profit IRC 501(C)(3) charitable giving foundation. First to do the research, then to get it going. And there was consensus of the Board at the time that – and we were coming off a ‘not so good economy’ – that by having an affiliated foundation, it would take a burden off of GVR and put it on an organization that was either better able to meet a need or better able to fundraise to address a need than GVR itself was able to. And the recent membership survey referenced earlier in President Crothers’ earlier remarks, will hopefully be the impetus for a lot more conversation about member interests and needs this year. The survey results had a fascinating component to it – that only about 50% of our members had even heard of the GVR Foundation. And yet we post something about it every week in eBlast. But the objective of the GVR Foundation put in basketball parlance is to be GVR’s ‘sixth man’ – the ‘go-to’ organization to assist GVR in doing things it either can’t do or that it can’t do as well to help meet its goals and mission. Yet the GVR Foundation has not yet been fully embraced by the membership. I know of the potential of any non-profit, particularly ours. So I am concerned about how we can better communicate an understanding that we’re not boats on our own bottoms, but instead in a uniquely symbiotic relationship with the GVR Foundation for the betterment of all GVR.

So those are my thoughts about what keeps me up at night.

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GVR Overview -- By the Numbers

Presented by CEO Kent J. Blumenthal, Ph.D., CAE

April 12, 2018

2018

- 13,558 Member Properties
- 23,645 Individuals (1.74 per household)
- 1,106 Sold Annual Guest Cards
- 633 Free Annual Guest Cards ('Grandparented' single-member Households)
- 1,454 Tenants (YTD)

2018 Budget

- \$11,228,852 Operating & Capital Budget
- \$10,736,855 Operating Budget Only
- \$491,997 Capital Budget (non-reserves)

Recreation Programs @ May 2017 through April 2018 (12/months)

- 1,138 Individual Leisure Education Classes
- 565 Class titles
- 59,104 Class attendees
- 44 Free Movies
- 18 Special Events (e.g., dances, outdoor concerts)
- 29 Performances / Concerts

2018 Facilities/Capital Projects

- 60 Reserve Funded Components = \$1,433,919
- 17 Non-Reserve Funded Capital Projects = \$411,997
- 8 Club Petitioned Requests = \$79,700

Reserve Funds (as of 12/31/2017)

- \$ 930,341.59 Emergency Reserve
- \$6,264,271.82 Repair, Maintenance & Replacement Reserve
- \$1,531,550.01 Initiatives Reserve
- \$8,726,163.30 Combined Total

Administrative Office - Operating Hours

- 8am-4pm (excluding legal holidays)

Member Transaction Sites

- Monday – Friday @ 8am-4pm (except legal holidays)
 - West Center Box Office, East Center, Las Campanas Center, Canoa Hills Center, Santa Rita Springs Center (seasonal)
 - Class & tours registrations
 - Movie & performance tickets
 - Administrative Office
 - New member registration
 - Facility reservations
- Weekends & Legal Holidays @ 10am – 2pm
 - West Center Box Office
 - New member registrations
 - Tenant registrations
 - Class & tours registrations
 - Movie and performance tickets

GVR Staff Complement

- Total # Employees (119)
- Full-time (75)
- Part-time (44)
- FTEs (97)
 - Administration Staff (16)
 - Recreation Staff (31)
 - Facilities Staff (72)
 - Department Admin (3)
 - Maintenance Crew (10)
 - Custodial Crew (45)
 - Landscape Crew (7)
 - Pools/Aquatics (7)

Staff Leads, By Department

- Accounting: Cheryl Moose – CFO
- Executive Office: Jennifer Morningstar – Executive Office Manager
- IT Randy Cheatham – IT Director
- Facilities: David Jund – Facilities Director
 - Melanie Stephenson – Project Manager
 - Dan Freeman – Senior Custodial Supervisor
 - Aaron Young – Senior Maintenance Supervisor
- Recreation: George Rushing II – Recreation Services Director
 - Karen Rans – Senior Recreation Supervisor
 - Kris Zubicki – Senior Recreation Supervisor
 - Maureen McCarthy – Senior Recreation Supervisor
 - Jesse King – Human Resources Manager

Regularly Scheduled Staff Meetings

- Management Team @ Monday's 8am
- Leadership Team @ Wednesday's 2:30pm

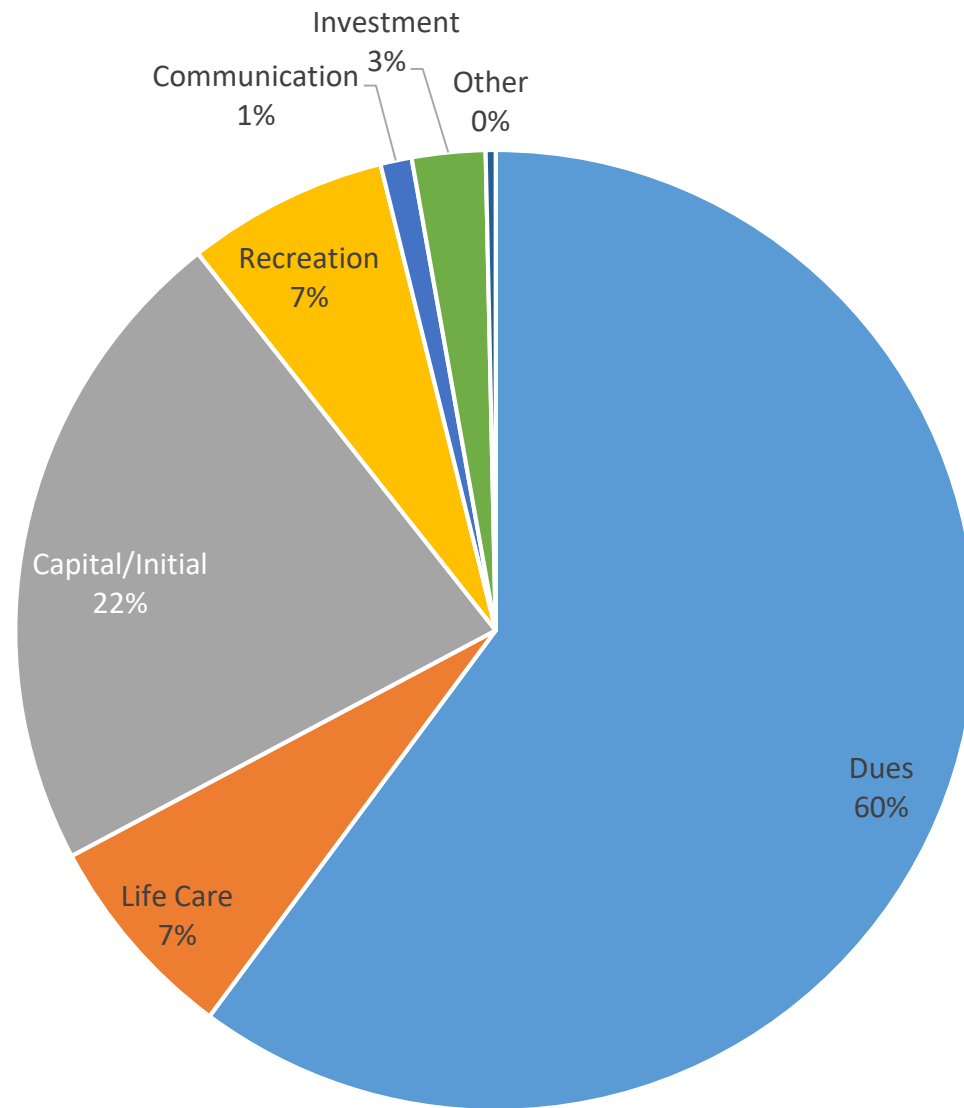
Committee Staff Liaison Assignments (2018/2019)

- Board Affairs: Jen Morningstar, Executive Office Mgr.
- Fiscal Affairs Cheryl Moose, CFO
- Planning & Evaluation David Jund, Facilities Director
- Nominations & Elections Jen Morningstar, Executive Office Mgr.
- Audit Cheryl Moose, CFO
- Survey Ad Hoc George Rushing II, Recreation Services Director
- Investment Ad Hoc David Webster, Accounting Mgr.

Committee Staff Liaisons Responsibilities

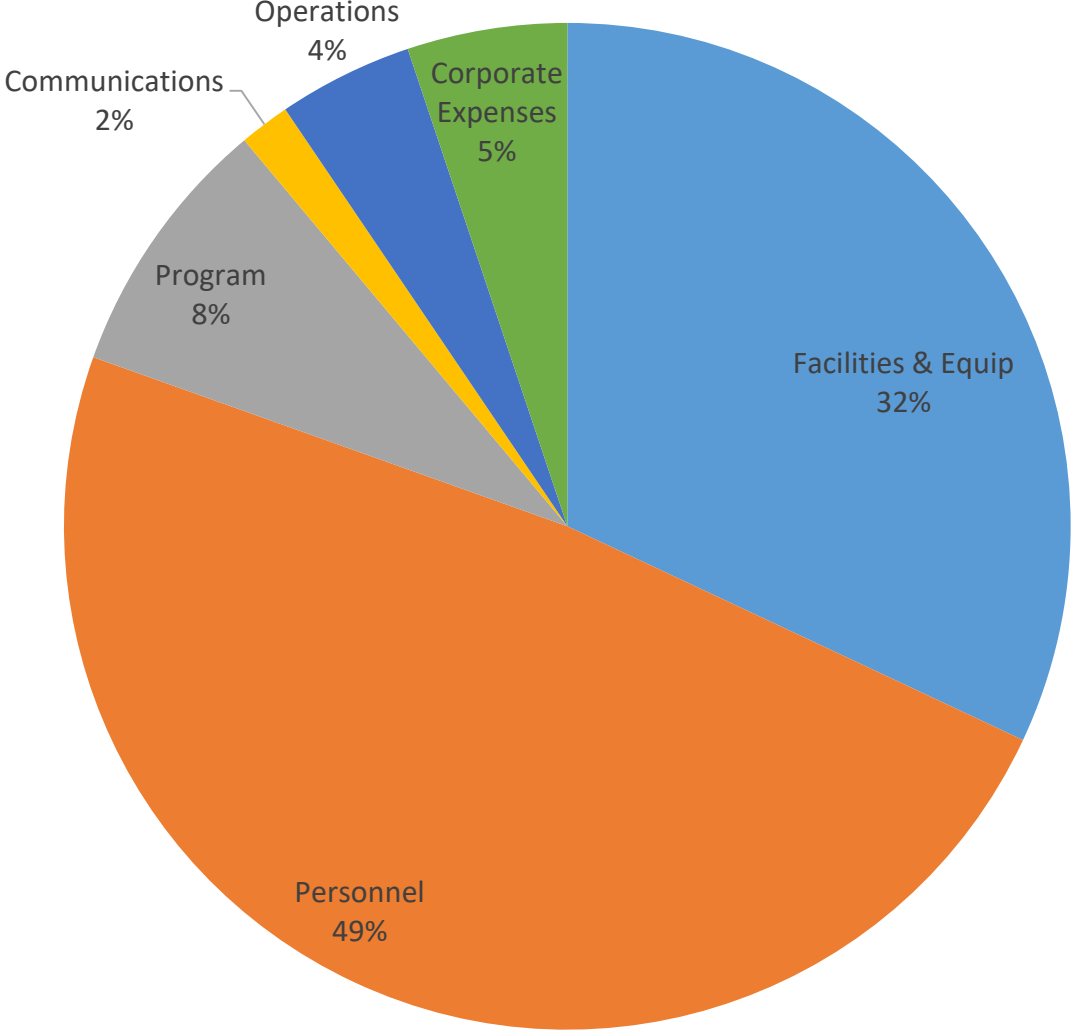
1. Serve as 'point-of-contact' for Committee chairperson.
2. Facilitate Committee logistics:
 - A. Maintain Committee roster
 - B. Receive meeting agenda from Committee chairperson
 - C. Receive meeting minutes from committee scribe/secretary
 - D. Publish calendar of upcoming committee activities
 - E. Identify and reserve committee meeting space
 - F. Manage committee's website presence
3. Publish notice of committee meetings and agendas via regularly scheduled eBlasts
4. Apprise Executive Office of scheduled Committee meetings and activities on 'need-to-know' basis
5. Committee staff liaisons may not assist in crafting draft Board Policy, unless expressly requested of CEO by Committee Chair and authorized by CEO

Revenues



■ Dues ■ Life Care ■ Capital/Initial ■ Recreation ■ Communication ■ Investment ■ Other

Expenses



■ Facilities & Equip ■ Personnel ■ Program ■ Communications ■ Operations ■ Corporate Expenses