

GRF BOARD OF DIRECTORS: QUESTIONS AND ANSWERS

Questions previously prepared and submitted to the board members were asked and answered as follows:

Q: *What is the status of future planning?*

A: **Jim Matson** summarized the following items that have been reviewed by the board:

- Lease of our broadband services to Connexion, which is saving a tremendous amount of money that will be reflected in our 2011 assessment;
- In the early years of the Village, 20,000 rounds of golf were played per year; today 130,000 rounds of golf are played per year. The current golf building is old, undersized and in need of refurbishment. The board decided unanimously to build a new golf building, and the design stage is now at about 40 percent completion. Ground breaking is planned for late September or mid-October. Negotiations with the City on the overall site plan are ongoing. The new 15,000 square foot building will serve all Village residents, not just golfers.
- Work is underway showing the use of every clubhouse, every room, the pools, the equestrian center, etc. Trends will be determined to help decide long-term planning for the various facilities.
- Data is being collected to determine what is needed to refurbish Clubhouse 2.
- The entitlement process (land use) would include rezoning lots that GRF owns. Right now, nothing much can be done with them. What we have and what could possibly be done with them (highest and best use) is currently being determined to ensure that future value is preserved.
- The bus fleet is being replaced.
- A Statement of Work that describes what all the boards are doing and what the staff is responsible for is being completed.

Q: *How do you put a budget together and how do you keep track of not going over that budget?*

A: **Lloyd Foster** responded in Treasurer Bob Miller's absence. He pointed out that a budget is simply a list of revenues and planned expenses. Its purpose is to provide a forecast of revenue, expenses and savings. The formation is delegated to the managing agent's Finance Department, based on projected income, cost history and inflation assumptions (2 percent for 2011) and the board then has final approval. Progress is tracked during the year using a monthly comparison report showing budget compared to actual. Residents were urged to provide input in the budget process by going to the committee meetings rather than waiting to take their concerns to the board.

Q: What is being done about the flood problems in our community?

A: **Lloyd Foster** explained that fourteen areas were identified as trouble zones and the managing agent has monitored those areas and recommended measures to mitigate the damages. United and Third are bringing in specialists to recommend improvements. The City will install drains near Gate 1 and Gate 9, with completion in June of this year.

Q: *Why is it necessary to redo the golf building?*

A: **Don Tibbetts** addressed the question of both the golf building and Clubhouse 2 since they are both part of the same project. He reiterated that the golf building has been in discussion for 12+ years. Five or six years ago a report was written regarding both the golf building and Clubhouse

2 and the board wanted to replace them both. However, 75 percent of the residents did not want Clubhouse 2 torn down and the project went into limbo. It was finally decided last year to rebuild the golf building, which will serve everyone, not just the golfers. In addition, staff is determining the cost to rebuild Clubhouse 2, but nothing will be done for at least three years because the money being used for the golf building will not be replaced until 2013.

Q: *What is the responsibility of GRF to the community?*

A: **Bea McArthur** explained that GRF's major job is to maintain all the community facilities in top-notch condition, taking costs as well as the needs of the community and changes in the community into consideration. GRF works to plan for the financial future of the community with the assistance of two major committees: Community Activities Committee, which assesses new and changing needs; and Maintenance & Construction which takes over and implements the board's decisions regarding projects.

Q: *What are the plans for redoing Gate 1 and why is it necessary?*

A: **Bea McArthur** gave a history of the project. In approximately 2002 an extensive report was done regarding the Village gates, and the installation of transponders was considered. Transponders were eliminated based on cost (millions of dollars). During this process a lot was learned about the current system, and in the interests of safety and security, it was decided to redo Gate 1 as a sample. The \$500,000 set aside is not the cost of one gate; it is the amount set aside for the project.

Lloyd Foster added that the plans are centered around three criteria: traffic flow, security and employee safety. The board does not plan to spend \$500,000 but at this time the actual cost is not known.

Q: *Why is it necessary to have closed meetings?*

A: **Ray Gros** quoted from the Davis-Stirling act which sets out the rules for conducting certain types of business in closed meetings. This would include such things as litigation, contract negotiations, disciplinary action, etc. Sy Wellikson pointed out that all GRF board meetings were held in secret in years past, so there is much more information available to the residents now.

Q: *What are the functions of the committees?*

A: **Ken Hammer** answered that the GRF Bylaws establish standing committees that perform special functions, serve at the pleasure of the board and are limited to advising the board. Each committee includes board members from GRF and from each of the mutuals; a GRF board member serves as chair and vice-chair of each committee. Board meetings are where the board business is conducted, and residents should attend committee meetings when they have questions or wish to express their opinions about specific matters rather than raising them at the board meetings. Budget Committee meetings will commence April 12 at 1:30 in the Sycamore room, and residents were encouraged to attend.

Q: *What are some of the things you can do and others you can't do?*

A: **Bob Hatch** replied that this is a very difficult question because it is so broad, and there are really three parts to the answer – things the board must do, can do and cannot do. GRF must abide by the law and governing documents, and it's not always easy to understand them. Its duty is to represent the corporation, not individual constituents. It must take a universal, broad view and must act in the best interest of the community as a whole. It's not always easy to determine what that is. It has a duty of inquiry, i.e., directors need to understand a matter before voting, and that sometimes takes a while. It must establish the agent relationship – the board makes the policy and the agent carries it out. The agent must be free to do its job but the board must monitor its activities. Board members cannot act by themselves; policy is determined by the entire board and changes to policies are made by the board.

Q. Can you provide a rundown on plans for use of GRF's vacant land and explain entitlements?

A. According to **Bob Hatch**, GRF will use the term "land use" instead of "entitlement" since it seems clearer. Any owner has to go through the process before doing anything with his/her property. Owner's rights have been continually reduced over the years, so it is very important to get land use permits now in order to use the land in the future. GRF's property is all outside the gates, and it's not all vacant. Approximately 25 of the total 55 acres are being used for things like garden centers, a nursery, the equestrian center, etc. Some estimates of the value have been as high as \$70 million, but that depends entirely upon the ultimate use. First, it's necessary to determine the highest and best use of the land to determine the monetary value; lifestyle uses, like a park for instance, would be of little or no dollar value. The board will conduct an outreach including things like town hall meetings, surveys, etc., to determine what the community would like to do before any decisions are made.

Q: What is the role of the board in relating to the management company?

A: Ruth May pointed out that we must all determine which mutual we live in and realize that the workers we see daily are implementing the tasks authorized by the respective boards. Residents should not attempt to instruct workers or ask them to perform additional services.

Questions from the floor were also answered:

Q. If a club provides a list of all attendees, do non-residents still have to fill out a form in order to enter through the gate, and what does PCM do with that information?

A. Ray Gros explained that a tear-off form has been developed that includes information about the car and driver entering through the gate; it doesn't matter how many people are in the car – only the car and driver will be identified. The information is kept on record for a period of time, and the system is in the process of being refined so that it will work efficiently for everyone. The purpose is the safety and security of the residents.

Q. If United exceeds its funds in developing a permanent solution to the repeated flooding in Cul de sac 67, can GRF advance money to complete the project?

A. GRF invests funds on behalf of the community with very conservative guidelines, according to Bob Hatch, and it is unlikely that it would loan money to United. Lloyd Foster pointed out that United owns everything in the mutual and could undoubtedly get a private loan based on its collateral.

Q. Can you give us the reasons for the removal of Milt Johns as General Manager?

A. "No," per Sy Wellikson.

Q. Please define an agency relationship.

A. Bob Hatch defined an agent as a party that is hired to perform very specific duties for a client and the client is responsible for monitoring the agent's performance of those duties. There are very specific and restrictive laws regarding agency relationships.

Q. Board members come and go; some boards function very well. What is the one factor that makes a board work effectively (where every board member can contribute civilly)?

A. Bea McArthur believes mutual respect is the key. Board members don't always have to agree, but they should respect each other's opinions. She noted that she is not aware of any animosity on the GRF board.

Q. How much will the golf building cost and will it be included in the 2011 budget?

A. The money for the golf building is currently in a reserve account along with additional funds for Gate 12 improvements. Replenishment of the money spent will start in 2012 and will continue through 2015. The goal is to replace the reserve with no special assessments or increases in monthly fees.

Sy Wellikson asked why we want to build the golf building instead of using the money for something else and Jim Matson explained that there is money for Gate 12 improvements, including Clubhouse 2, the golf building, the pool – all the amenities inside Gate 12.

Q. *What is the status of the golf tunnel repair?*

A. Lloyd Foster stated that the tunnel will be closed for approximately three or four months while United repairs the wall.

Q. *What role does GRF play in keeping PCM or its people?*

A. Bob Hatch explained that each of the four mutuals has the ability to cancel the management contract if they choose to do so. However, it makes sense for all four to march to the same drummer or we would lose the economies of scale presently enjoyed.

Q. *Clubhouse 4 is now lighted at night, and it looks wonderful. Are other clubhouses getting lighting?*

A. According to Lloyd Foster, the lighting in the parking lots at Clubhouses 1 and 4 is being redone. Clubhouse 4 is about to be completed, and Clubhouse 1 will follow shortly.

Q. *Speed bumps have been installed at Gates 5 and 6. Will these appear in other areas of the Village?*

A. Ray Gros stated that the number one requirement is safety of persons, with the safety of property being number two. The speed bumps are being evaluated for a ninety-day period before further decisions are made. Residents are invited to attend Traffic meetings to evaluate the problems discussed and express their opinions.

Q. *Tell us more about the new buses. Why and how are they being replaced, and what is the estimated cost?*

A. Ken Hammer noted that he has been involved in looking at new buses for the last two or three years. If you get a government grant, you must purchase buses made in the U.S., and none are currently being made that are like the old buses. So far, we have nine new buses out of eighteen, and the hope is to eliminate all the old buses within two years. The new buses are all interchangeable – all have exactly the same parts - which results in a huge cost saving. Hammer also pointed out that the Plan-A-Ride bus reservation system will be expanded as of Sunday, April 4, for rides needed between 8 and 9 a.m. on Sundays. Residents must make reservations by noon on the Saturday prior to their planned Sunday ride or may make a recurring reservation by submitting their names and schedules to bus ambassadors who ride the buses from 8 to 11 a.m. every Sunday. This reduction from eight to one bus during specific, low-use hours will dramatically reduce the cost of the bus service.

Q. *Is there any plan to make Barbara's Lake part of our property?*

A. It is part of the Laguna Canyon Foundation. According to Ray Gros, walks and other improvements are planned that will make the area more accessible to Village residents.

Q. *Is GRF a homeowner's association?*

A. Although it really isn't a homeowner's association, it is registered as such. Bob Hatch explained that it is not involved in housing, and it would be helpful if it had a different designation. The board is looking into changing the designation to "Community Service Organization," but it may be difficult and expensive to do so.

Q. *What are we doing to repair and replace the pipes in the sewerage system?*

A. According to Lloyd Foster, the sewerage system from the buildings to the street are the mutuals' responsibility, and he is not aware of any problems with the system in the streets.

Q. *What are the plans for water conservation?*

A. Jim Matson answered that the El Toro Water District (ETWD) has imposed a level 1 alert, and we are complying with it. The ETWD monitors the water we are using, by mutual, and there is an

allocation for each. If we exceed the allocation, we are fined. Third has been fined and is now in negotiations with ETWD in an effort to reduce the fine. Ray Gros pointed out that changes have been made within GRF properties to save water, and Lloyd Foster explained that the highest water consumption is for the golf course, which uses reclaimed water. However, Department of Health restrictions preclude us from using reclaimed water for the landscaping.

Q. ***“No Turn on Red” signs have been installed by the City in various places. We need one at Gate 12.***

A. According to Ray Gros, the City has put in four signs because drivers were not stopping before turning, thereby preventing pedestrians and people in golf carts from crossing safely. He admonished us all to “be careful – watch out for your neighbor.”

Q. ***Since we are spending so much money on the golf building and we are never told what it costs to run the golf course, could fees be doubled to cover these costs?***

A. Sy Wellikson noted that the golf course was originally built because the land was in the flight path of the El Toro Marine Base. There was no fee charged, and non-golfers were coming in and “hacking up” the course. The fee was then established to discourage the non-golfers. Some years later, when GRF tried to raise the golf fees \$1, it was “Armageddon!”

The total recreation budget is \$6 million a year with about 40 percent going to maintaining the clubhouses, about 20 percent to the golf course and about 11 percent to aquatics. A study is underway to summarize why some portions of our amenities are paid for the way they are.

Ken Hammer expressed his belief in the cost sharing concept but said he also believes that those who participate in any of the activities should contribute to them. He wants to cut all activities to a zero cost so there will be no assessments for them. He pointed out that golf fees are very low and suggested that golfers “step up to the plate” and share the cost of the new building.

Q. ***Why do you think the refurbishment of Gate 1 will attract buyers? I believe they are more interested in things like good lighting and other amenities.***

A. “Yes” to all of the above.

Sy Wellikson announced that during this difficult economic time there is plenty of employment available in this community, but it doesn’t pay anything! Volunteers who make themselves aware of current situations and actual facts can make a positive contribution to the Village. All the information anyone needs is available by attending committee and board meetings. Directors spend a great deal of time doing what they think is best for the community and “suffer the slings and arrows.”

He closed with a song he wrote to the tune of “Singin’ in the Rain” that is entitled, “**Welcome, Golden Rain.**”

*Welcome, Golden Rain,
We're so glad that you came.
We hope you'll be willing
To come back again.
I know that this crowd
Does appreciate you
For all your hard work
And the good things you do.
Don't let those who complain
Wipe the smile from your face
Come on Golden Rain
You'd be hard to replace.
I'll say once again
As I repeat this refrain
We need you,
Really need you, Golden Rain!*