



A regular meeting of the GREEN VALLEY RECREATION, INC. BOARD OF DIRECTORS was held Wednesday, September 25, 2019 at West Center, the President being in the chair and the Secretary being present.

Directors Present: Charles Sieck (President), Sandra Thornton (Secretary), Carol Crothers (Treasurer), Donna Coon (Assistant Secretary), Christine Gallegos, Denise Nichols, Gail Vanderhoof, Don Weaver, Mike Zelenak, Kent Blumenthal (CEO)(non-voting)

Directors Present Electronically: Tom Sadowski (Assistant Treasurer), Suzan Curtin

Directors Absent: Lynne Chalmers (Vice President)

Staff: Cheryl Moose (CFO), Jen Morningstar (Director of Administrative Services), David Jund (Facilities Director), Shelly Freeman (Sr. Arts & Entertainment Supervisor), Kris Zubicki (Recreation Services Director), David Webster (Accounting Supervisor), Miles Waterbury (Communications Specialist), Randy Cheatham (IT Director), Payton Snider (System Administrator), Conal Ward (IT Technician), Marie Wilbur (Meeting Scribe)

Visitors: 35 (includes additional staff)

1. Call to Order / Establish Quorum

President Sieck called the meeting to order at 2:00pm MST.
Roll call by Secretary Thornton; Quorum established.

2. Adopt Agenda

MOTION: Gallegos / Seconded. Adopt Agenda as presented.
Passed: unanimous

3. Consent Calendar

A. Minutes: Board of Directors August 28, 2019 Meeting

MOTION: Weaver / Seconded. Approve August 28, 2019 Meeting Minutes as presented.

Passed: 10 yes / 1 abstain (Nichols)

B. August Financial Statements

MOTION: Vanderhoof / Seconded. Approve August 2019 Financial Statements, as presented.

Passed: unanimous

4. President Report

Good afternoon. I want to take a couple of minutes to review how Board meetings are run, Roberts Rules of Order. First off, we follow the agenda. It includes a combination of reports where information is presented to the Board, and motions, where the Board is asked take actions. Any member of the Board can make a motion at any time.

When a motion is made, it has to be seconded by another Director. The motion is then discussed. I will ask the Board members in the room first to comment, and then Directors on the phone. After that I will ask for comments from members in the audience. These

comments must be explicitly related to the motion that has been made and are limited to 1 minute. When all comments have been heard, the Board will vote on the motion. If the comments are repeating or not providing new information, any Director can 'call the question'. This immediately stops all discussion and a vote is taken on whether to vote on the motion. If that vote passes, the Board next votes on the actual motion that has been made. If the 'call the question' vote fails, discussion of the original motion is permitted to continue. All comments must be addressed to the Chair, which today is me.

At the end of the meeting, we open it up to member comments. Members have 2 minutes to say whatever they want on any topic.

Please be respectful of everyone in the meeting. I have the authority to ask any member to leave who is being disruptive. I want to remind everyone this meeting is being videotaped, as are all open Board meetings.

Moving on to the agenda, we are ready to take the next step into policy governance with the approval of our Policy Governance Manual. This document is not perfect but we need to take improvement over perfection. Approval of this document will enable the CEO to begin work on the reasonable interpretation of the Board's governance processes and the Board management delegation. It will also allow the creation of an annual agenda and monitoring schedule.

We are also going to address the recommendation from the financial consultant, Susan Vos. The Fiscal Affairs Committee met with Susan on Monday for 2.5 hours and the Board met with her this morning for another hour and a half in an open work session. We will not be going through the details of these recommendations. That happened this morning.

The Planning and Evaluation Committee has recommended funding to 3 projects that need to be voted on.

The Audit Committee has selected a new auditor and needs approval to proceed.

The Survey/Facility Access Committee has some final recommendations that need to be approved.

Finally, it is time to get started on the Member Assistance Program with the GVR Foundation. Please note that we are increasing the requested funding from the Foundation from \$20,000 to \$50,000.

Thank you.

5. CEO Report

Good afternoon fellow GVR members, Board, and staff. My CEO report covers GVR-related activities since our last regular session Board meeting on August 28, 2019.

1. FY2020 Budget Proposed to Fiscal Affairs Committee

Staff proposed a balanced annual budget for FY2020 to the Fiscal Affairs Committee (FAC) on August 22, 2019. The proposed annual budget includes operating and capital, though very limited non-reserve capital. We are awaiting further dialogue with the Fiscal Affairs Committee to wrap-up the budget so that the committee can present it to the Board.

2. Content Management Software Update

Staff continues to explore a new content management membership and activities database system. We were searching for a solution that would track and serve all 13,600+ GVR member properties and 26,000+ individual members integrated with 1,000+ classes, lectures and performing arts activities, as well as facilitating thousands of facility reservations each year.

Early last summer staff realized that GVR may require more than one software solution to meet our unique set of requirements. To track membership records, staff interviewed three content management system firms, and identified one strong candidate to provide software to meet our needs. We are exploring two companies that offer software for classes, activities and facility reservations. We expect to narrow down the second provider over the next couple of months. Once we are assured that the two systems can interface with each other, we will begin implementation.

3. Preparing for the Return of GVR Snowbirds

Staff is preparing a roster of special announcements and reminders for GVR Snowbirds who are expected to return to Green Valley soon. Included will be information about the GVR Smart phone app; Member Concierge Kiosks; GVR Free Libraries; SpotRX pharmaceutical dispensaries; and Pool & Fitness Center Rules.

4. Update on Solar Energy Installations

With the exception of a relatively small solar energy installation planned for the Facilities Maintenance Building where work may begin the week of October 14, work on all other solar installations throughout the GVR campus valued at \$4 million is winding down. Four systems are currently online and operational:

- **Casa Paloma 2**
- **Abrego South**
- **West Center**
- **Canoa Ranch**

This is the status of all other projects:

- **East Center:** Installation is 98% complete. Meter installed. Connectivity established. Transformer replacement scheduled for week of 9/30.
- **Canoa Hills:** Project is 100% complete. Connectivity established. Meter not yet installed.
- **Desert Hills:** The lower parking lot may reopen on 9/27. Connectivity established. Installation is 100% complete.
- **Santa Rita Springs:** The parking lot west of the Clay Studio and the Santa Cruz Building parking lot are scheduled to reopen the week of 9/30. Meter is installed. Project is 98% complete.
- **Administration Offices:** Installation is 98% complete; pavement repair work and repainting of parking stalls as planned.
- **Las Campanas Center:** The south parking lot closest to the center may reopen by 10/4. Canopy construction is 100% complete. Installation of rooftop panels is 75% complete.

GVR realizes energy cost savings as the solar installations go online and become operational. \$107,000 in energy cost savings is projected for next year. A celebratory GVR "ribbon-cutting" will be held at either Santa Rita Springs Center or at Desert Hills Center when they become operational.

5. Pickleball Center Update - Phase I Construction Contract

I am pleased to report tremendous progress in construction of the 24-court GVR Pickleball Center with work proceeding on-schedule and on-budget.

1. Site grading is 100% complete. Per Division II contractor, the area of the pickleball courts is graded, compacted, inspected, and ready for subcontractor Renner to begin the post-tensioned court work this week.
2. The Concrete Masonry Unit (CMU) install for building is ongoing. Roof trusses to be installed first week of October, with building expected to be "dried in" NLT mid-October. CMU is 80% complete. The building will be "topped out" next week.
3. The underground storm drain work is installed.
4. The underground on-site septic system is complete and ready for backfill (per Division II).
5. Electrical "partial" inspections for building ongoing.
6. The water trench is complete and coordination by Division II with Farmers Water is ongoing.

General contractor Division II will soon present a 'percentage completed' invoice for building and restroom construction. Once our architect approves the Division II invoice for payment, the GVR Foundation is expected to release the \$50,000 grant it received from Freeport McMoRan Foundation to apply to restroom construction.

This is a very good development. Early-on, several important construction-related activities had to be value engineered-out of the project to stay below the \$1.25 million Board authorization, including site security, signage, and some shade. Thanks to the GVR Foundation, we will add back some of these items while staying well within the budget authorization.

In other news, GVR's IT team is preparing to install a webcam atop the construction trailer at the Pickleball site. Our Wi-Fi vendor had to reschedule the Internet install at the Pickleball Center due to yesterday's rain. Install is rescheduled for next Thursday, October 3. This will delay our live construction Webcam until at least October 4.

6. Policy Governance – President Sieck reported. Reviewed **(A) Ownership Linkage** and **(B) Monitoring**.

C. **Policy Decisions – Adopt Policy Manual**

MOTION: Sieck / Seconded. Approve the attached Policy Governance Manual (dated September 25, 2019), excluding the two monitoring schedules: Board Policies and Ends/Executive Limitations Policies; further, insert the two monitoring schedules into the Policy Governance Manual once they are formally adopted by the Board of Directors at the October Board Meeting.

Passed: 9 yes / 2 no (Weaver, Zelanak)

7. Committee Reports

A. **Fiscal Affairs** – Director Crothers reported.

Movement of Funds from Reserves

Director Crothers noted that the provided items were intended for the Investments Committee so will not be addressed here.

Adopt Financial Consultant Recommendations

MOTION: Crothers / Seconded. Accept recommendations from Consultant Susan Vos as discussed at this morning's (9/25/2019) Board work session and enter these recommendations into today's minutes.

MOTION: Zelenak / No second. Table until Board has time to review recommendations.

Original Motion Passed: 10 yes / 1 no (Zelenak)

**MOTION: Crothers / Seconded. Extend Consultant Susan Vos contract for up to an additional \$10,000 to continue consulting with GVR.
Passed: unanimous**

B. Board Affairs – Director Curtin reported.

C. Planning & Evaluation – Director Coon reported.

Proposed Capital Projects

**MOTION: Coon / Seconded. Approve 2020 GVR Club Capital Project as presented by P&E Committee – Tennis Center Bleachers for \$6,000; funding source to be determined by Fiscal Affairs Committee.
Passed: unanimous**

**MOTION: Coon / Seconded. Approve 2020 GVR Club Capital Project as presented by P&E Committee – Pickleball Center Shade Structures for \$60,000; funding source to be determined by Fiscal Affairs Committee.
Failed: 4 yes / 7 no (Crothers, Curtin, Gallegos, Sadowski, Sieck, Thornton, Vanderhoof)**

MOTION: Coon / Seconded. Approve 2020 GVR Club Capital Project as presented by P&E Committee – Bocce Court Replacement at Canoa Hills for \$80,000; funding source to be determined by Fiscal Affairs Committee.

**MOTION: Weaver / Seconded. Call the question.
Passed: unanimous**

Original Motion Passed: unanimous

D. Audit – Director Vanderhoof reported.

Approval of Auditor for 2019

**MOTION: Vanderhoof / Seconded. Approve HBL CPAs, P.C. as GVR's 2019 auditor and request an Engagement Letter from them for signatures of our CEO and Board President.
Passed: unanimous**

E. Bylaws Ad Hoc – Director Curtin reported.

F. Survey / Facilities Access Ad Hoc – Director Thornton reported.

Final Committee Recommendations

MOTION: Thornton / Seconded. Board require an ADA Compliance review be done in-house of any GVR Main or Satellite Center undergoing major renovations; and, require GVR staff to evaluate the areas of concern the Facilities Access Ad Hoc Committee has identified and implement solutions as needed when appropriate to increase ease of facility access for GVR members with physical limitations.

MOTION: Thornton / Seconded. Table until October meeting after report has been reviewed by Board.

Passed: unanimous

8. Board Project Status Reports

- A. Solar Gain Status** – Refer to CEO Report: Update on Solar Energy Installations
- B. Pickleball Complex Status Update** – Refer to CEO Report: Phase I Construction Contract.

9. New Business

- A. 2020 Dues Invoices Update** – CEO Blumenthal reported.

Since the Board has already approved the member dues and fee schedule for 2020, Dues Invoices for next year will be mailed to members in mid-October. The dues notice includes a reference to making payments via electronic checks. GVR has accepted this form of payment for years. General instructions for making electronic check payments are included with the invoice. Specific instructions will vary depending upon the bank used.

- B. Update on Implementation of Property Acquisition Capital Fee** – CEO Blumenthal reported.

At the August 28, 2019 Board meeting, Directors approved a major change to the New Member Capital Fee (NMCF). A portion of the NMCF is contributed to GVR Initiatives Reserves.

Beginning October 1, the name of the fee changes to 'Property Acquisition Capital Fee' (PACF) and will be applied to the purchase of all GVR member properties, except when a member moves from a primary GVR residence to another primary GVR residence within 12-months, resulting in the following:

- A GVR member may relocate between member properties without the burden of paying the fee multiple times.
- GVR members who use GVR member properties as investments must pay the PACF.

PACF implementation guidelines are published and available in the West Center lobby at this meeting and at all staffed GVR Centers beginning this Friday.

Staff colleagues and I will present information about the Property Acquisition Capital Fee to local realtors at the monthly MLS meeting of the Green Valley/Sahuarita Association of Realtors on Tuesday, October 8.

C. Facility Utilization – President Sieck reported.

President Sieck has met with members of GVR Administration regarding the implementation of a new system to handle facility utilization scheduling. It is planned to be in place by the end of this year.

10. GVR Foundation Report – GVRF President Jim Counter reported that the Dennis Quaid concert was a wonderful, fun-filled afternoon. GVRF was there with their Javelina – the only one out of 60 in the area signed by Dennis Quaid. Over \$600 in raffle tickets were sold at the concert. The Javelina will be on display at West Center and raffle tickets will continue to be sold as a fundraiser for GVRF and GGV Foundation. GVRF continues to apply for grants and recently received confirmation that Walmart has granted \$1,000 for the Southern Arizona Senior Games. GVRF is in the process of sending out the Annual Campaign letter requesting funding for the MAP Program.

A. Application for MAP Grant

MOTION: Sieck / Seconded. Approve MAP Application for \$50,000 grant to be completed and submitted to GVRF.

Passed: unanimous

11. Member Comments: None

12. Adjournment

MOTION: Crothers / Seconded. Adjourn meeting at 4:23pm MST

Passed: unanimous

FINAL REPORT

Budgeting & Board Reporting
Susan M. Vos, CPA/CFE
RCM CPAs, Tucson, Arizona
12-11-19

From: Susan Vos <svos@rcmlp.com>
Sent: Wednesday, December 11, 2019 8:39 AM
To: Cheryl Moose <cheryl@gvrec.org>
Cc: Kent Blumenthal <KBlumenthal@gvrec.org>; Jen Morningstar <jen@gvrec.org>; David Webster <DavidW@gvrec.org>
Subject: RE: final report

Hi Cheryl,
I had sent to Charlie, I apologize you didn't get a copy. I'm out of town and just now had access to forward to you.

Regards,

Susan M. Vos, CPA/CFE
RCM CPAs
(520) 624-8229

From: Cheryl Moose <cheryl@gvrec.org>
Sent: Tuesday, December 10, 2019 8:48 AM
To: Susan Vos <svos@rcmlp.com>
Cc: Kent Blumenthal <KBlumenthal@gvrec.org>; Jen Morningstar <jen@gvrec.org>; David Webster <DavidW@gvrec.org>
Subject: final report
Importance: High

Hi Susan,

Hope you're doing well. We're going to be meeting with the new auditor today. Could we please get an unaltered copy of your recommendations? It would help to be able to talk to her about the changes. Thanks.

Regards ,

Cheryl Moose
Chief Financial Officer

GREEN VALLEY RECREATION
Recommendations for Budgeting and Board Reporting

Budget Process:

1. Develop a budget to include a comparison of the prior year's actual amounts. If the preceding year is not yet complete, projections should be made to estimate the prior year final actuals. **This recommendation is currently being implemented.**
2. When developing the budget, goals should be determined first. For example, what are the goals for next year? Each annual budget should be part of a longer-term budget based on a strategic plan or long-range planning. A strategic plan would assist in implementing this recommendation. All stakeholders should be involved in the strategic plan development with the assistance of a consultant that specializes in helping organizations with strategic planning.
3. The budget should include a separate column for each cash category to track the inflows and outflows of each cash account. This will allow for the tracking of operating cash transferred to the reserves and for the tracking of expenditures (both capital and expense) from each reserve cash account.
 - a. Operations
 - b. Maintenance and Replacement Reserve
 - c. Initiatives Reserve
 - d. Emergency Reserve
4. Prepare the budget based on cash inflows and outflows. Green Valley Recreation ("GVR") is required to maintain its accounting records in accordance with generally accepted accounting principles ("GAAP"), as such the budget should not be prepared on a pure cash basis. Non-cash items such as depreciation and allowance for bad debt should be excluded from the budgeted line items. It is important to keep in mind that excluding the non-cash items will create a potential significant variance in the net change in net assets (net income) when comparing to the audited statement of activities.
5. The monthly budget that is provided to the Board of Directors for monitoring throughout the year should be prepared with seasonality built-in. A seasonal budget will depict more the actual fluctuations of revenue and expense, so it is easier to determine if GVR is on track to meet budgeted amounts throughout the year.
6. The Board of Directors and/or the FAC shall allow the Chief Executive Officer to present the budget to the Board of Directors for approval. The CEO's presentation of the budget should include all assumptions made. The CEO's presentation will allow board members to ask questions and determine if goals are in line with the overall goals of the organization and if assumptions are reasonable.

(continued)

Funding of Reserve Accounts:

7. Per the Corporate Policy Manual, the Maintenance and Replacement Reserve account should be funded from operations in accordance with the Reserve Study to achieve a funding level of not less than 85% but not exceed 100%. GVR has utilized a professional firm to perform reserve studies. GVR should follow recommendations of this professional firm.
8. Per the Corporate Policy Manual, the Initiatives Reserve account should be funded from the New Member Capital Fee and Initial Fee assessed. GVR should follow the Corporate Policy Manual. **This recommendation is currently being implemented.**
9. Clearly define calculation for Emergency Reserve account annual contribution. Per the Corporate Policy Manual, calculations are “at the close of each fiscal year. The Board of Directors shall determine the amount, if any, to contribute from excess Revenue-Over-Expenses plus depreciation expense less Reserve contributions to the MRR Reserve Fund.” ‘Revenue over expense’ is not clearly defined. Define if this is solely operating revenue and expense, excluding all expenditures from reserve funds and capital expenditures from operations. A calculation should be developed and followed consistently. It should also be established if the result of this calculation is used only to fund the Emergency reserve or other reserve accounts as well.

Cash Policies:

10. A best practice for most non-profit organizations is to maintain a minimum of 90 days cash on hand up to 120 days. (Days cash on hand is the number of days that an organization can continue to pay its operating expenses, given the amount of cash available.) Cash on hand can include liquid savings or money market accounts. If a liquid savings account (Money Market or High Yield Savings) is utilized, keep 45 days of cash in the checking and the remaining kept in the savings vehicle.
11. If the recommendation in #3 above (four budgets) is not adopted, an alternative to tracking expenditures by reserve account would be to maintain a checking account for each reserve account. This would also eliminate the need to transfer cash from the reserve accounts to the operating cash account.

Financial Reporting Policies:

12. Fully implement Carver Policy Governance in which Board of Directors monitors the CEO’s performance through Executive Limitations. Utilize Policy Governance Consultant to develop necessary policies. **This recommendation is currently being implemented.**
13. Simplify financial reports for the Board of Directors and Fiscal Affairs Committee. Consider reducing the amount of reporting to the Balance Sheet (Statement of Financial Position), Income Statement (Statement of Activities), Cash flow (cash needs report) integrated with Budget to Actual. Or even more simplified dashboard with Key Performance Indicators.