

STRATEGIC PRIORITIES BOARD DISCUSSION

Nov. 9, 2009

1 . Should current Capital Reserve requirement be changed? (Current is \$8.9 Million, which would cover largest facility – Sports Pavilion – from uninsurable loss. Reserve study to showed replacing everything at once would require \$20 Million.)

Yes/No: YES

Why: Review annually with five-year plan and perhaps auditor. We are already heavily insured; we should base it on what catastrophic circumstance would require. Might want to establish written criteria explaining why the level is set as it is. Net income (and depreciation) covers this Reserve; if we don't make enough net income, we have to raise member dues. Is there a pressing need to change it?

What: Staff will develop written criteria and work into goals.

Who: Staff

When: Prior to initiation of budget process.

Considerations: Make consistent with Reserve Policy and Five-Year Plan.

2. The Board has established non-resident programs including CNP and the Outside Play initiative. Does the Board want to CONSIDER a change in the Bylaws to enable the Outside Play program to continue?

Yes/No: YES

Why: It would establish a way to control outside play to increase income; has positive effect on maintaining current fee structure for members. With our aging population, if we do not address the lack of participation by residents (particularly in golf), we will have to reduce service/maintenance. To maintain 4-Star level, we need these programs to supplement funding. Can always scale these back if resident participation picks up. It's a matter of money.

What: Consider change to Bylaws to allow golf and bowling programs of this nature.

Who: Board - Bowling Committee/Chair and Golf Committee/Chair with staff assistance.

When: Bowling scheduled at Nov. Board meeting. Golf to be considered after trial program is complete – consider vote at February meeting.

Considerations: Policies will ensure residents get first priority. Bylaw change is the enabling rule; each program would still come before the board for consideration. May want to review rate for underage owner-members who pay dues but don't live here - would they pay guest or resident rate?

3. Staff is preparing a Marketing Plan that will identify target markets and recommended programs to promote the community to residents and non-residents. Does the Board want to adopt a policy defining the extent to which staff may market outside SCW?

Yes/No: YES

Why: The Pros for doing this: Bylaws and policy are silent on external marketing; we need to clarify legality of it. Need continuity in direction given to staff; it's hard to maintain momentum if it changes from Board to Board. We've reached a point in SCW's cycle that we need to promote outside SCW; didn't need this previously. The Cons: We already have a process that is working and programs are already coming before the board; policy may be too restrictive.

What: PROPOSE ADDITION TO BYLAW 7.3.1.7 GM DUTIES to add the words "marketing plan" to his duties. (Present annual Marketing Plan for Board's review). Bylaw would read as follows:

"Establish and implement, within limits established by the Governing board policies or authority delegated by the Governing Board, operating instructions and procedural guidelines for internal controls, routine operations, **marketing plans** and resident programs with timely notification to the Governing Board;"

Who: Board would consider Bylaw change above to 7.3.1.7, outlined above.

When: Amend Bylaws by third quarter. Advertise in December's RCN and vote in January.

Considerations: Board will be able to decide on each individual program listed in the Marketing Plan.

4. Does the Board want to develop a standing meeting with PORA board? Should this be done at the Presidents' level?

Yes/No: YES

Why: We have the same constituents. Need to facilitate positive relationship. Ensures we're heading in the same direction when appropriate; will allow us to better coordinate CC&R effort; and better enable marketing efforts.

What: Quarterly board meeting with PORA. Would be open to public.

Who: RCSCW and PORA boards. Get subcommittee (Ginger, Pat, Paul and three members from PORA) to work out logistics, with staff support as needed.

When: Set up by mid-December and meet in January.

Considerations: Should it be board to board, rather than just presidents? Still have need for GM to meet with PORA and RCSCW presidents on operational issues. Need to consider logistics of having a meeting for 20+ people, plus public. Will need structured agenda focusing on issues of mutual concern. This will be educational and informational. Reminder: Community Forum that includes both groups is Feb. 6.

5. Should we extend time period for reaching reserve amount?

Yes/No: Depends on Question No. 1 (Amount).

Why:

What:

Who: Staff will include this in their Reserve amount recommendation.

When:

Considerations: Need to first set the amount.

6. Should we revise member dues structure to levy per residential unit?

Yes/No: SPLIT YES/NO— if necessary, would be spelled out in Five-Year Plan.

Why: Would bring in additional revenue. Would allow for additional changes in CC&Rs.

What: Seek legal opinion to see what process would be and check legalities. Get detailed plan of what a proposal would be and what it would mean financially.

Who:

When:

Considerations: CC&Rs would make this hugely difficult. Need to amend 200+ sets of CC&Rs. Sun City has encountered legal problems. We have 17,000 rooftops; 29,000 members. Potential equates to 34,000 assessments. Over time it could generate \$2 Million in additional revenue. Would need to grandfather existing residents.

7. Our programs and facilities need to adjust to meet the needs of changing demographics. What process should be used to determine these changes?

Yes/No: NO. Kill this item.

Why: We have one; just need to review it (Fa1, Fa6); Fa1 states any project given approval by Governing Board must be in Five-Year Plan. We have a lot of regulations already outlined in Rules, Regulations and Procedures that cover facility utilization.

What: This deals more with facility usage (see No. 9)

Who:

When:

Considerations: We have 7 or 8 clubs that have not met minimum membership requirements. Newer clubs coming in are bigger, which may put strain on facilities. Rec Manager has been dealing with these on a case-by-base basis.

8. Staff has prepared a Five-Year Plan in compliance with the Bylaws and the Strategic Priorities. What changes does the Board recommend next fiscal year for the Five-Year Plan?

Yes/No: YES – use today’s format each year.

Why: This is the first year for this – staff is looking for input from Board. The plan will foster stability. Below are items suggested by Board to add to Five-Year Plan:

What: Possibly establish operating (rainy day) fund, and determine how that will affect Reserves. How often should we run a trends study? Should we regularly update salary and position schedule? Should we expand the Five-Year Plan and incorporate Strategic Priorities, and tie them together?

Who: Board needs to explain what’s not in the Five-Year Plan that they would like to see, in order to provide staff with direction.

When: Plan is presented in April/May. Need to have staff/Board planning session prior to that to work through any proposed changes.

Considerations: Given the economy, want to keep fees and dues increases minor (relates to Reserve requirement). Any suggestions relative to mix of membership/golf fees? Should the Board have a committee getting together to propose changes for next year? For the first time, we’re integrating a number of planning tools; need to make sure we have timing down. Five-Year Plan will help us avoid future problems by predicting them and adjusting as necessary.

9. Do we need policy explaining that we do not create major new facilities, but rather maintain existing facilities? ie Do you want to set policy stating how to alter facilities to accommodate newcomers?

Yes/No: CONCEPT

Why: Too restrictive.

What: Board will develop something (perhaps just a public statement?) explaining that consideration for building major new facilities will include an in-depth look at not only the capital costs but the ongoing maintenance costs. Board will also define difference between NEW facility and renovations/upgrades.

Who:

When:

Considerations: Maintaining what we already have is very expensive. Adding to amenities adds to our operational costs. Adopting a policy against major new facilities let’s public understand that fundamental problem. But Board is already there to filter the requests, so policy would be redundant.

10. Do you want to use Facilities and Equipment Reserves to fill shortfall?

Yes/No: SPLIT BETWEEN YES AND NO

Why:

What: This relates to the budget planning process – should this be allowed as an option for budget balancing prior to the loss?

Who:

When:

Considerations: Keeping it as an option allows some flexibility (i.e., in down economy). This issue also kind of ties to the question of Budget Stabilization Reserve (Rainy Day Fund). Board has consensus that this is not a preferred option, but they don’t want to give it up as an option until the Stabilization Reserve is funded and we have more experience behind us.

11. Do you want to establish budget stabilization reserve?

Yes/No: YES

Why: To handle unforeseen issues such as large jumps in minimum wage, etc.

What: Adopt new policy or revise Fi4. Make part of Five-Year Plan.

Who: Staff will present proposal and rationale to Board with specific recommendations for amount and criteria of what it can be used for.

When: How long would it take to establish? To be determined.

Considerations: How do we fund it? Out of Reserves? Need to have adequate controls. How much? \$250,000? Would roll over from year to year if unused.

12. Do you want to accept or modify staff's recommended definition of "Four-Star Condition"?

Yes/No: YES

Why: Need to define the standard to which we want to maintain our facilities. That in turn drives budget decisions.

What: Establish definition and criteria.

Who: Staff needs to define, then present to Board for consideration.

When: First quarter of next Fiscal Year. Have draft ready prior to budgeting process.

Considerations: there are few rating associations, and none set up to rate retirement communities. We definitely want four-star (five star too expensive to maintain).

13. Does the Board want to create a policy for legally handling lien properties, or should this be a staff procedure? (What happens after lien is filed; do we need foreclosure policy?)

Yes/No: Seek legal assistance on thresholds, examples of what other communities are doing.

Why: Policies and procedures don't go beyond actual lien filing. Need direction from Board on what we do after there's no response to lien and follow-up letters.

What:

Who:

When: Report findings to Board in January/February/March.

Considerations: Need to enforce equally to avoid legal problems. Will passive policy encourage more overdue accounts? May set criteria based on balancing how much it would cost in legal fees vs. how much is due.

14. Does the Board want to revise any of the nine standing committees or their structure? Should they be more aligned with Strategic Priorities?

Yes/No: YES on first question. Option A (5 directors prefer this option): eliminate unnecessary committees (might include Water and Human Resources). Option B (no directors preferred this option): Revise the number and composition of all committees (boil down to three or so basic committees).

Why: Water committee has fulfilled its obligations – or maybe it just needs to change focus and become Energy and Water Conservation Committee. HR issues should be brought to entire Board (even if in closed session due to personnel, etc.). HR Chair believes the committee is unnecessary; a lot of the information it would otherwise delve into is confidential; perhaps we could use a single Director in an advisory role on some policy issues, but we don't need a standing committee for HR.

What: Change Bylaws to eliminate Water and HR.

Who: Board.

When: Vote in fourth quarter.

Considerations: Staff already is handling conservation/renewable issues. Committees are designed to allow for another level of community input. How much community input is appropriate in some of the more sensitive areas? It may be better to have more board directors involved in particular committees, rather than just the chair, so information passes more readily out of committees. Don't want to negate community involvement. Staff will support any number or composition of committees.

15. Staff has a Water Conservation Program based on ADWR's Conservation Allotment. Does the Board want to outline measures staff should take when the allotment is surpassed (overseeding, lake elimination, turf reduction, etc.)? (ie, we should prioritize based on allotment, playability etc; rather than on individual homeowner requests).

Yes/No:

Why: Staff needs Board support on decisions/proposals that are made.

What: Two issues: permanent changes (lake elimination & turf reduction); seasonal conditions (overseeding). Staff will communicate its Conservation Plan to Board. Make part of Strategic Priorities.

Who: Staff presents Conservation Plan to Board and public at workshop.

When: February/March 2010.

Considerations: This relates specifically to golf courses. Lake elimination and turf reduction will come before Board anyway as budget items. Overseeding is more complicated and depends on weather, three-year bank, etc.

16. Does the Board want to have an annual communication retreat with staff?

Yes/No: YES

Why: Good opportunity to meet and share ideas.

What: Set up ice breaker/get-together.

Who: Cindy to coordinate

When: July/August 2010

Considerations:

17. Does the Board want the staff to develop an Energy Conservation Plan?

Yes/No: YES. Call it a Green Plan (encompasses more, recycling, etc.)

Why:

What:

Who: Staff

When: first quarter of FY 2010-11

Considerations:

18. Does the Board want to recommend any changes to the RR&Ps?

Yes/No:

Why:

What:

Who: Charter Club Committee to review and recommend changes as needed

When: Fourth quarter this FY

Considerations:

19. How do we promote what we currently have? Should we continue TORCH and/or other resident-education programs to facilitate word-of-mouth promotion? (Do we believe it's the Board's responsibility to promote what SCW has to offer?)

Yes/No: YES to both questions. Public Relations Committee has brochure as well. Staff is already doing Marketing Plan, which covers most marketing efforts.

Why:

What: This is covered in Marketing Plan and continuation of TORCH. No additional needs.

Who:

When:

Considerations:

20. Does the Board want to meet regularly with other local organizations to discuss community problems?

Yes/No: NO (don't want to become parent organization to others).

Why:

What: None

Who:

When:

Considerations:

21. Do you want a policy stating how dues and golf fee increases should be determined to create a balanced budget?

Yes/No: Partial YES; establish policy setting golf fees at competitive rate; don't set ceiling subsidy.

Why: PROS: Having to wait for golf numbers means part of population leaves before we start budget presentations. Also, revenues from golf have declined, placing greater burden on Membership dues. CONS – setting policy may be counterproductive because it ties your hands and may force you into making a decision later you don't want to do. We are starting new events and activities that will bring in new revenue and may negate need for subsidy to golf. It would be helpful to have a public statement saying we will have modest increases in both golf and member dues each year so we don't start losing ground, which makes it more painful to catch up later.

What: Explain to public how we got to our numbers; don't need to set maximums. State that what golf makes (based on the fact that fees are set to be competitive) is less than what it costs to run the operations; don't go into specifics or say it will pay for itself.

Who: Ginger with Dave.

When: Prior to budget; third quarter. Should be able to make golf number predictions by end of February; budget forums in mid- to late-March.

Considerations:

22. Should the Board create a Special Committee on CC&R enforcement?

Yes/No: TABLE for more info.

Why: Should be PORA's. But Legal Affairs recommends RCSCW have one. Negotiations with Fitzpatrick encouraged them to join us b/c we would enforce CC&Rs.

What:

Who:

When:

Considerations: This is different from consolidation of CC&Rs.

23. Does the Board want to change the length of the election process for Directors? Does the Board want to change the petition requirements for Bylaw changes?

Yes/No: YES First question – some of it already handled with additional meet candidates forums. Process starts in December and goes till March – too long. Propose petitions available Jan. 1. NO Second question – has been resolved by adding correct addendums to Bylaws and clarifying election vs. special meeting.

Why:

What: Bylaw change to shorten process.

Who: Pat and Ron.

When: Draft by end of fourth quarter.

Considerations: Can't be too specific due to county schedule; they set the date of our election.

24. Does the Board want to set up a group to actively recruit Board candidates? Does TORCH meet this need?

Yes/No: NO, may be construed as electioneering.

Why:

What:

Who:

When:

Considerations:

25. Does the Board see any additional communication avenues they want to pursue?

Yes/No: Maybe – comics in RCN, use newspapers to express opinions. Marquee.

Why:

What:

Who:

When: Not at this time.

Considerations:

26. Do you want to lobby state/Congressional reps on laws impacting SCW?

Yes/No: NO. Waste of money.

Why:

What:

Who:

When:

Considerations: