



A regular meeting of the GREEN VALLEY RECREATION, INC. BOARD OF DIRECTORS held Tuesday, February 26, 2019 at West Center, the President being in the chair and the Secretary being present.

Directors Present: Carol Crothers (President), Donna Coon (Vice-President), Denise Nichols (Secretary), Roger Myers (Treasurer), Carol Lambert (Assistant Secretary), Tom Sadowski (Assistant Treasurer), Nina Campfield, Lynne Chalmers, Charles Sieck, Tim Stewart, Sandra Thornton, Gail Vanderhoof, Kent Blumenthal (CEO)

Staff: Cheryl Moose (CFO), Jen Morningstar (Director of Administrative Services), David Jund (Facilities Director), Kris Zubicki (Interim Recreation Director), Miles Waterbury (Communications Specialist), Karen Miars (Administrative Assistant), Payton Snider (System Administrator), Jason King (IT Technician)

Visitors: 48 (includes additional staff)

1. Call to Order / Establish Quorum

President Crothers called the meeting to order at 1:30pm MST.
Roll call by Secretary Nichols; Quorum established.

2. Adopt Agenda

MOTION: Sadowski / Seconded. Adopt Agenda as presented.

Passed: 9 yes / 2 no (Campfield, Lambert)

~~~Gail Vanderhoof joined the meeting.

3. Approve Minutes of January 29, 2019

MOTION: Campfield / Seconded. Approve January 29, 2019 Meeting Minutes as presented.

MOTION TO AMEND: Crothers / Seconded. Add comment following Motion 6.G. to state CEO Blumenthal and Director Crothers will work together to find an attorney. No Vote Taken.

Call the question: Vanderhoof / Seconded.

Passed: unanimous

Motion Failed: 6 yes (Campfield, Coon, Lambert, Myers, Nichols, Stewart) / 6 no

MOTION: Campfield / Seconded. Add recording of the January 29, 2019 Meeting Minutes pertaining to the Funding Recommendation – GVR Pickleball Center (6.B.1. Motion) to the March 19, 2019 Agenda to be played for the entire GVR Board of Directors.

Passed: unanimous

MOTION: Myers / Seconded. Approve February 12, 2019 Special Meeting Minutes as presented.

Passed: unanimous

4. **President Report**

Good afternoon. I hope you had a chance to arrive early and meet with our GVR board candidates. Every year we elect 4 new directors who will best represent our needs and expectations of GVR.

You know, we have a great deal to be thankful for here in Green Valley. We have a wonderful community of friendly, helpful people. We have a great recreational organization – GVR – with a long tradition of providing a wide range of recreational, social and educational opportunities at a very reasonable cost. And USUALLY we have great weather and wonderful views of the mountains and surrounding desert.

Why is it that people at the extremes try to create controversy? It is certainly happening at the national and international level, but, I guess I have higher expectations for those of us here in Green Valley. Let's treat each other with dignity, respect and common courtesy. We may bring different views to the table, but usually carefully considered diversity of opinion leads to better decision making.

A prime example is the work of our Investment Ad Hoc committee. Later in the board meeting the Investment Committee will bring forward a proposal for a new financial manager and professional management of our reserve accounts. They have worked tirelessly for almost a year. What a fine example of volunteers coming together for the betterment of our organization. I want to personally thank Chairman Tom Sadowski, Cheryl Moose, Roger Myers, Vicki Mournian, Gene Kasper and Steve Wilhelm for their professionalism and dedication to GVR.

I got a preview of our Member Assistance Program results for this year. Kent will cover this in more detail later in the meeting, but we raised over \$20K. Thanks to all of you who contributed.

Finally, pickleball. The new East Center courts are almost done and we are off and rolling on the new pickleball facility. Kent will give an update later, but you should know that I put a little challenge on the table in my meeting with Kent yesterday. Let's do everything possible to get our members playing on at least 8 to 12 courts at our new facility by the end of this year. Kent, are you up to the challenge?

5. **CEO Report**

Good afternoon fellow GVR members, Board, and staff. I thank my fellow staff colleagues for helping me and the Board prepare for this regular session meeting of the Board. This report affords me an opportunity to update members on a few important and continuing activities, of which only one is on today's meeting agenda.

1. **The GVR Pickleball Center, Phase I** – You may ask, 'What are the next steps?'

Step 1. This was the design plan that was submitted to Pima County Developmental Services for review. The review came back with only incidental changes requested, mostly with labeling of the plan itself.

Step 2. This involved a meeting on 2-15-19 of the PB Advisory Committee to determine adjustments to the overall plan and design to accommodate the initial amount of funding available. This is necessary so that WSM Architects and Engineers can finalize the site documents prior to resubmittal to the County, and submittal for building permit. Based on available funding, Principal Phase I adjustments will likely include:

- Between 12 – 16 courts.
- Reduced building structure that will have restrooms but defer a meeting room.
- Deferred instructional court.

Step 3: WSM and consultants will revise drawings and resubmit to County.

Step 4: This has WSM beginning Bid Solicitation documents.

Proposed schedule from this point forward:

- 3-15-19:
 - Site Development Package is resubmitted to Pima County for "back-check" review.

- WSM begins preparation of Bid Solicitation documents with GVR.
- 3-28-19: Building plans are submitted for Pima County plan review (5 days)
- 4-8-19: WSM issues Invitation for Bids to prequalified selected General Contractors. Bid period is approximately 3 weeks.
- 4-30-19: Approximate Bid date:
 - GVR and WSM review bids (2-3 weeks)
- 5-30-19: Approximate Bid Award date

2. **Arizona House Bill 2374**

HB 2374 was identified at the Special Board Meeting on February 12 as GVR's greatest priority. HB 2374 is a proposed bill in the Arizona State Legislature that would have a beneficial impact on Green Valley Recreation, Inc. if approved. The bill seeks to amend Arizona Revised Statutes §§33-1801 and 33-1802 of the Arizona Planned Community Act ("APCA"). GVR has never operated under the APCA based on its position that it does not meet the statutory definition of a planned community "association." Since GVR was formed in 1973, and established solely for the purpose of maintaining recreational facilities in various real estate developments in Green Valley, this legislation would serve to put any issue of the APCA's applicability to GVR to rest.

Making GVR subject to the APCA would likely have a substantial impact on its ability to maintain its facilities and services at current levels by restricting the type and amount of fees GVR may charge. And, because making organizations like GVR dependent on the APCA – which has been subject to change virtually every year since its inception – it could also have significant negative effects on how we operate in the future. For these reasons, it is important that GVR and its members support HB 2374. As of today, 130 GVR members, including yours truly and several GVR Directors, have signed on in support of the legislation.

HB 2374 was approved by the Government Committee on February 7. On February 20, it was passed by the Rules Committee. Yesterday, it was approved by both the House Majority Caucus and the House Minority Caucus. A third reading of the bill and final action by the full House of Representatives is expected soon.

3. **An Exhibit that recommends legal review of all proposed changes to GVR**

governance-related documents is on this meeting agenda. I crafted the Exhibit and requested that it be placed on the agenda. Here is why: At last week's Fiscal Affairs Committee (FAC) meeting, Committee Chair Myers introduced proposed changes in our Corporate Policy Manual concerning Reserve account language. I will refer to the Policy Manual as the 'CPM.'

On its face, the FAC recommendations are innocuous. But two Directors who serve on the Board Affairs Committee, Directors Vanderhoof and Sieck, rightly pointed out that since the Board Affairs Committee was obliged to seek legal review of its proposed changes to the CPM, then perhaps the Fiscal Affairs Committee should do so as well.

I was present for the Fiscal Affairs discussion. I think that Directors Vanderhoof and Sieck make a good point, and I believe that requiring legal review of all proposed changes to GVR governance-related documents would simplify our deliberative and decision-making processes, and actually save the Board and staff a lot of time, since no committee would then have to consider and debate whether or not legal review was necessary. Adopting this course of action would serve to expedite adoption of updated and future board policies, though of course there may be an additional financial cost. However, if you believe as I do that time is money, then perhaps expediting adoption of new policies is the most cost-effective and expedient way to go. The Board will discuss their preference about this Exhibit and recommendation shortly.

- ## 4. **The Third Annual Southern Arizona CultureFest** will be held this Saturday, March 2 in Tubac from 1-7pm. CultureFest is a fun, collaborative fundraising event that supports the Greater Green Valley Community Foundation and the GVR Foundation. This is the first year that CultureFest is held outside of GVR's West Center. CultureFest has free admission to the public and will feature Cuban & Afro-Brazilian music and dance performances. Do not miss it!

5. When you entered this Board meeting, hopefully you picked up a reprint of an article that appeared in the just-released March/April 2019 issue of ***Where to Retire* magazine**. The article singled-out GVR as an incredible source of recreational opportunity that helps make Green Valley a fabulous place to live. On its cover, *Where to Retire* states “Arizona’s Green Valley Has Top-Notch Recreation.” The lead-in to the five-page feature article reads, “Just 40 miles north of the Mexican border, Green Valley astonishes first-time visitors with its verdant landscape. Only 55-years old, the city has a slew of happy retirees who enjoy some of the best recreation facilities in the country.” The article quotes Patrick Devine, a local real estate agent, who stated, “GVR is like a master-planned community on steroids.”

I feel very good about this highly complementary article about Green Valley and GVR in a reputable magazine that has a national circulation, and you should too. I also appreciate that Mr. Divine stated that we were “like a master-planned community” instead of being a master-planned community, because we are not!

6. **Lastly, the Investments Ad Hoc Committee has undertaken a search to find a new investment advisor for GVR.** Tomorrow, CFO Cheryl Moose, Accounting Manager David Webster, and I will travel to Denver for a site visit with a financial advisor firm finalist to conduct due diligence on behalf of GVR. We’ll report to the Investments Ad Hoc Committee soon after our return to Green Valley.

Thank you for joining us today and stay well.

6. Committee Reports

A. Fiscal Affairs

1. CPM Update re: Reserve Funds

MOTION: Myers / Seconded. GVR Board of Directors accepts the February 19, 2019 Fiscal Affairs Committee recommendation to change Section V, Subsection 2.F.2 and Section V, Subsection 2.F.3. of the Corporate Policy Manual as follows.

Existing language to be deleted is struck-through. New language and its location are in red.

Changes to CPM Section V, Subsection 2.F.2. – Target Balance

Eliminate the “target balance” as it is arbitrary, and the appropriate reserve fund balance should be determined by the Board of Directors from time to time with the Fiscal Affairs Committee and Investment Committee inputs.

- F. Initiatives Reserve Fund (previously Initiatives & Innovations Reserve Fund)**
2. Target Balance:

This fund reserve shall be of sufficient size as determined by the Board of Directors to make opportunistic investments in real property, facilities and infrastructure. ~~but not less than \$500,000.~~

Restatement of CPM Section V, Subsection 2.F.2. with Changes

- F. Initiatives Reserve Fund (previously Initiatives & Innovations Reserve Fund)**
2. Target Balance:

This fund reserve shall be of sufficient size as determined by the Board of Directors to make opportunistic investments in real property, facilities and infrastructure.

Changes to CPM Section V, Subsection 2.F.3. – Funding Source

The repayment requirement is unnecessary because: (1) the Initiatives Reserve Fund now has permanent funding source as described below, (2) repayment of Initiatives Reserve funding might create an unnecessarily high reserve balance, and (3) the appropriate reserve fund balance should be determined by the Board of Directors from time to time with Fiscal Affairs Committee and Investment Committee inputs.

3. Funding Source:

Within 30 days after the end of each fiscal quarter GVR shall transfer the following to the Initiatives Reserve Fund based on the applicable fee (**the “Initiatives Reserve Funding Formula”**):

- A. Twenty percent (20%) of the New Member Capital Fee (NMCF) assessed on each GVR member property sold rounded up to the next \$5.00 and
- B. Twenty-five percent (25%) of the Initial Fee assessed on each GVR member property sold rounded up to the next \$5.00.

At its discretion, the Board of Directors may make an additional Initiatives Reserve contribution from the annual net surplus.

This CPM change eliminating repayment of Initiative Reserve reimbursements to operating cash is retroactive to January 1, 2018, and it applies to all Initiatives Reserve reimbursements made during the fiscal year 2018.

~~In determining such amount, the Board of Directors shall first repay any withdrawals from this fund and second an amount, if any, towards its target balance of not less than \$500,000.~~

~~In any case, withdrawals from this fund shall be repaid from operations as determined by the Board of Directors but not to exceed five (5) fiscal years.~~

Restatement of CPM Section V, Subsection 2.F.3. with Changes

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Within 30 days after the end of each fiscal quarter GVR shall transfer the following to the Initiatives Reserve Fund based on the applicable fee (the “Initiatives Reserve Funding Formula”):

- A. Twenty percent (20%) of the New Member Capital Fee (NMCF) assessed on each GVR member property sold rounded up to the next \$5.00 and
- B. Twenty-five percent (25%) of the Initial Fee assessed on each GVR member property sold rounded up to the next \$5.00.

At its discretion, the Board of Directors may make an additional Initiatives Reserve contribution from the annual net surplus.

This CPM change eliminating repayment of Initiative Reserve reimbursements to operating cash is retroactive to January 1, 2018, and it applies to all Initiatives Reserve reimbursements made during the fiscal year 2018.

Restatement of CPM Section V, Subsection 2.F. – Initiatives Reserve Fund

F. Initiatives Reserve Fund (previously Initiatives & Innovations Reserve Fund)

1. Purpose:

The fund shall be used to support new initiatives and innovation opportunities that add value to member services and facilities and/or significantly improve GVR's position in the marketplace.

2. Target Balance:

This fund reserve shall be of sufficient size as determined by the Board of Directors to make opportunistic investments in real property, facilities and infrastructure.

3. Funding Source:

Within 30 days after the end of each fiscal quarter GVR shall transfer the following to the Initiatives Reserve Fund based on the applicable fee (the "Initiatives Reserve Funding Formula"):

- A. Twenty percent (20%) of the New Member Capital Fee (NMCF) assessed on each GVR member property sold rounded up to the next \$5.00 and**
- B. Twenty-five percent (25%) of the Initial Fee assessed on each GVR member property sold rounded up to the next \$5.00.**

At its discretion, the Board of Directors may make an additional Initiatives Reserve contribution from the annual net surplus.

This CPM change eliminating repayment of Initiative Reserve reimbursements to operating cash is retroactive to January 1, 2018, and it applies to all Initiatives Reserve reimbursements made during the fiscal year 2018.

4. Authorization:

The Board of Directors shall authorize any monies spent from this fund.

Motion Passed: unanimous

B. Nominations & Elections

- 1. Exit Interview Questionnaire for Departing Directors

MOTION: Sieck / Seconded. Accept Nominations and Elections Committee exit questions for departing GVR Directors as presented.

Passed: unanimous

C. Planning & Evaluation - Director Coon reported on committee activities.

D. Board Affairs – Director Vanderhoof gave an update.

E. Audit – Director Sieck reported.

F. Investments Ad Hoc

- 1. Financial Advisor Recommendation

MOTION: Sadowski / Seconded.

WHEREAS, the Ad Hoc Investment Committee (IC) conducted a financial advisor search from a list of eleven (11) candidates using a Request For Proposal (RFP) process.

WHEREAS, four (4) financial candidates did not reply to the RFP. The remaining seven (7) candidates were evaluated based on their RFPs and two (2) financial advisor candidates were eliminated.

WHEREAS, five (5) financial advisor candidates were interviewed through in-person presentations and two (2) finalists were selected based on an objective scoring metric and interviewed in-person again with all members of the Committee and the full Board of Directors were invited to participate and a majority of the Board participated in the final interviews.

WHEREAS, February 12, 2019 the IC selected Segall Bryant Hamill (SBH) of Denver, Colorado, as GVR's new financial advisor replacing Skip Breither of Edward Jones, the IC passed the following motion recommending SBH to the Board of Director.

The Investment Ad Hoc Committee recommends to the GVR Board of Directors, that Segall Bryant Hamill (SBH) be the financial advisor for managing the GVR Initiatives, Emergency and Maintenance, Repair and Replacement reserve accounts. This recommendation to the Board of Directors is pending and awaits the successful outcome of the scheduled in-person meeting of GVR and SBH representatives, whereby, any reasonable objections discovered during the meeting are to be included in the Chief Financial Officer's written meeting summary.

WHEREAS, GVR CEO Kent Blumenthal, CFO Cheryl Moose, and Accounting Supervisor David Webster will conduct an on-site SBH visit February 27, 2019.

Now, therefore, let it be resolved, that the GVR Board of Directors accepts the Ad Hoc Investment Committee's recommendation to hire Segall Bryant Hamill (SBH) of Denver, Colorado, as its new financial advisor to manage GVR's Maintenance, Repair, and Replacement Reserve Fund, Initiatives Reserve Fund, and Emergency Reserve Fund as a Discretionary Manager with Charles Schwab acting as the account Custodians.

FURTHER resolved, that GVR CEO Kent Blumenthal is authorized to sign all necessary account opening documents.

FURTHER resolved, that GVR CEO Kent Blumenthal and CFO Cheryl Moose are authorized signers.

Call the question: Vanderhoof / No Second.

Passed: 11 yes / 1 no (Stewart)

Motion Passed: 10 yes / 2 no (Campfield, Stewart)

G. GVR-GVR Foundation Ad Hoc – Director Stewart reported on GVR Foundation (GVRF) grant application process. GVR's grant application for the Pickleball Complex was presented to the Board about five days prior to the February 26, 2019 board meeting. The Request for Funding grant application to be submitted to GVRF Board for approval. Once approved by GVRF, then the Grant Agreement will come to GVR Board with all the Request for Funding grant application information that will be included as attachments. GVR will then submit Grant Agreement to another attorney for a second opinion before being considered by the GVR Board for the President to sign.

1. Update – Attorney Search for Second Opinion – President Crothers gave the update.

H. Bylaws Ad Hoc – Director Chalmers reported.

7. New Business

A. Update on 2019 Member Assistance Program (MAP) – GVR CEO Blumenthal announced FY2019 MAP awards totaling \$19,967 to 45 applicants with \$20,832 in MAP contributions. Discussion.

