

**MINUTES OF THE ANNUAL MEETING
OF THE GAINEY RANCH COMMUNITY ASSOCIATION
FEBRUARY 25, 2009**

The Annual Meeting of the Gainey Ranch Community Association was held on Wednesday, February 25, 2009 at 7:30 p.m. at the Gainey Ranch Golf Club, Scottsdale, Arizona.

Board Members Present

Preston Miller
Eugene Kaulius
Pat Collins
Fran Goldberg
Shannon Vaughan

Others Present

Jim Funk, GRCA Executive Director
Donna Corcoran, CPA, Director of Finance
Scott Williams, Director of Maintenance
Ed Gallo, Captain of Security
Anne Blazek, Estate Club Director

The meeting was called to order at 7:30 by GRCA President, Preston Miller. Miller introduced the Board and others present. Miller announced that a quorum was present. The first agenda item was the approval of the 2008 annual meeting minutes. Miller asked for corrections, additions or deletions to the minutes. There were none. A motion was made, seconded and passed to accept the minutes as published.

Preston Miller welcomed everyone and thanked them for taking the time to attend the annual meeting. It was an interesting and busy year and there is much to report. During 2008, the GRCA Board recruited and hired a new Executive Director, Jim Funk. Additionally, it embarked on the difficult task of rewriting the CC&Rs, which govern the community. The Board also continued the study of the Estate Club facility and examined ways to improve the security of the Ranch.

Dropping real estate values impacted prices and numbers of homes sold. In 2008 there were 36 transactions, the fewest number of Gainey Ranch homes sold in the last decade.

Miller said he hoped many homeowners had the opportunity to meet the new Executive Director, Jim Funk. Miller acknowledged the members who served on the Executive Director Search Committee: Dick Lockwood, Chairman; Mark Slicker; Richard Jolosky and Board members Fran Goldberg and himself. The committee and, in particular, Dick Lockwood and Mark Slicker, spent hundreds of hours in this process. Starting last spring, the committee set time lines, wrote job specifications, selected a search firm and then worked through the scores of candidates and, in a lengthy elimination process, selected two finalists. The finalists were interviewed again by the committee and the Board. Jim Funk was selected, and accepted the position in time to allow for a few months overlap with Fred Thielen. Miller thanked everyone for their help.

Miller said Gainey Ranch continues to be a leader in planned communities and a very desirable place to live. However, during 2008, financial performance was hindered by loss of revenue and unplanned expenses. The 2009 budget reflects strict controls on expenditures while insuring the quality of life for Gainey residents is maintained. Several committee reports summarized a body of work, all performed by Gainey Ranch residents, who volunteered their time and expertise for no other reason than to make Gainey Ranch the best planned community in Arizona. Miller thanked each and every committee member as well as each resident for their attendance tonight.

Miller introduced Eugene Kaulius who gave the Estate Club Facilities Study report. Kaulius noted that at last year's annual meeting two options were presented: doing nothing or adding a separate building for exercise. The Council of Presidents suggested looking at a third option – an entirely new facility that incorporates the Club and the aging office building. The project, including all financing options, will be studied further. The Board is committed to getting as much input as possible from the residents. It will not be put to a homeowner vote for some time.

Jim Funk, Executive Director, was introduced. He looked into the cost of the “do nothing” option. Between 2000 and 2004 residents spent \$420,000 on various upgrades, remodels and additions to the building. Between 2005 and 2009, \$40,000 to \$50,000 was spent annually to maintain the Club. That was the cost of doing nothing.

Kaulius next introduced Barry Talley. Talley is chairman of the Estate Club committee and a homeowner in The Estates. Thanks to Mr. Talley's contacts, Gainey has received tens of thousands of dollars in architectural and planning board input for a fraction of the cost. Mr. Talley thanked the committee: Eugene Kaulius, Barbara Puff, Elva Graham, Jerry Whalen, Vern Krier, Sandra Wilken, and Anne Blazek. Also on the committee was John Rosenfeld from the Berkus Design group, a world-renowned design group for residential communities. The Berkus Group, a very prestigious firm, has worked with a number of large community clubs in the valley.

Talley spoke about the third option as requested by the Council of Presidents. He noted that it's imperative to pay attention to the changing desires of homebuyers. Staying in shape makes a longer and more active life. Talley said that Gainey Ranch is not trying to compete with existing health clubs but is competing with other communities for the residential home buyer. The committee went on a field trip to view the facilities of other communities. The committee preferred a timeless look that would fit in with Gainey Ranch. Talley used pictures and spoke in depth about the proposed facility. He also mentioned that his is doing a project in Tempe and is saving 25% because builders are so anxious for business they are cutting their costs.

The presentation was followed by a spirited discussion. A few common questions were answered. Right now the estimate to raze and build is \$5.5 to \$6 million, which includes temporary buildings. Financing options are still in the discussion stage. The Board will keep owners apprised and, until the details are available and the members have voted, no work will be done.

Eugene Kaulius gave the Architectural Committee report. The members of the committee are: Pat Collins, Vonna Sinsheimer Karen Epstein, Pam Graf and Jim Funk. The committee meets regularly – every two or three weeks. Starting immediately, Pam Graf will be available to give homeowners guidance on plans. The service is free and must be scheduled through the administration office.

Pat Collins gave a report on the Communications Committee. The committee members are: Miles Davenport, Dee Bloom, Donna Corcoran and Monika Goodwin. Communications is a two way street. It is not only the GRCA communicating to homeowners but homeowners need to communicate with the GRCA. There are six regularly scheduled board meetings. The dates are set and are published in the *Gainey Gazette* and on the website. The Board encourages residents to contribute their thoughts on the Estate Club and other matters. Message boards are planned for those communities that want them. Thanks to Jim Funk, the open house information is now organized. Suggestions to improve communications are welcome.

The Security Committee report was next. 2008 members are Dick Seiler, Dee Bloom, Preston Miller, Ed Gallo, Dennis Peloquin and Jim Funk. The committee focused on security challenges over the next five to ten years. Closed circuit video cameras were considered for certain parts of the Ranch. A security consultant was engaged to determine the number of camera locations and write specifications. The initial cost would be about \$150,000 and the operating cost \$80,000 to \$100,000 a year, which forced the committee to look at alternatives. This year Jim Funk will review the entire project and his information will eventually determine what the committee will recommend to the Board. Jim Funk and Ed Gallo are working to revise the training and operating procedures for the security personnel. During the past 60 days the committee has written specifications and received bids for monitoring of the home security systems. The bids are being reviewed and a contract will be awarded in the next 30-45 days. The committee members were thanked for their hard work.

The next committee report is from an ad hoc committee to review and revise the CC&Rs. Preston Miller was on the committee along with two homeowners, Arnie Brown and Stanley Makaroff, as well as attorney Don Dyekman of the law firm of Mariscal, Weeks, McIntyre and Friedlander. The process began seven months ago. The objective was to bring the governing documents current and to make notes of any portions of the documents that might be improved. Funk briefly reviewed some of the changes: deleting contemplated land use designations, removing references to the developer and incorporating all applicable changes in federal and state law. Some recommended improvements are: increasing the Board from five members to seven, changing directors terms from two to three years, instituting eligibility requirements for directors, increasing basic quorum requirements, and decreasing the special assessment quorum. After some discussion, Funk answered questions.

Preston Miller asked Fran Goldberg to stand up. Fran has served on the GRCA Board since 1996 or 1997 and has been an active member of the community even before then. She is also the President of Sunset Cove. She was a strong and independent voice on the Board for fiscal responsibility and will be missed. Preston Miller presented Fran Goldberg with a plaque commemorating her service. Fran thanked all who believed in her and voted for her.

Shannon Vaughn, Chair, reported for the Nominating Committee. She thanked the other committee members, Paul Carter and Don Miller, for their time. Two persons applied for the two vacancies on the GRCA Board. They are Patrick Collins and Dick Lockwood. Jim Funk thanked Mark Slicker and David Davies for their work as electors. Funk verified the quorum. 408 absentee ballots were received – the quorum requirement is 139. Funk opened the floor for nominations. There were none. A motion to close nominations was made, seconded and approved. Ballots were collected and the electors left the room to count the votes.

Donna Corcoran, CPA, Gainey Ranch's Director of Finance gave an overview of the Master Association's 2008 financial activities. The conversion of all GRCA data systems to YARDI's Voyager software was successfully completed. It was necessary to install a new fiber optic line between the Administration office and the Maintenance office. This new system will be upgradeable to web interface with homeowners, which is the next step. E-mail will be available and owners will be able to pay their bills online. It will be a service to homeowners and more efficient. The project was completed under budget by \$13,800.

The December 31, 2008 Balance Sheet and the 2008 Income Statement were included in the agenda packet. The Balance Sheet is a statement of assets, liabilities and equity as of close of the fiscal year. On the asset side, the largest component is reserves -- \$972,216. The second largest component is plant, property, equipment which total \$777,000. Current assets represent cash operating accounts and receivables; these total \$174,000. On the liabilities side, the largest component is member's equity of \$1,579,000. Current liabilities are \$222,000. Deferred income is \$24,000. In 2008 there was a loan from GRCA reserves to GRCA operating for the technology upgrade to YARDI. This internal loan funded the project, while avoiding a special assessment. GRCA is very healthy because it has a strong reserve base.

Ms. Corcoran then discussed the 2008 income statement. The revenues were 2% under budget by \$55,398 and the operating expenses were 4% over budget at \$128,098. Total net operating loss over budget of \$183,496. Major repairs and replacement expense was under budget by \$112,000. The bottom line was a net deficit over budget of \$71,224. The primary reasons for the operating budget shortfall were economy-related line items, which represented 39% of the total shortfall. Included in this category are interest income, real estate line items (i.e., enhancement fees, disclosure fees, and architectural fees), bad debt and gas. The executive transition was \$43,630 over budget (representing 24% of the operating shortfall). The executive transition expenditures included relocation fees, travel expenses, and recruiting fees which were over budget. Legal fees were \$10,900 over budget. Postage expense was \$5,283 over budget, precipitated by postal rates increases and more communication with homeowners. Maintenance allocations, primarily landscape allocations for the common area, were also over budget, largely due to monsoon damage in 2008 and frost damage in 2007 requiring extensive cleanup and replacements in 2008. Additional landscape coverage was caused by sprinkler replacement due to aging of the system, and fertilizer applications due to turf issues. As is evident, 2008 was a bad financial year and there is no single reason, but rather our results were the combined effect of many reasons from many directions. The financial climate of 2008 created a perfect storm that caused a negative budget variance of \$183,000. However, Gainey Ranch is well positioned to weather the financial storm.

Ms. Corcoran next reviewed the 2009 budget. The GRCA assessment increased \$2 per month (to \$190/month) to rebuild the cash position. The breakdown of the assessment of \$190: GRCA operations is 58% of the assessment, security is 25% .and the Estate Club is 17%. The focus of the 2009 budget is to: hold the line on all expenses, implement an immediate hiring freeze, and delay loan payback to reserves to a 5-year payback timeline, commencing in 2010.

Ms. Corcoran opened the floor for questions. A resident asked the amount of the Estate Club subsidy. The answer was \$32. There was a question about foreclosures; Ms. Corcoran answered that while Gainey Ranch had experienced some foreclosures, GRCA is in a relatively good position in regards to

collections as compared with other communities in the area. A resident asked if GRCA had an annual audit. Ms. Corcoran answered in the affirmative; the annual independent audit is performed Butler, Jones and Hansen, CPA's.

Jim Funk was next with the Executive Directors report. Mr. Funk said he saw many people who he has met over the months and many more that he has not yet had the pleasure to meet. The Annual Meeting is an important opportunity to share in the exchange of information about Gainey Ranch. Mr. Funk told of 30 years in Vail, Colorado at Beaver Creek where he was a resort director. His responsibilities included a staff of 200 people, three security departments, an environmental department, guest services as well as three association boards. He was elected to a public metropolitan district and served three master associations. Mr. Funk brings to Gainey Ranch fiscal responsibility and homeowner communications. He spent the first months of his employment listening to satellite board members, individual homeowners, and participating in the creation of the 2009 budget. He spoke with the Board and his staff about the challenges that Gainey Ranch faces. Gainey Ranch management is loyal and believes strongly in what they do. The reserve system, if followed, ensures the high standard of maintenance. The operating budget system is very detailed but has been a mystery to many satellite board members. Mr. Funk is all about on-target budgets-- the only way a business can be run. Through the communications committee, much headway has been made to improve information. Communication is a key to his success and Mr. Funk invites all members to call or send him an e-mail or drop by to discuss relative issues. He commits to returning calls and e-mails and his focus will be to resolve the issues. He will be working with all staff members to make sure Gainey Ranch keeps its revered status and meets expectations of homeowners. He advises everyone to share their stories, good and bad, since celebrating the successes is as important as correcting problems. It has become apparent that over the years there is discordance among members and has become uncomfortable for the community. Change is good but change must be tempered with direction and focus on goals. Mr. Funk asks that everybody move forward and work together to make Gainey Ranch the community of the future.

Preston Miller introduced Scott Williams, Director of Maintenance, with the maintenance report. Scott Williams thanked the maintenance committee Fran Goldberg, Joan Bald and Pat Collins. Some initiatives, such as communications, will be implemented this year. Regarding work tickets, Scott wants to make sure all information is communicated. Mr. Williams said his department is working with new systems and formatting to ensure internal accountability. The Maintenance Department wants to be good stewards of GRCA and homeowner resources.

The biggest initiative is the restructuring of the landscape maintenance department to improve the service level for the satellites and the GRCA. After much consideration and analysis, three supervisory positions were created and those supervisors will be assigned to satellites. The supervisors will "own" specific communities and will follow the crews to make sure everything is proper. These supervisors will also be in close contact with the boards of their assigned communities. Pool maintenance was not up to standard so, in July 2008, a change was made and now there is a very qualified person doing the job. Some staff is going through training with the National Pool Association. There are various challenges with the building maintenance department, including inherited construction deficiencies such roofing issues. Last year the position of Project Manager was added. Some of J.J. Bagby's responsibilities include satellite capital improvements such as reroofing, painting, and resurfacing the pools. She works with the boards of communities undertaking major improvements. She assists with the contracts and specifications and handles most of the bidding processes.

Preston Miller thanked all of the staff for work tonight and the volunteers for their time. The election results: 854 votes were cast; Dick Lockwood received 415, Pat Collins 408 and John Day 29. Congratulations to Dick Lockwood and Pat Collins.

New business: a resident would like to see a dog park behind the Estate Club; a resident recounted her story about the importance of leaving a key with security.

A motion to adjourn was seconded and approved. The meeting was adjourned at 9:45.

Submitted,

Monika Goodwin, GRCA