

**Continental Country Club
Homeowners Association
Regular Meeting of the Board of Directors
June 26, 2018 3:00pm
Meeting Minutes**

1. **Call to Order:** Bill McGrath, President, called the meeting to order at 3:02pm
2. **Roll Call:** All members of the board were present. Dusty Rhoton joined the meeting a few minutes late. Others present were Chris Shields, Kim Rushing, and Tahlia Murray.
3. **Bobby Goitia:** Bobby wanted to thank everyone on the board, staff and the community for surrounding him with support after the passing of his daughter Hillary Goitia. He hopes that everyone takes it as lesson that every day is a gift and as a community can unify and solve our problems because life is too short.
4. **President of the Board Address:** McGrath stated "With this meeting today, we are halfway through 2018, and ten months through the CCC Board of Directors terms year. The August Annual Meeting will conclude my ninth year (of the last 10 years) as a Director of this Board-- six years over two terms, a year off the Board, then closing my third year since coming back on the Board. I knew when I consented last August to become the President of the Board (I was quite happy as the Golf Committee Chairman and FGMC representative from CCC but was asked to replace Vicki after a tumultuous year) that with the Lake Elaine situation going through legal struggles and our Club finances a major concern, along with a GM just completing his first year and no solid Controller in place, this would be a tough year for the Club. However I never expected the STR issue to blow up as it did, and become so divisive among our homeowners. We are past the WCF process, the collection of Forms and the count and final results. There has been some discussion on revisiting this in the future, but I'll leave that up to the next Board. One thing is for sure-- the days of having about five attendees at our monthly meetings are long ago. For now, for the good of this HOA, I'd like to ask you all for your cooperation with the Board. As I've stated before, we are VOLUNTEERS, and doing the best we can, spending our time for the good of our community. It's one thing to receive no compensation (much less a thank you) for the hours of service the Directors give CCC. But to hear the criticism directed at us, to have homeowners send scathing emails to our neighbors, is so unfair. Perhaps that is why so few of you even would consider taking a seat up here. I welcome the return of the days of civility between the Board and our homeowners, not attacks because someone thinks the Board is so wrong it should be totally replaced. Dave's terrific work outlining the financial future of CCC has been hours crunching numbers for an HOA that has the lowest fees for the amenities offered of any I know of. Two new Directors will join us today, and that will be good for our Club. In this past year, the Board has seriously avoided taking a position that would alienate any section of our homeowners, remaining neutral whenever possible. It is my sincere hope every action the Board or the members take going forward is for the common good of the Club."

5. Approval of Agenda:

- *Thompson made a motion to approve the agenda. The motion was seconded by Smith and carried unanimously. (MSCU)*

6. Approval of Minutes:

- Regular Meeting of the Board- May 22, 2018
 - *Schlosser made a motion to approve the minutes with the below modifications. The motion was seconded by Chambers and carried unanimously. (MSCU)*
 - Schlosser would like the May Minutes to reflect 48 hours notice instead of 72 hours notice for posting the Agenda for Meetings.

7. Ratify the Appointment of Robert Hoadley:

- *The Board majority appointed Robert Hoadley to fill the vacant, two year term on the board.*

8. Homeowner Participation:

- This portion of the meeting is for items that are NOT on the agenda. **Please limit comments to three minutes.**
 - **Carl Wood- 1860 N. Rain Tree Road-** Mr. Wood inquired about the legal status of Lake Elaine and questioned when the rest of the homeownership could know the details of the settlement.
 - **Don Richardson- 4701 E. Green Mountain-** When is tenant registration forms going into effect? Also when is single family going to be enforced within the community? When is the security guard starting? Has anyone been cited for renting a portion of their lot?
 - **Michael Chadburn- 1341 La Costa Lane-** Mr. Chadburn asked the staff to identify the top abuses of the CC&Rs within the community.

9. Department Reports:

Golf Committee Report- Chuck Thompson: Thompson informed the Board of the Committee Meeting held on June 20th. He stated that FGMC is fully staffed and that year-to-date expenses are under budget. FGMC has been cross cutting and seeding the bare spots on the course. Because of the difficulty of watering these spots FGMC informed the Board that it will take until late August for the bare spots to fully grow in. Tee projects are progressing nicely. #8 men's tee has been leveled and sodded and should open after July 4th. #13 is finished and the sod is taking root. FGMC will begin working on #4 tee box. FGMC also informed the Board that the pump that services the golf course is 15 years old and is needing replacement soon. Projected cost for a new pump is \$10,000.00.

Golf revenues are approximately \$33,000 ahead of 2017. The Driving Range income is not meeting budget. The new merchandise in the Pro Shop is selling and revenues in the shop are \$4,000 ahead of 2017.

Lastly, the committee covered the golf leagues currently playing at Continental. It was confirmed that whether men's or ladies leagues are playing they will be charged the same rate. The rate is \$40 +tax on weekdays and \$50 + tax on weekends.

Drive Log – Carole Swain: Swain reported since the May Meeting she issued 88 violations. She stated that she currently has 20 unresolved violations. She has been focused on fire hazards, Utility Trailers, pine needles, accumulation of items and trash. Lastly, there has been \$775 in fines issued.

- **Carl Wood-1860 Rain Tree Road**- Asked if the tenant registration form has been approved and if it will be reviewed today at the meeting?
- **John Keegan- 1552 N. Continental Drive**- Asked when Security is dispatched to a home for a disturbance, how will they know if they are homeowners or renters?
- **Don Richardson- 4701 E. Green Mountain**- Mr. Richardson asked for clarification on the fine schedule regarding noise violations and courtesy notices.

Marketing Report- Tahlia Murray: Murray gave a brief update to the Board regarding the marketing of Golf. She stated that most of what has been occurring has been covered in the other reports. She continued to inform the Board of upcoming Golf events and tournaments. She informed the Board that Blues & Brews was held on June 9th and had the largest turnout to date. She reminded the Board of upcoming golf tournaments in July. Lastly, she covered the upcoming Lights on the Lawn Celebration including: Dueling Pianos, Cornhole Tournament, Comedy show and the Main Event on the 4th.

Finance Committee Report: Dave Chambers- Mr. Chambers explained that it was decided in the May meeting that the Board would begin doing more extensive financial presentations on a quarterly basis for the homeowners, in an effort to keep owners apprised of the financial state of the club. He started by reviewing the major events that have happened in the history of the club.

- Great Recession- December 2007-June 2009
 - Golf revenues dropped 25% from 2006 to 2011
- 2011- borrowed \$1.4M to replace golf course sprinkler system
- Significant increase in green fees lead to a 26% decrease in rounds played from 2013 to 2014
- Golf revenues increase 38% from 2014 to 2017
- Dues increase approved in 2014- effective 2015 and 2016
- 2014- leased restaurant space to the Oakmont
- Significant leak discovered in Lake Elaine in 2015- lead to current litigation
- 2017- City of Flagstaff increased effluent water rates. Weighted average cost to go from \$1.33 in 2016 to \$1.80 in 2020.
- From 2004 to 2013, the accumulated net loss was \$1.5M.; from 2014 to 2017 the accumulated net income is \$340K.

Chambers progressed into Golf department P&L. He highlighted the top revenue producing years and the most affected by pricing models. He also discussed the merchandise sales and the growing competition with online stores such as Amazon. He discussed Average Daily Rate (ADR) and how it has fluctuated over the years.

Lastly, Chambers reviewed the Operating P&L from 2004-2017. He reviewed the membership dues and how they have gradually increased over the years. He highlighted the reclaimed water and explained how the increased rate from City of Flagstaff affects the budget.

10. Discussion Items

- Neighborhood Safety Group- Chris Shields- Shields presented the Board and homeowners present with the most recent updates from the Neighborhood Safety Group. He informed them that the group had gathered quotes from Southwest Security for Friday-Sunday for response only security services. This would work hand-in-hand with an answering service that would be trained to know what would qualify as an acceptable call out for security. Shields continued by saying that the group will be meeting again to structure the program and hope to have it finalized for the board to vote by the July meeting. He also stated that the group would have a new proposed fine schedule and process for the tenant registration form.
 - **Carl Wood-1860 Rain Tree Road-** Asked if the Association will be maintaining a list of short term rental homes. He also requested that the Association re-educate the homeowners on the rules and regulations within the community.
 - **Don Richardson- 4701 E. Green Mountain-** Questioned when the security guard is dispatched will the homeowner be contacted? He also informed the Board that there are services that will monitor Short Term Rentals in communities just like Continental.
 - **John Keegan-1552 N. Continental Drive-** Mr. Keegan expressed support for the new system the board proposed. He would like the board to find a way for the homeowner to be notified immediately so that if a fine is issued, the fine can be passed on to the renter through the booking engine. He also suggested that if the violation is serious enough the HOA should not take the responsibility and should pass it on to the fire department or police department.
 - **Michael Chadburn- 1341 N. La Costa Lane-** Mr. Chadburn expressed his frustration with the current CC&Rs, specifically the single family restrictions.

- CCC Membership Levels- Chris Shields- Shields informed the Board that with the club growing more popular, the wear and tear on the facilities is a factor that must be taken into consideration. There are passes that are currently offered for public use that he feels need to be re-evaluated for the 2019 season. He believes that the club should offer the following memberships only:
 - Full Member- \$550
 - Associate Member- \$365
 - Summer Member- \$450
 - Social Member- \$650

11. Action Items

- Board Appointment-
 - *The Board majority appointed David Evans to fill the vacant, one year term on the board.*

12. Informational Items to and From Board Members and Staff

13. Agenda Items for Next Month

14. Next Meeting: July 24, 2018

15. Adjourn:

- *Goitia made a motion to adjourn the meeting at 5:28pm. The motion was seconded by Hoadley and carried unanimously. (MSCU)*

Respectfully Submitted By,
Tahlia Murray
Director of Marketing

MAJOR EVENTS – HISTORY

- Great Recession – December 2007 – June 2009
 - Golf revenues dropped 25% from 2006 to 2011
- 2011 - Borrowed \$1.4M to replace golf course sprinkler system
- Significant increase in green fees lead to a 26% decrease in rounds played from 2013 to 2014
- Golf revenues increase 38% from 2014 to 2017
- Dues increase approved in 2014 – effective 2015 and 2016
- 2014 – leased restaurant space to the Oakmont
- Significant leak discovered in Lake Elaine in 2015 – lead to current litigation
- 2017 - City increase effluent water rates. Weighted average cost to go from \$1.33 in 2016 to \$1.80 in 2020.
- From 2004 to 2013, the accumulated net loss was \$1.5M.
from 2014 to 2017, the accumulated net income is \$340k.

MAJOR ISSUES – GOING FORWARD

- Lake Elaine litigation
- Water costs and availability
- Deferred maintenance
- Short term rentals

CCC Golf P&L 2006-2018

	2007	% OF REVENUES	2010	% OF REVENUES	2013	% OF REVENUES	2016	% OF REVENUES	2017	% OF REVENUES	BUDGET 2018	% OF REVENUES	% INCREASE	
Revenue														
Golf Membership Income	\$ -		\$ 81,551		\$ 46,783		\$ 41,661		\$ 66,442		\$ 72,400			Golf Membership Income
High Country Card	\$ -		\$ -		\$ -		\$ 36,377		\$ 29,771		\$ 30,100			High Country Card
Green Fees	\$ 707,791		\$ 532,698		\$ 400,729		\$ 506,309		\$ 514,842		\$ 533,000		-25%	Green Fees
Cart Fees	\$ 211,125		\$ 158,719		\$ 192,987		\$ 208,981		\$ 231,697		\$ 240,900		14%	Cart Fees
Tournament Income	\$ -		\$ -		\$ 30,860		\$ -		\$ -		\$ -			Tournament Income
Driving Range Income	\$ 102,375		\$ 84,533		\$ 100,721		\$ 119,114		\$ 118,798		\$ 127,169		24%	Driving Range Income
Golf Shop Sales	\$ 172,219		\$ 146,569		\$ 116,512		\$ 97,467		\$ 89,251		\$ 97,007		-44%	Golf Shop Sales
Other Golf Income/Preseason	\$ 728		\$ 9,048		\$ 21,065		\$ 83,994		\$ 78,773		\$ 65,369			Other Golf Income/Preseason
Total Golf Revenue	\$ 1,194,239		\$ 1,013,118		\$ 909,627		\$ 1,093,803		\$ 1,129,574		\$ 1,165,845		-2%	Total Golf Revenue
Expenses:														Expenses:
Employee Comp. & Ben.	\$ 204,492	17%	\$ 250,639	25%	\$ 214,234	24%	\$ 228,913	21%	\$ 214,527	19%	\$ 206,563	18%	1%	Employee Comp. & Ben.
FGMC Expense	\$ 530,954	44%	\$ 523,402	52%	\$ 504,390	55%	\$ 453,586	41%	\$ 459,229	41%	\$ 495,068	42%	-7%	FGMC Expense
Irrigation Water	\$ 46,044	4%	\$ 33,293	3%	\$ 79,552	9%	\$ 101,758	9%	\$ 135,638	12%	\$ 121,284	10%	163%	Irrigation Water
Depreciation	\$ 191,843	16%	\$ 172,742	17%	\$ 159,300	17%	\$ 145,189	13%	\$ 157,479	14%	\$ 135,650	12%	-29%	Depreciation
Interest Expense	\$ 100,330	8%	\$ 89,694	9%	\$ 88,100	10%	\$ 66,615	6%	\$ 43,361	4%	\$ 38,651	3%	-61%	Interest Expense
All Other Expenses	\$ 222,982	19%	\$ 354,784	35%	\$ 310,662	34%	\$ 389,405	36%	\$ 327,243	29%	\$ 303,594	26%	36%	All Other Expenses
Total Expenses	\$ 1,296,645	109%	\$ 1,424,754	141%	\$ 1,355,438	149%	\$ 1,385,465	127%	\$ 1,336,477	118%	\$ 1,300,810	112%	0%	Total Expenses
Net Income	\$ (102,406)	-9%	\$ (411,636)	-41%	\$ (445,811)	-49%	\$ (291,662)	-27%	\$ (206,903)	-18%	\$ (134,965)	-12%	32%	Net Income
Add back Dep. & Int.	\$ 292,173	24%	\$ 262,636	26%	\$ 246,400	27%	\$ 211,903	19%	\$ 200,840	18%	\$ 174,311	15%	-40%	Add back Dep. & Int.
Adjusted Income	\$ 189,767	16%	\$ (149,000)	-15%	\$ (199,411)	-22%	\$ (79,859)	-7%	\$ (6,063)	-1%	\$ 39,346	3%	-79%	Adjusted Income
Total Rounds Played	23,258		18,706		19,095		17,465		17,260		17,645		-24%	Total Rounds Played
ADR	\$ 39.51		\$ 36.96		\$ 32.81		\$ 40.95		\$ 43.25		\$ 43.96		11%	ADR

From 2013 to 2014, rounds played dropped from 18,095 to 13,433, a 26% decrease.

All Other Expenses include golf cart lease, merchandise cost of sales, utilities, consulting fees, property taxes and advertising.

	2004	% OF	2007	% OF	2010	% OF	2013	% OF	2016	% OF	2017	% OF	Budget 2018	% OF	% INCREASE
CCC 04-14.2.3.17															
Membership Dues	\$ 918,206	44%	\$ 940,797	43%	\$ 1,057,132	51%	\$ 1,209,861	57%	\$ 1,580,581	59%	\$ 1,634,267	59%	\$ 1,704,644	59%	86% Membership Dues
Golf	\$ 1,126,184	54%	\$ 1,204,400	55%	\$ 1,013,119	49%	\$ 909,627	43%	\$ 1,093,804	41%	\$ 1,129,573	41%	\$ 1,165,845	41%	4% Golf
All Other	\$ 22,342	1%	\$ 33,022	2%	\$ 18,159	1%	\$ 19,583	1%	\$ 10,706	0%	\$ 8,879	0%	\$ 8,000	0%	-64% All Other
Total Revenue	\$ 2,066,732	100%	\$ 2,178,219	100%	\$ 2,088,410	100%	\$ 2,139,071	100%	\$ 2,685,091	100%	\$ 2,772,719	100%	\$ 2,878,489	100%	39% Total Revenue
Utilities	\$ 187,642	9%	\$ 195,678	9%	\$ 138,681	7%	\$ 158,169	7%	\$ 138,630	6%	\$ 187,537	7%	\$ 199,746	7%	6% Utilities
Reclaimed Water	\$ 110,771	5%	\$ 89,976	4%	\$ 149,587	7%	\$ 270,430	13%	\$ 234,907	9%	\$ 160,823	6%	\$ 146,384	5%	32% Reclaimed Water
Employee	\$ 494,276	24%	\$ 561,232	26%	\$ 630,615	30%	\$ 432,859	20%	\$ 572,950	21%	\$ 634,415	23%	\$ 674,075	23%	36% Employee
Depreciation	\$ 240,418	12%	\$ 255,790	12%	\$ 236,508	11%	\$ 215,904	10%	\$ 221,193	8%	\$ 239,500	9%	\$ 212,700	7%	-12% Depreciation
Interest	\$ 108,084	5%	\$ 100,330	5%	\$ 91,122	4%	\$ 88,100	4%	\$ 66,615	2%	\$ 43,361	2%	\$ 38,651	1%	-64% Interest
FGMC	\$ 394,335	19%	\$ 531,111	24%	\$ 523,402	25%	\$ 504,389	24%	\$ 453,586	17%	\$ 458,229	17%	\$ 495,068	17%	26% FGMC
Buildings	\$ 60,075	3%	\$ 58,545	3%	\$ 66,250	3%	\$ 66,665	3%	\$ 161,978	6%	\$ 171,843	6%	\$ 184,950	6%	208% Buildings
Subcontractors	\$ 73,866	4%	\$ 79,756	4%	\$ 114,208	5%	\$ 141,805	7%	\$ 109,014	4%	\$ 83,460	3%	\$ 82,000	3%	11% Subcontractors
Advertising	\$ 30,902	1%	\$ 48,735	2%	\$ 90,558	4%	\$ 29,232	1%	\$ 68,535	3%	\$ 41,312	1%	\$ 61,537	2%	99% Advertising
Other**	\$ 418,749	20%	\$ 423,817	19%	\$ 423,179	20%	\$ 411,284	19%	\$ 590,118	22%	\$ 749,781	27%	\$ 775,829	27%	85% Other**
Total Expense	\$ 2,119,118	103%	\$ 2,340,970	107%	\$ 2,466,110	118%	\$ 2,318,837	108%	\$ 2,637,526	98%	\$ 2,770,261	100%	\$ 2,871,040	100%	35% Total Expense
Net Income	\$ (52,386)	-3%	\$ (162,651)	-7%	\$ (377,700)	-18%	\$ (179,766)	-8%	\$ 47,565	2%	\$ 2,458	0%	\$ 7,449	0%	Net Income
Cap Improvement	\$ 162,410		\$ 200,744		\$ 111,517		\$ 80,236		\$ 167,580		\$ 165,158		\$ 70,500		Cap Improvement
Net Cash Flow	\$ 84,942		\$ (195,817)		\$ (145,634)		\$ (12,875)		\$ 92,192		\$ (152,415)				Net Cash Flow
Other Liabilities	\$ 884,247		\$ 875,633		\$ 1,202,765		\$ 1,157,147		\$ 1,403,685		\$ 1,462,001				Other Liabilities
Total Borrowings	\$ 1,743,745		\$ 1,599,438		\$ 1,314,365		\$ 1,356,759		\$ 1,195,164		\$ 1,118,983				Total Borrowings
Total Liabilities	\$ 2,627,992		\$ 2,475,091		\$ 2,517,130		\$ 2,513,906		\$ 2,598,849		\$ 2,580,984				Total Liabilities
Total Capital	\$ 1,988,744		\$ 1,725,952		\$ 1,078,155		\$ 679,396		\$ 857,856		\$ 860,314				Total Capital
Debt to Capital Ratio	1.32		1.43		2.33		3.70		3.03		3.00				Debt to Capital Ratio
Other Expenses:															Other Expenses:
Lake Elaine	\$ 139,602	7%	\$ 107,808	5%	\$ 90,065	4%	\$ 169,382	8%	\$ 160,626	6%	\$ 211,452	1%	\$ 257,588	9%	85% Lake Elaine
Walnut Canyon Lakes	\$ 27,048	1%	\$ 41,677	2%	\$ 23,925	1%	\$ 45,161	2%	\$ 62,743	2%	\$ 80,125	3%	\$ 94,300	3%	249% Walnut Canyon Lakes

** "Other" includes Lake Elaine (excluding water), legal and consulting, property taxes, insurance and other minor expenses.
 *** "Other" includes Lake Elaine (excluding water), legal and consulting, property taxes, insurance and other minor expenses.
 Reclaimed water is included in this number and also in the reclaimed water number above, the other expenses for each lake are included in other expenses.
 Included in the 2018 budget is \$414,000 for legal (\$168k) and contractor and consulting fees (\$246k) all related to Lake Elaine. Normal costs would be \$50,000 for legal fees.