

BOARD OF DIRECTORS MEETING
May 21, 2010

The meeting was called to order by President Bill Kester at 12:00 Noon in the Community Center.

Attendees:

Board Members present: W. Kester, M. Sewald, C. Gularson, and J. Kennedy
Also present: Bruce DeForest, Superintendent, G. Buckley, SPHA President and Wendy Parker, Finance Mgr.
Also present: Fred Chicone, Ronnie Malone and Pat Milstead

Acceptance of the Prior Minutes

The minutes of the April 16 and May 5 Meetings of the Board were approved.

GOLF PRO's REPORT

Ronnie Malone reported on behalf of the Marketing Committee as follows:

- A new ad will run for 13 weeks starting June 11 in the Coastal Point allowing a player to get a discount if the ad coupon is presented at the time of play.
- Two articles featuring the golf club have appeared in the Coastal Point.
- An ad in a publication reaching 1500 local rental units was purchased for \$239.
- A company called Super Media made a presentation to the committee how it could help with advertising and promotion with several different options. Art will coordinate with the company to see what options would be best for the club.
- The possibility of advertising in Ocean City newspapers is being investigated.

Finally, Ronnie reported that the Committee in down to three members, including Art and additional members are needed.

Superintendent's Report

Bruce DeForest reported that new pump motors have been installed in both wells. One drive unit was also replaced. The system is still tripping off line at night due, Bruce believes, to a voltage drop. Connectiv Engineering believes the cause may be a combination of low voltage and low amperage. They have attached recording equipment, but they can't seem to determine why. Until the cause is identified, Bruce is operating as best he can, sometimes by running only one well at a time.

The new well project permitting is complete. The well drilling should begin shortly. \$45,000 has been budgeted. To complete the project a new supply pipe will be installed under Bethany Loop and the pump house will have to be repowered to run the new well.

A four inch irrigation supply line under Bethany Loop between Holes 15 and 16 burst requiring the road surface to be dug up. The break has been repaired and the road surface will have to be repaved as well.

Two quotes have been received for possible repair of the Hole 10 tee box bulkhead. One more bid is expected. The low bid to date is for \$20,000. Bruce will try to push this repair off until 2011, but the condition of the bulkhead is getting worse.

Bruce commented on the fact that for the first time there were two tournaments taking place in one week and the work load nearly overwhelmed the maintenance staff. He will coordinate this with Art to make sure that only one such event is scheduled per week in the future.

The Learning Center carpet cleaning attempt didn't work. The Salt Pond resident with expertise did not have the proper equipment to do the job given the condition of the carpet. It's heavily mildewed. A contractor will charge \$500 to do the job. A replacement carpet will cost \$5000. The Board agreed to defer a decision until later.

Golf cart windows are missing on a number of carts. Replacements cost \$150 each. There is no standard design. Bruce recommended that the carts with windows be used wherever possible, using those without windows as backup. Next year's budget will build in the replacement costs for the windowless carts.

FINANCIALS

Chuck Gularson reported that YTD revenue was \$125,517.88 against a budget of \$128,400. The \$2882.12 variance is largely attributed to the membership shortfall. YTD expenses are \$200,463.78 compared to a budget of \$198,764. In part, the over run on expenses results from the payment of necessary chemicals in January rather than as they are being used during the season and earlier than the budget called for. Net Income YTD is a loss of \$74,945.90 compared to a planned loss of \$70,364.

The audit is still being completed. The work should be complete in early June. Based on preliminary numbers, it appears that the golf club books are generally OK. There may be a few minor adjustments.

MAC Catering had promised to make an initial payment of \$500 toward a total settlement of \$1,500 on the past due claim. To date no payment has been made.

The Board discussed the need to establish a capital expenditure reserve. Both Wendy Parker and Chuck Gularson urged the establishment of a separate cash account for this reserve. After discussion, the Board approved establishment of a second checking account funded initially with cash of \$120,000 for the first two years, less the capital expenditures in that period, resulting a net amount of \$74,156. Starting next month this fund will grow by \$5000 per month.

OLD BUSINESS

BIRDIES SNACK BAR 2010 OPERATION

Pat Milstead, the Birdies Snack Bar manager, reported that the interior of the facility has been cleaned and the floor and the picnic tables painted in preparation for the opening. Charlie Smith did the cleaning.

Because of the condition of the cash register from last year's operation, a new one had to be purchased. Mark Hopkins set it up and programmed it for operation.

Nine people, including Pat, have been hired to staff the shop. There are three more people with an interest in working depending on the perquisites the club offers along with pay. All the I-9's and W-2's have been completed. Training is underway. All these people have their required ABCC server cards.

The menu will be simple for startup, including hamburgers, hotdogs and cheeseburgers. It will be enlarged as the staff becomes more comfortable and business conditions warrant it.

The grand opening will be Saturday, May 22. The shop will be open on weekends 9-4 from Memorial Day to June 25. Thereafter it will be open daily, 8-4. The beverage cart will operate for a maximum of 40 hours per week. The operator will be paid \$2.50 per hour.

Cost control will be key to the successful operation of the shop in 2010. Two separate invoices to establish cost of goods sold one for the Pro Shop and one for Birdies will be used. Beverage cart costs will be tracked through Birdies. Wendy will collect sales data daily. Wendy and Pat will cooperate to develop the required paperwork.

PROCESS FOR SELECTING AND RETAINING THE TSPGCO BOARD OF DIRECTORS

The following policy recommendation was reviewed by the Board again and, after additional discussion, was approved as the Board's submission to the Salt Pond Homeowner's Association Board of Directors:

Background: There are currently five Directors with no term limits. The Golf Club Board has been appointed by the SPHA Board in June each year for a one (1) year term. Each Director is in their second year. The major legal requirements are that each Director must have a Delaware liquor servers' license, a criminal background check and a driving record check by the DMV.

Proposed Director's Tenure: The Board of Directors shall remain at five members. A minimum of two Directors' shall be SPHA Board Members to serve as liaisons to the SPHA

Board. The Golf Club Board Members must be residents of the Salt Pond Homeowners' Association and in good standing. The President of the SPHA Board will be an ex officio member of the Golf Club Board with no voting rights.

Each Director serves for a three year term. To initiate the three year term limit, two current Directors' shall be replaced after one more year (in June, 2011) and the other three after two years (June, 2012). A summary of when each current Director's term ends is as follows:

Current Directors:

- 1 – 2011 (Kester)
- 2 – 2011 (Crawford)
- 3 – 2012 (Gularson)
- 4 – 2012 (Kennedy)
- 5 – 2012 (Sewald)

These Directors and terms shall be approved at the June, 2010 SPHA Board Meeting.

The three year rotation shall continue in the future. The Golf Club Board shall provide the SPHA Board recommended candidates for the expiring Directors' slots in May of each year. The SPHA Board shall evaluate these recommendations and offer other candidates if others are available. SPHA recommended candidates shall be evaluated by the current Golf Club Board. The final candidates for expiring Directors' slots shall be approved by the Golf Club Board and be submitted to the SPHA Board for a vote and final approval at the June SPHA Board meeting. Directors, whose term is expiring, may be considered for reappointment

Election of Officers. The officers of the Golf Club Board will be elected by the Golf Club Board each year immediately after the Board is approved by the SPHA Board. If the officers change, the ABCC and financial organizations must be notified.

Replacement of Candidates who resign before the term ends. The Golf Club policy will be a same as the SPHA Board policy. The Golf Club Board can appoint replacements without SPHA Board approval (this is the same as the SPHA Board being able to replace SPHA Board members who resign without homeowner approval to complete a term).

Directors who are not doing their job. SPHA's only policy is to consider replacement if a Board member does not attend three consecutive Board Meetings. The Golf Club Board will follow this policy at a minimum. Any more detailed policy shall be developed by the Golf Club Board and will be presented to the SPHA Board for approval.

Upon approval of these changes by the SPHA Board of Directors, the Company By-Laws will be amended to conform to the changes.

SALE OF IRRIGATION WATER TO SPHA VILLAGES

The SPHA Villages that have been buying irrigation water from the golf course were given an opportunity to increase the discount they receive compared to Bethany Beach water rates if they contributed to the cost of drilling the new well. Only Topsail Village participated. Topsail initially agreed to participate with a contribution of \$2,500, but later proposed to increase the contribution to \$5,000 in return for a higher (40%) discount. While the increased contribution will have a slight impact TSPGCO's depreciation, the proposal was approved. The details are attached to these minutes as Attachment A. A contract will be prepared to memorialize the agreement.

TPSCGO EMPLOYEE PERQUISITES

The feedback to the Board in several areas is that additional paid employees and volunteers might be available to the golf club if the Board was more generous with the benefits it offers. The Board is struggling with the right balance of additional benefits for both paid staff and the volunteers on the one hand and revenue loss on the other. After considerable discussion, the Board agreed on the schedule of perquisites as set forth on ATTACHMENT B to these minutes.

2010 RANGER VOLUNTEERS

Bill Kester reviewed the current staffing for course Rangers for 2010. So far the number of volunteers is lagging behind last year. Once again the discussed reason for the short fall is the lack of perks for the volunteers. A new effort will be made to close the gaps with the new benefits discussed above.

DONATION FOR QUIET RESORTS CHARITABLE FOUNDATION

Cheryl Wisbrock is running a charity event and asked for a donation from the golf club. After discussion, the Board approved the donation of a round of golf for four with a cart.

ADJOURNMENT

The meeting was adjourned at 1:55 pm.

Respectfully submitted,

J. Kennedy
Secretary

May,2009

ATTACHMENT A TO THE TSPGCO MINUTES

*Golf Club Water Analysis
2010*

If Top Sail pays the up front costs, the Golf Club continues the discount specified for ten (10) years. (40% discount if \$2500 - 60% discount if \$5,000) After that we will charge a 10% discount under Bethany Beach (BB) water rates. If Top Sail does not pay up front costs, the Golf Club will give a 10% discount under Bethany Beach Water rates starting in 2010.

TopSail	Gallons Used 08	\$/1000 gal BB Rate	Total if Paid BB rate	Discount Golf Club	Net PDGClub	Up Front	Savings per year	Pay back years	Top Sail Total Cost 10 years plus up front	If paid Golf Club at 10% Discount	If paid Bethany Water Rates 10 years No up front
If pay \$2500 up front-40% discount											
Invoice if 10% discount				10%	<u>1560.64</u>						
Annual Savings					\$ 520.21	\$2,500	\$ 520.21	4.81	12,904.24	15,606.36	17,340.40
If pay \$5,000 up front-60% discount											
2008 invoice@60% discount	315,280	5.50	1,734.04	60%	693.62						
Invoice if 10% discount											
Annual Savings				10%	<u>1560.64</u>						
Annual Savings					\$ 867.02	\$5,000	\$867.02	5.77	11,936.20	15,606.36	17,340.40

Note: What Topsail paid the Golf Club in 2006

Note 2: If the up front amount is paid to build the well, the reduction in price is only good up to the 2008 gallon usage. If 2010 usage goes above the 2008 usage, then the 10% discount applies.