

PREPARATION FOR JUNE 26 TCC BOARD MEETING, 4pm

Come to the meeting, stand up, speak up and stay to the end.

Here is some of what we would have presented in a Special Meeting on the Clubhouse Renovation

We take issue with the way this project was handled, the significant size of the loan and its terms, but we agree the Clubhouse needs updating

“We” are over 300 members, homeowners, friends, neighbors, golfers, non-golfers, artists, tennis players and some people who never go to meetings. We are from out-of-state, out-of-country or live here full time. We all pay the same dues.

URGENCY

- The loan is a “done deal”, but.....
 - Until there is a draw on the construction loan, there are no payments
 - Walking away incurs sunk costs. How much?
 - Proceeding with a construction draw commits us to 22 years
- TCC has no process to audit or otherwise manage costs
 - “Trust us” is not good enough
 - Finance Committee isn’t even filled, only 4 of 5
- Clubhouse Planning committee minutes, June 9, 2017
 - “It’s a concern of the committee that each, individual line item of the budget is going to be scrutinized by the community and attacked.”
 - 42 barstools at \$1900 each!



YES, we will scrutinize this

RENOVATIONS DO REQUIRE APPROVAL

- TCC Governing documents specify one approval procedure for renovations
- The current Club Membership Plan, Ninth Edition DOES require a community vote on renovations.

3.2.1. Country Club Facilities. **In the event that the Country Club Board desires to expand, make additions to, renovate or repair the Country Club Facilities, upon a majority vote of the Country Club Members approving of such expansions, additions, renovations or repairs,** such Country Club Members shall pay assessments for the costs thereof.

LAST SIX MONTHS

Seeking “up to” \$4 million loan for “gap funds”.
“NOTHING will be determined until the numbers are finalized.....and the community has an opportunity to weigh in to the Board. “

 *At no time were the members told this was a loan which could not be paid off without incurring penalty*

March 13th details of 22 year \$5 million loan first provided to community with about 80 in attendance. **20 minutes for member comments** and loan was committed. No details provided to those not in attendance and no handouts were available at the meeting

 *Meeting Notice of March 8 did not include an approval line item on Agenda*

April 25 loan was signed. When challenged, Board admitted they had not calculated the prepayment penalty

 *Plus \$2.3 million Interest*

Planning Committee estimate is \$3-3.5 million “all in”

April 26 Deed of Trust recorded transferring Title to JPMorgan Chase

May 16 project is \$5.6 million = \$4.1 loan + \$1.5 Capital Improvement

June 2 Petition goes live

Dec 2016

Jan 2017

Feb 2017

Mar 2017

Apr 2017

May 2017

June 2017

PLANNED PROJECT COST

Costs as presented May 16

AVAILABLE FUNDS

Loan	5,000,000
Capital Improvement	750,000
Capital Reserves	750,000
TOTAL	6,500,000

PRELIMINARY PROJECT COST

Construction	4,210,000
Soft / Non-Construction Related Items	825,000
FF&E	612,000
TOTAL	5,647,000

PROJECT FUNDING

Loan	4,147,000
Capital Improvement	750,000
Capital Reserves	750,000
TOTAL	5,647,000

FUNDING FOR CLUBHOUSE REMODEL

Add **\$2.3 million** INTEREST

TOTAL COST

NEARLY

\$ 8 Million Dollars

PETITION SUMMARY

- On-line petition launched June 2.
- Email request for a Special Meeting sent to Board, with 301 Country Club members names with addresses, representing 261 homes
- Currently 356 Terravita Country Club members, representing 309 homes
- The express “purpose” is to present objections and for the Board to answer questions to the size and expense of the Clubhouse Renovation.
- These sincere and clearly expressed concerns by the stakeholders are about what is best for the community.

“The goal is a clubhouse renovation which requires no borrowing.”

- This petition for a Special Meeting was not honored by our TCC Club President thus averting from our TCC Club By-laws.

MEMBERSHIP CALL

- 22% of voting homes signed this petition
 - This call comes from a mix of:
 - New and long time residents
 - Social and Golf members
 - Members who have served in Terravita governance
- This 22% of members represents
 - 2.2 times the 138 required in TCC By-laws to call the special meeting ,
 - represents more than 62% of total TCC March 2017 Board election ballots,
 - represents 53% or more of all respondents in all 6 community surveys since 2005
 - exceeds 120% of total members in TGC, or Tennis Club or any other organized TCC club
- This is a call by our community for this elected Board to step back, pause and reassess the current Club upgrade plan.

“One that is substantially reduced in total cost and funded without long term debt.”

PLANNED LOAN PAYBACK

- Sell 70 homes per year to buyers from outside of Terravita
- In 20 years our homes may not be as desirable. Many things could effect sales
- Before it is paid off it we'll need another remodel.
- The board can still raise the dues 20% a year.

**\$5 million loan is not a good deal for something you don't want
\$2 million or more in interest is money not available for anything else**

LETTER FROM A MEMBER

- Following is a particularly well written letter from a member homeowner sent to the Terravita Country Club Board of Directors
- It is shared with permission from the writer

Dear Terravita Country Club Board Members,

I will be out of town on June 26, 2017, and will not be able to attend the special meeting of the members of Terravita regarding the 5,000,000 (five million dollars), 20-year plus construction loan, approved and executed by the Board on April 25, 2017, to make improvements to the club house. This is why I am writing this letter to the Board.

If I were in town, I would attend the meeting to voice my strong disapproval to the Board regarding this \$5,000,000 (five million dollars) loan which won't be paid off until May 1, 2039. I object to this loan because we don't need to borrow and spend this huge amount of money, and go into debt for the first time in the history of the Country Club, to make these unnecessary expenditures. This is not only reckless, but most members of Terravita, especially social non-golf members, who represent over ninety percent of the households in Terravita, are adamantly opposed to this loan and its terms which include prohibitive prepayment penalties.

The Board which represents all Terravita members should therefore consider whether Terravita members want this loan, and whether the Board should borrow up to 5 million dollars for this project. There should be a vote on this loan by the members of Terravita to either approve or disapprove this loan. If the loan is not approved by a majority of members, then no money should be borrowed on this loan and it should be cancelled.

No vote should take place, however, until the Fall when most of the members have returned, and then only after there is another special meeting held in the Fall for the many members (at least 60%) who were absent during the summer, and only after there is full disclosure of all material facts regarding this loan by the Board to its members. I have not talked to anyone in Terravita yet who is in favor of this loan. The recent "ninety percenters" petition for this special meeting and the hundreds of comments posted by Terravita members in opposition to this loan in just the last two weeks clearly indicates that a majority of the members are opposed to this loan, and for many good and different reasons.

At the special meeting to be held on June 26, 2017, the Board should therefore be prepared to disclose and answer the following questions that have been raised by many of the members regarding this loan because the Board members have a fiduciary duty to disclose all material facts to its members regarding this loan, and to be fiscally responsible.

1. If the loan is fully amortized and paid out over the 20-year plus term of the loan, how much total interest would be paid on the loan over this period of time? I have heard that it will be about 2 million dollars in interest. I would like to see how this amount has been calculated in writing. Also, how much will the monthly payments be for the next 20 years? The lender can supply all of this information in writing to the Board which the Board should distribute to the members at this meeting.
2. How much money will be withdrawn from the Country Club's reserves for these improvements? I have heard that about 1.4 million dollars will be withdrawn leaving only

about \$500,000 left in our reserves which is not an adequate amount. What is an adequate amount for our reserves? Why can't we use part of these reserves for improvements that we need on a periodic basis, and only as the reserves are thereafter replenished, always holding back an adequate amount for reserves which is fiscally prudent.

3. Why did the Board agree to prepayment penalties making it financially unsound to make any early payments on principal or pay off the loan early?
4. Is the Golf Club contributing any funds for these improvements for the facilities they exclusively use at the club house and lease from the Country Club for \$1 a year? If so, how much, and how was this amount determined? If not, why not?
5. Did the Board consult with any specialized commercial bank loan attorneys regarding the negotiation of this loan and its terms, and other bank loan documents like the deed of trust?
6. Can the Board unilaterally decide how much money it will borrow on this loan, or is it committed to a certain amount? How much will the Board borrow on this loan if not 5 million dollars? Has the Board allotted any amount for cost overruns like it had on the Desert Pavilion? What is a reasonable amount to allocate for cost overruns? 15% to 20%?
7. Was this loan conceived and approved by the finance committee of the Country Club who were all members of the Golf Club? Why do members of the golf club want this loan? Isn't it because of the financial condition of the Golf Club and its loss of members? What is the likelihood that these proposed improvements would increase membership for the Golf Club? I don't believe that it is very likely considering the reasons for declining membership, aging, physical disability, golf members moving, etc. How do the many social non-golf members benefit from this loan who do not use the Club except for the fitness center which was recently remodeled and refurbished? When will the Golf Club disclose its financial condition to the Board and members of the Country Club? If the primary reason for this loan is to attempt to improve membership in the Golf Club, then it is not going to work, and not in the best interests of any members. There are many other ways for the Golf Club to raise money that will work, like assessing its members, raising dues, decreasing the cost of memberships to get new members to join, and allowing social members to play year around on a limited basis, rather than have the Country Club go into debt for 5 million dollars which won't work.
8. What members of the Board are opposed to this loan and why? Are they only social non-golf members?
9. What would a reasonable amount be to spend on any improvements to the club house at this time, if any? Why? Are they necessary? Where would this money come from? Reserves? Can't improvements be phased in over time?
10. How long would the club house be closed during the proposed construction?
11. How will this loan affect home values and sales?
12. Why did the loan have to be approved at a secret emergency meeting of the Board on April 25, 2017, one day after the Board meeting on April 24, 2017?

13. Tom Forbes said that there will have to be a dues increase to help pay for this loan. How many years will there be dues increases (20% each year) to help pay for this loan, and how much will dues increase over a period of years? In three years, the dues could increase to over \$300 a month. What is the financial projection for required dues increases for the future?
14. What is the likelihood that there might have to be an assessment passed by the members in the future to help pay for this loan and to prevent a default by the Country Club?
15. The probability that the bank will sell this loan in the next few years in the secondary loan market is high. How will this affect the loan and increase default and loan risks to Terravita members?

I hope that these questions and issues can be raised and answered by the Board at the special meeting, and there is full disclosure. The Board should allow a vote by the members on this loan in the Fall after holding another special meeting for the members regarding the loan in the Fall.