



A regular meeting of the GREEN VALLEY RECREATION, INC. BOARD OF DIRECTORS held Wednesday, October 30, 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), Tom Sadowski (Assistant Treasurer), Suzan Curtin, Christine Gallegos, Denise Nichols, Gail Vanderhoof, Don Weaver, Mike Zelenak, Kent Blumenthal (non-voting)

Directors Present Electronically: Lynne Chalmers (Vice President)

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

Visitors: 54 (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: Vanderhoof / Seconded. Adopt Agenda as presented.
Passed: unanimous

3. Consent Calendar

A. Minutes: Board of Directors September 25, 2019 Meeting

MOTION: Vanderhoof / Seconded. Approve September 25, 2019 Meeting Minutes as presented.

MOTION TO AMEND: Crothers / Seconded. Add statement that makes it clear that our CEO does not have the authority to spend this GVR grant money that was designated for restrooms. This money will pay back our Initiatives Reserve account. Any additional spending of Initiative funds must be approved by the Board.

MOTION TO TABLE: Sieck / Seconded. Table approval of September 25, 2019 Meeting Minutes to discuss further at a later meeting.

Motion to Table Passed: 7 yes / 5 no (Coon, Gallegos, Nichols, Weaver, Zelenak)

B. September Financial Statements

MOTION: Crothers / Seconded. Approve September 2019 Financial Statements as presented.
Passed: unanimous

4. President Report

Good afternoon. I want welcome everyone to the October Board of Directors meeting.

The first thing we are going to deal with is policy governance monitoring schedules. There are 2 schedules, one for monitoring the CEO and another for monitoring the Board itself. Everyone needs to remember that policy governance isn't just about making policies, it is also to monitor to ensure those policies are being followed and that those policies have the intended results. These schedules are the minimum required reporting. Additional reports may be requested by the Board at any time it feels more frequent monitoring is required.

We will not be voting on a budget at this meeting. The budget will not be available in its final form until November 5th. A special Board meeting will be called once the budget is available and the FAC has time to review it. The special Board meeting is tentatively planned to be the week before Thanksgiving. A decision on what to do relative to the budget surplus will also be addressed at that meeting.

The Board Affairs Committee will be formalizing a limitation for the number of directors on a committee. This will ensure that the membership has a majority presence on all committees.

Planning & Evaluation have a couple of things to mover forward on better utilization of space.

We will be voting on the implementation of a "Whistleblower Policy" being presented by the Audit Committee. This should have been done a long time ago and has been overlooked by the Board until now.

The Bylaws Ad Hoc Committee will update the Board on the progress in rewriting the bylaws and tentative plans to review the changes with the membership.

The Survey/Facility Access Ad Hoc will finish up with their final recommendations. I hope all the directors have read the final report and are prepared to vote on its recommendations.

The Nominations and Elections Committee will update us on the survey results from previous directors and the plans for the upcoming election.

Kent will give us an update to the Solar Gain project and the status of the construction of the new 24 court pickleball complex.

I will finish up with the start of a new 5-year strategic plan.

With that I will turn it over to our CEO, Dr. Blumenthal.

5. CEO Report

I begin this CEO Report with a special 'Shout Out' to GVR's staff team for their day-in, day-out dedicated, smart and often difficult work on behalf of our membership. Indeed, GVR staff are 'Incredibles.' Thank you, fellow staff.

The next items I will address are issues raised by Pres. Sieck in an article he authored in last Friday night's GVR eBlast and statements quoted in Sunday's local newspaper regarding budget surpluses.

President's Sieck's statements, including "*It's not clear how the money is being spent or whether it's directly benefiting members*" and "*the funds were kept out of the control of the board*" go well beyond engaging in professional disagreements. His statements are patently untrue, inflammatory, and have caused irreparable harm to me and my staff. Based on his inciting and misleading statements, several members have written to the board and the local newspaper saying spiteful and hurtful things, such as "*Everybody involved in the withholding of this information needs to face criminal charges*" and "*The people involved should be fired. It is so sad that we members have been bamboozled.*"

I will continue with what NO ONE can disagree with, not the Board President, NOT the CEO, NOT Board Directors, NOT our independent financial auditor, NOT staff and NOT our individual members: GVR is a nonprofit corporation governed by federal and state law, our Articles of Incorporation, Bylaws and by Board-approved policies published in our Corporate Policy Manual, referred to as CPM.

Why do I begin here? Because answers to all President Sieck's questions begin and end here.

- We agree that our Bylaws mandate that we maintain our financial records in accordance with generally accepted accounting standards. This means accrual accounting.
- We agree that our Bylaws mandate that our financial records shall be audited following the close of each fiscal year by an independent auditing firm.
- We agree to maintain a Reserve Study and reserve accounts for Maintenance, Repair and Replacement.
- We agree to have two additional reserve accounts for Emergency Reserves and Initiatives Reserves.
- We agree to invest reserve funds and operating funds to earn additional non-dues revenue.

The compendium of Board policies written in the CPM has powerful stuff in it. Since 2014, when GVR finally established segregated reserve accounts to help protect our estimated \$36 million corporate value, two identically-written CPM sections under the title "*Funding Source*" for the Initiatives and Emergency Reserves provides the formula by which a so-called year-end "surplus," if any, might be contributed by the Board to either or both of these reserves. This calculation is published in *CPM Section V – Fiscal/Accounting, Subsection 2-*

Reserve Policy. As of today, the calculation of the year-end surplus or deficit remains in the CPM and is straightforward:

"Excess Revenue-Over-Expenses plus Depreciation Expense less Reserve Contributions to the Maintenance, Repair & Replacement Reserve Fund."

Keep in mind that 'Revenue-Over-Expenses' has been and must be interpreted broadly to include non-reserve capital expenses and unrealized changes in investments, both of which show up on the statement of activities.

Earlier this year, the Board authorized spending money to retain the services of an independent CPA consultant to assist the Board and Fiscal Affairs Committee and help them understand some 35 financial reports produced monthly, quarterly and annually by staff. The Fiscal Affairs Committee also asked the consultant to review calculation of year-end surpluses. After much debate, the consultant came up with a calculation a bit different from current policy.

I say, "Good," as long as the calculation meets the requirements of the CPM definition. What matters is that GVR maintain adequate operating and reserve accounts to ensure sufficient funds available to serve our members, maintain our infrastructure, and pay our bills. And this is accomplished, in part, by having an adequately funded operating account. In years past, GVR maintained but one month of operating cash.

At the most recent Fiscal Affairs Committee work session with Board Directors, staff, and the accounting consultant, the consultant recommended maintaining no less than 90 days of operating monies in addition to having sufficient additional funds to pay capital expenses.

How much money does GVR need to keep in an operating account each month?

The answer is, "it depends." What may appear to some as too much, may be too little to others, and you might expect that people may respectfully disagree with each other's opinion on the matter.

But understand this: GVR is largely a seasonal business, and accounts payable for operations do not arrive at equal intervals. When you include payments due for Maintenance, Repair, and Replacement and non-reserve capital projects, each month's need for required operating account monies vary significantly.

Accounting department colleagues and I point out that Pres. Sieck's calculation of a combined budget surplus of \$1.6 million based on the accounting consultant's formula from 2016, 2017 and 2018 fails to mention the \$1.4 million deficit in 2015, also based on the accounting consultant's formula.

All of GVR's money is properly accounted for:

- GVR annual financial audits match balance sheets.
- GVR checking accounts agree with balance sheets.
- GVR investment statements match investment reports.

If you want to see where these so-called budget surpluses are accounted for, examine our monthly financial statements and independent annual audit reports, and look to our three reserve investment accounts, plus the invested operating account.

Between 2014 and 2018, **49** individual GVR members volunteered to serve on past Boards of Directors, Fiscal Affairs Committees, and Audit Committees. Their collective work with staff has proved successful in keeping our organization financially sound, out of debt, and well-positioned to address future needs. These are the people that set us on this path to financial success and well-being, following GVR Corporate and Board policies to the letter.

I challenge all assembled here to try to do better for GVR than they did. To insinuate that during all of those years these volunteers, staff, and me did wrong defies reason, and frankly, leaves staff and many members disappointed and uninspired. Collectively, these volunteer leaders have executed GVR Corporate and Board policy to the letter. They might have done less, but they could not have done more.

On a personal note, President Sieck and the faction of current Directors who follow his lead have accused me of mishandling the Pickleball Center project; inappropriately managing the Solar Gain project for my own self-interest; and hiding how funds are being spent. Every single allegation hurled against me has been proven completely untrue, and yet you continue to attack me and members of the GVR staff team without any sense of propriety. When will this stop? When will you start supporting staff to focus on Member Services where our attention belongs?

Thank you.

- 6. GVR Foundation (GVRF) Report** - GVRF President Jim Counter reported:
- The \$50,000 grant GVRF received from Freeport-McMoRan Foundation in 2018 for restroom construction at the new Pickleball Center was recently transferred by GVRF to General Contractor Division II. Division II's 'percent completed' invoice for this portion of construction was verified by WSM Architects, and included installation of a septic system, building construction, sewer system, and electrical and water lines.
 - GVRF "Thank You Reception" is this evening at 5:00pm at Canoa Hills Center. This event was funded by a grant from Greater Green Valley Community Foundation and the wine was donated by GVR members.
 - GVRF Board is establishing a fee structure to compensate the various expenses of operation with a tentative completion date of December 31, 2019.

7. Policy Governance

A. Ownership Linkage: Forums – November

Director Chalmers reported membership forums are being planned to discuss new Policy Governance Manual, its implementation, and other issues related to GVR.

B. Monitoring

CEO and Board Monitoring Reports

MOTION: Chalmers / Seconded. GVR Board of Directors to approve the addition of the two monitoring schedules (i.e., Ends/Executive Limitations and Governance Policies/Board Management Delegation) to the Policy Governance Manual, that was approved in September, with the first monitoring to occur at the January 2020 Board meeting. Passed: unanimous

C. Policy Decisions

Additional Training of Board and Staff: Director Chalmers reported Susan Mogensen, Brown Dog Consulting, scheduled the following work sessions with GVR staff and Directors:

- All day work session with GVR staff - Friday, December 6
- All day work session with Directors - Monday, December 9

8. Committee Reports

A. Fiscal Affairs – Director Crothers reported.

- Budget Status
- Financial Consultant Update

B. Board Affairs – Director Curtin reported.

- Directors on Committees

MOTION: Curtin / Seconded. GVR Board of Directors approve updates to the Corporate Policy Manual (CPM), Section VI Board / Board Committees, Subsection 4. Board Committees' Duties and Responsibilities, B. Committees of the Board of Directors, as presented.

MOTION TO AMEND: Vanderhoof / Seconded. Add to B.1. – “except for the Chairperson of the Audit Committee. The Chairperson of the Audit Committee shall be nominated by the President of the Board and the Finance Director of the Corporation. Should the President and the CFO not reach agreement, the Board will select the Chairperson by majority vote.”

Motion to Amend Passed: 8 yes / 4 no (Chalmers, Coon, Weaver, Zelenak)

MOTION TO TABLE: Weaver / Seconded. Table proposed updates to discuss further as Board becomes more versed in policy governance.

Motion to Table Passed: unanimous

- C. Planning & Evaluation – Director Nichols reported.
 - Repackaging of Club Requests – Discussion.
 - Repurpose of Desert Hills Shuffleboard
- D. Audit – Director Vanderhoof reported.
Whistleblower Policy
MOTION: Vanderhoof / Seconded. GVR Board of Directors approve the Whistleblower Policy as amended; make copies available to staff, volunteers, the Board and members; insert into employee handbook; and Board Affairs Committee determines placement in the Corporate Policy Manual (CPM). (see Exhibit)
Passed: unanimous
- E. Bylaws Ad Hoc – Director Curtin reported.
 - Survey Results
 - December Membership Forum being planned.

~~Don Weaver left the meeting.

- F. Survey / Facility Access Ad Hoc – Director Thornton reported.
Final Committee Recommendations
MOTION: Thornton / Seconded. GVR Board of Directors require an ADA Compliance review be done in-house of any GVR Main or Satellite Center undergoing major renovations, and

The Board of Directors requires GVR staff to evaluate the areas of concern the Facility Access Committee has identified and implement solutions as needed when appropriate to increase ease of facility access for GVR members with physical limitations.
Passed: unanimous
- G. Nominations & Elections – Director Gallegos reported survey results from the exit questionnaire for departing Directors. She announced four Board vacancies in the upcoming election. Candidate application submission deadline is noon on November 27, 2019.

Thanks given to GVR staff and the Committee for the 2020-2021 GVR Board of Directors Election notice with request for a paper ballot included in the Annual Dues mailing. Director Gallegos gave special recognition to committee liaison Jen Morningstar.

9. Board Project Status Reports

- A. Solar Gain Status – GVR CEO Kent Blumenthal gave the following update on Solar Energy Installations:
 1. As of yesterday, October 29, there are 5 complete and operational systems:
 - Casa Paloma II
 - Abrego South
 - West Center
 - Canoa Ranch
 - Santa Rita Springs

2. 4 solar systems have completed construction:

- Canoa Hills
- Desert Hills
- Administration Offices - Phases 1 & 2
- East Center

These 4 systems may become operational within the next two weeks, pending some outstanding electrical work that Solar Gain needs to perform.

Also, Tucson Electric Power (TEP) needs to install new “green” meters at each site and commission the systems.

3. Administration Offices – Phase I (near the West Center Tennis Ramada) was commissioned in early October; however, due to technical difficulties it is currently offline.

4. Las Campanas is nearing construction completion and is expected to achieve commissioning in mid-November.

5. The Facilities Management Building solar project is in early stages of construction. This project is expected to be completed by late November.

B. Pickleball Complex Status Update – CEO Blumenthal gave an update on the Pickleball Center – Phase I Construction:

- I am pleased to report continuing progress in construction of the 24-court GVR Pickleball Center, with work proceeding on-schedule and on-budget.
- As of October 29, all 24-pickleball courts are poured and post-tensioned to 50%.
- The special inspector and crew from Renner, the court construction subcontractor, will be onsite today (10/30) to tension the cables to 100%.
- Renner’s crew showed up on October 29 (a day earlier than expected) to begin installation of court fencing.
- Farmers Water Company and Green Valley Fire District were onsite on October 29. They tested the fire hydrant and took water samples for testing, a standard procedure.
- Partial inspections have been completed for electrical underground and plumbing underground. (The next scheduled inspections will be for final inspections. We are not there yet.).
- Construction of the weir is underway.

Building Related Items

- Mechanical, plumbing and electrical construction are at 80% complete. Remaining items mostly consist of fixtures and finishes.
- Roofers are at 85% complete.
- Drywall installation is scheduled for latter part of next week.
- Measurements for window glass were completed and glass is on order.
- Tunnel gates through the center of the building are installed.

I would like to set up a tour of the Pickleball Center construction site for the Board with the Division II General Contractor and WSM Architect. Expect to receive in your email by the end of this week a Doodle questionnaire for potential site visit dates from Jen Morningstar.

10. New Business

Comprehensive 5-Year Strategic Plan – President Sieck reported.

11. Member Comments: 5

12. Adjournment

**MOTION: Sieck / Seconded. Adjourn meeting at 4:22pm MST.
Passed: unanimous**