

**SADDLEBROOKE HOA #1
Tucson, AZ 85739**

**MINUTES OF THE REGULAR BOARD OF DIRECTORS MEETING
Tuesday, March 25, 2008 – 3:00 pm – Activity Center**

The regular meeting of the Board of Directors was called to order at 3:00 pm with Jack Jeffery presiding as president.

ROLL CALL – Members Present – Jack Bowers, Jim Daily, Jack Jeffery, George Sallaberry, Gary Sprouse, Kerry Wolfe.

Others present – John Pavlak, Treasurer; Gail Flannery, Secretary; Paul Fuchs, Board Advisor.

Members Absent – Ron Aeschliman.

APPROVAL OF MINUTES – The minutes of the meeting of February 19, 2008 were approved by general consent, with a minor correction.

PRESIDENT'S REPORT

- Mr. Jeffery mentioned the two Executive Sessions the Board members attended prior to the regular meeting. Under state law, the Board is permitted to meet in Executive Session under certain circumstances. The first item was to address a legal matter with the association attorney. The second item was a report from the Ad Hoc Benefits Committee, chaired by John Alton. Mr. Jeffery provided background information on the Committee. Several meetings will take place regarding employee benefits. The meetings will be closed because discussions will take place regarding specific employees and individuals. This will result in a plan to set goals so the Board could attract, retain, and set forth cost controls minimizing administrative costs in terms of employees. Mr. Jeffery thanked Mr. Alton and his Committee.
- A new Food and Beverage Director has been retained as a result of a search effort. Mr. Morgan Puffenbarger will start work April 1. He was employed by the Lodge at Ventana Canyon. Articles in *The Communicator* will include the search process, which was headed up by Ms. Wolfe.
- Continued business progress is taking place in Food and Beverage, which includes improved finances. Staff has been working diligently at cutting costs. Morgan's expertise and ideas will be welcomed to help improve this department.
- Several modifications have been made to the set up of Club Systems. Previously, it was not set up in a useful manner. The data was reorganized so that individual entities, i.e., Vistas, Agave, RoadRunner Grill, banquets, and events, could be viewed in more detail.
- Price adjustments have been made in food and beverage. Costs have been significantly rising in terms of food prices and are affecting SaddleBrooke. Price increases will be commencing today (March 25) in the Vistas, and beginning April 1 in the RoadRunner Grill. Not all items will increase. Mr. Price will be sending out an email with examples of specific food costs and how they have increased from year to year. Other areas are also being explored in terms of decreasing costs, such as ingredients, particular cuts of meat, etc. The pricing changes also reflect the efforts of a combined staff/resident work group which looked at the pricing at competitive restaurants. Our new pricing reflects this analysis. This will provide a better idea for competitive prices. The Happy Hour and the Home-style items will remain at the current pricing.
- Golf items on the Agenda were reviewed in depth at previous Work Sessions.
- Assistant Golf Profession AJ Martin has departed. Mr. Price and the Board are looking at the alternatives to fulfill this vacancy. Mr. Daily clarified that Mr. Martin has resigned and is moving out of state.
- The 2009 Golf Planning was broached at the Work Session, which included the coordination of Mr. Kirwan's team and Mr. Dulaney's team. Discussion took place regarding golf fee structure, tournament planning, and twilight rates. No specific plan has been set in place, but it is clear that several people have ideas and due consideration will be provided.

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- Unapproved meeting minutes are now posted on the website, shortly after the conclusion of the meeting, and a preliminary review takes place. The idea is to efficiently communicate to individuals who were not able to attend the meetings. Financial information is also provided on the website and in *The Communicator*. An attempt is being made to provide current financial data as an insert, which will allow the latest month's data to be included immediately after release.
- Website improvements are also being looked at, i.e. the appearance, navigation and quicker posting of information.
- The HOA #1 Annual Meeting will be held at Desert View sometime around the time of April's Board Meeting.
- After today's meeting, a private reception will be held in the RoadRunner Grill. Previous Board Members, current Board Members, Committee Chairs, and staff will recognize the 2007 Board Members.
- It is requested that residents state their name and unit number when addressing the Board so they could accurately be reflected in the Minutes.

TREASURER'S REPORT

Overall Operations

Mr. Pavlak explained that in February revenue exceeded expenses by \$146,000. This was \$26,000 better than budget.

Year-to-date (YTD) revenues exceed expenses by \$212,000. This is slightly better than budget, but \$106,000 ahead of where we were this time last year.

Specific Operations

General HOA revenues continue to be below budget. The major reason is fewer home sales and therefore lower Home Resale Fees. For the first two months of the year, we have collected only \$4,722 in Home Resale Fees, against a budget of \$25,000. Interest income also is below budget, due to lower short-term interest rates. Below budget Home Resale Fees and interest income are likely to continue for the remainder of the year.

Golf course fees, golf shop sales, and F&B sales are all below budget, but those reduced revenues are offset by reduced expenses. That is why, overall, we are \$106,000 ahead of last year.

In February, our F&B operations had a loss of only \$1,958. This is one of the lowest monthly loses in recent years. (Last February, the loss was over \$32,000.) The YTD loss from F&B operations is about \$21,500. That is almost \$55,000 better than at the same point last year, on slightly lower sales. These lower losses are mainly due to lower labor costs and lower cost of sales. Some of the labor savings is due to temporarily not having the costs of an F&B manager, but a significant part of the labor savings appears to be due to better staff scheduling.

In February, golf course revenue is about \$4,600 ahead of last year, and course expenses are about \$1,000 less than last year. Annual golf fees are \$8,000 less than last year (significantly fewer limited annual golfers), but daily fees are about \$15,000 greater than last year. Play card sales are about the same as last year (\$103,300 vs. \$102,000). However, play card sales since November (which are amortized over 6 months) are about \$28,000 ahead of last year.

The golf shop lost about \$800 in February, which is about \$2,000 better than last February. Year-to-date the golf shop's loss is about \$4,800, about the same as last year, on slightly lower YTD sales (\$28,100 vs. \$30,300).

Mr. Pavlak referred to the handout regarding the Reserve Fund.

GENERAL MANAGER'S REPORT – Mr. Price referenced his written report. He stated that a different format has been put in place on the website and in *The Communicator* regarding the financial data. Mr. Price stated that in response to residents' questions regarding financial reports, financial information is available to the public, either on the web site or for viewing at the Administration office. His intent was to clarify conclusions regarding departments and how

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figures are compared from year to year. Mr. Price used the Administration Department as an example. A change was made in the way computer services were allotted. Last year, we had a staff member handling these responsibilities; and when he resigned, this was outsourced. Therefore the costs show up in a different area. This was the reason for the difference in funds. Mr. Price stated that caution needed to be made when making interpretations.

Mr. Price also stated that each homeowner in an Association has the right to view the financial records. When a resident has a question regarding the honesty of the Association books, they are always provided the option to view the Association's finances. All financial statements are available to residents. The availability of the records has proven to be useful in the past to resolve resident questions. Mr. Price invited residents to take an opportunity to view the books. He also referenced an excerpt of the Arizona Planned Communities Act, which indicates that financial records of the association are available to anyone.

Mr. Jeffery stated that the Finance Committee also reviews the reports each month, and these meetings are open to the public. So residents are welcome to attend.

Mr. Price provided an update on the Reserve Study. The purpose of a Reserve Study is to identify all physical assets the HOA owns and provide an estimate of the remaining life and replacement of each asset. This is a replacement reserve schedule. As a component expires, the money is readily available without the need of special assessments. A Reserve Study is performed approximately every three years. The bidding process has commenced and will be forwarded to the Finance Committee sometime in April. By the early part of the summer, an update of the Reserve Study will be provided. It is important to have the money set in place for replacement items. A copy of the Reserve Study is available to residents to view.

RESIDENT COMMENTS ON AGENDA ITEMS

Chuck Rezba (Unit 7) – Stated that “the 35 mph speed that is permissible on SaddleBrooke Boulevard is in excess and should be reduced to 25 mph.” He asked if someone could look into having the speed reduced. Mr. Jeffery stated that that area is private road, and therefore the speed limit is within our control. Mr. Jeffery asked that Mr. Price and Mr. Mitcham follow up and provide a response to Mr. Rezba.

Richard Spitzer (Unit 21) - Stated that he didn't attend last week's Work Session so he wanted to ask if Board members were in favor of the Chelsea tee-time reservation. Mr. Spitzer stated that he “finds it easier to navigate the internet as opposed to navigating the phone system.” He hopes that the Board will consider approval of the Chelsea system so that golfers could make tee reservations on the internet.

ACTION ITEMS

A. Approve Members to the Safety Committee and Events Committee – Mr. Sprouse moved, seconded by Mr. Sallaberry, to approve a member to the Safety Committee and a member to the Events Committee. Ms. Starrett, Safety Committee Chairperson, commented that Mr. Bennett was a Safety Committee member last year, and she wanted to continue his membership. Mr. Sprouse stated that members were needed on the Safety Committee because major issues and concerns were going to be addressed this year. Mr. Sprouse welcomed Mr. Bennett's talents and expertise. He also invited other volunteers to come forward.

It was moved to approve Ms. Linda Wright to the Events Committee. Ms. James stated that she looked forward to having Ms. Wright on the Committee. Voting “aye” – all: voting “nay”- none.
Motion carried.

B. Approve funding of architectural/design fees for golf practice area renovation – Mr. Sallaberry moved, seconded by Ms. Wolfe, to approve funding of architectural/design fees for the golf practice area renovation. Mr. Sallaberry provided background information pertaining to this recommendation. He stated that the Green Committee recommended this item for last year's budget process. The redesign would allow leveling of the driving range area, additional space would be provided for additional players, and the open drain would be removed from the area.

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Renovations would be made to the sand, practice and chipping areas. The purpose of this proposal would be to provide for design work. From that point, it would be viewed again, to see if the project would move forward. Voting “aye” – all: voting “nay”- none. Motion carried.

C. Approve funding the leasing of the Chelsea tee-time reservation system – Ms. Wolfe moved, seconded by Mr. Sprouse, to approve the funding for the leasing of the Chelsea Tee-time reservation system. Ms. Wolfe stated that, “a benefit of the reservation system would be the ability to make tee times from the comfort of our own homes. You could see which of your buddies are playing and you will have the ability to make the same tee time. This system would also benefit the Pro Shop because it would eliminate the need to tie up the phone line with cancellations because they could be made right online. The system also tells you which courses are available, times, and who will be playing.” Ms. Wolfe also clarified that it would not impact the current point system.

Mr. Jeffery stated that the system would be leased for 1 year with a 90-day cancellation, as opposed to last year’s proposal to purchase the system. A net monthly increase would be \$251/month.

Mr. Sprouse stated the benefits would be advantageous for the Pro Shop. He mentioned that the provider would offer training and software upgrades at no additional cost or price increase.

Mr. Sallaberry commented that he was out away during the Work Session so he missed the discussion. He is inclined not to support the lease because he felt that golf was not a money-making operation, and under those circumstances, felt that the tee time system was a luxury. He felt that it did not save on manpower.

Mr. Daily agreed with Mr. Sallaberry. He expressed his concerns for fraudulent activity that could take place because someone would not be overseeing the accounts. False names could be put in the system, and choice tee times could be made.

Ms. Wolfe asked that Mr. Clark Hall respond to Mr. Daily’s concerns. Mr. Hall indicated that the system is protected by individual golf membership numbers. It was stated that fraudulent activity could take place with the current phone system. Mr. Daily felt that with the current system, the Pro Shop discovers fraudulent activity when it occurs.

Mr. Bowers stated that he was not able to attend the Work Session, so he has not been able to research the recommendation. He supports the Golf Committee’s recommendations, but he agreed with Mr. Sallaberry and Mr. Daily. He views it as a luxury and not an essential.

Ms. Wolfe agreed that it was a luxury, but believes that it would save the Pro Shop a tremendous amount of time. She reiterated the positives pertaining to the system. She felt that there was time and cost savings, and the cost is minimal for the luxury. Ms. Wolfe believes that it would be easier for residents to use the computer as opposed to the phone system.

Mr. Sallaberry agreed that it is a time-savings for the Pro Shop, but didn’t agree with the savings in terms of cost. Two employees would still be required so that customer service could be provided.

Mr. Daily stated that we have a system that is working well now. He feels the system will need to be upgraded within a year and proposed that when that time approaches, this item could be proposed at that time.

Ms. Starrett stated that she was a card-hold player and was in favor of the tee time system. She felt that the system would provide her with more opportunities to play.

Mr. Jeffery stated that the internet usage rate was approximately 90% based on the 2006 Resident survey. The cost would essentially pay itself off if it attracted just one additional unlimited player. He concludes that it would be possible to attract more unlimited players from HOA #2 because

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they don't have a system like this in place. It would provide HOA #1 with a competitive advantage. He stated he was in favor of this system.

Voting "aye" – Jack Jeffery, Kerry Wolfe, Gary Sprouse: voting "nay"- Jack Bowers, Jim Daily, George Sallabery. Motion failed.

D. Approve the purchase of a speed board for traffic regulation – Mr. Sprouse moved, Mr. Sallaberry seconded, to approve the purchase of a speed board for traffic regulation. Mr. Jeffery clarified that the proposal was to install a movable solar powered speed board within the community in addition to the one that is currently on a trailer. Pads would be put in a few locations, similar to the trailer, indicating the speed at which a car was traveling.

Mr. Mitcham explained that the project got started several years ago because of safety and speeding concerns within the community. He stated that a speed board was currently placed on SaddleBrooke Boulevard.

Mr. Mitcham stated that the proposed speed board was suggested to the Safety Committee on March 3, and they approved it at the maximum expenditure of \$5,400. It was then taken to the Properties and Roads Committee on March 13 to discuss placement of a semi-permanent speed board. Two locations on Ridgeview Boulevard were suggested. This type of unit collects data, provides a record of when individuals are violating speed laws, and approximately how fast they are traveling. This tool will allow Patrol to place an officer at a certain location at a certain time. The idea is to increase safety within the community.

Mr. Sallaberry questioned if Patrol has gone out with a radar gun when the current board sign was in place to see if people were actually slowing down because of the sign. Mr. Sallaberry does not see the need for a speed board. He also stated that the sign should not be purchased until it could be further researched. Mr. Mitcham stated that the unit provides data accumulation so it could identify speeders in certain locations. When the speed board indicates a certain area with a high volume of speeders, Patrol can then be positioned in that particular area.

Mr. Daily stated that the proposal was a capital item and should have been addressed in a LRPC meeting. He concludes capital items need to be addressed at the LRPC as opposed to having discussions in open Board meetings.

Mr. Sprouse stated that safety is important. The current speed board is hard to maneuver and is limited in its placement. Patrol has one truck, which does not provide a lot of coverage.

Ms. Wolfe asked, "How many speeding tickets were written this year? How much was the violator traveling over the speed limit?" Mr. Williams indicated that between June 2005 and June 2006 there were 299 speed violations logged by the Patrol department. Last year (2007) 88 Notices of Violation were written but this number did not include warnings issued. Mr. Williams could not determine how much over the speed limit violators were traveling. Ms. Wolfe asked, "How many people were repeat offenders?" Mr. Williams confirmed fourteen, which included all violations. Ms. Wolfe questioned if discussions have taken place with residents regarding the placement of speed boards since they will be located on resident's property. Mr. Williams indicated that no discussion has taken place. Mr. Williams also discussed the suggested locations of the signs.

Mr. Daily questioned the use of the current unit. Mr. Williams commented that it would still be used in the SaddleBrooke Boulevard location. Mr. Daily asked if the current speed board had to be moved periodically. Mr. Williams commented that it would only be moved to recharge the unit. Mr. Daily asked if we would need two speed boards. Mr. Williams stated that one would be sufficient. The new speed board would provide data and would indicate if an additional unit would need to be purchased.

Mr. Bowers stated that not enough information was provided, and he suggested that the proposal be tabled.

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Mr. Jeffery wanted clarification on how many speeding tickets were written. Mr. Williams clarified the information.

RESIDENT COMMENTS ON AGENDA ITEMS

Chuck Rezba (Unit 7) – Commented that, “Even if the 35 mph speed limit is complied with, the current speed limit in the Ridgeview Boulevard area is totally unsafe. Due to the speed limit in that area, it inhibits the ability to see an oncoming car when pulling out of a driveway.” Mr. Jeffery stated that the subject would be investigated.

Peter Sovello (Unit 21) – Questioned if a record was kept of the number of speeding accidents that occurred in 2007. Mr. Williams stated that he could not provide those facts since accidents are responded to in SaddleBrooke by Pinal County Sheriff’s officers, and only then to accidents if there is an injury or substantial damage to property. The Sheriff’s department, due to its training and expertise, will be the ones who determine whether or not the accident was caused by speeding. The patrol department records only the conditions found upon arrival at the scene and any witness statements. Mr. Sovello stated that it was important to have such a record

Carl Anderson (Unit 1) – Stated, “If there hasn’t been an accident due to speeding, then there is no justification for something that may prevent speeding.” He also asked, “If any investigation has taken place with Robson to determine if we could put this speed board on SaddleBrooke and Mountain View Boulevard. This area seems to be the problem. We should get traffic to slow down before they hit the Minit Market area.” Mr. Sprouse stated that it has been addressed and clarified that the Minit Market area was part of HOA #2, not HOA #1.

Mr. Jeffery clarified the facts stated and decided that the motion should be sent back to the Committee.

Barbara Starrett (Unit 18) (Safety Committee) – asked, “ Would it be valuable for HOA #1 to set up the equipment and have Patrol staged with a radar gun in the same location?”

Mr. Sprouse withdrew the motion.

Mr. Jeffery stated his appreciation in providing the Board with a proposal. The Board is sympathetic and supportive of what the Patrol is trying to accomplish. It is felt that more information needs to be provided due the level of expense. Motion was withdrawn.

E. Approve recommendation by Treasurer regarding investment of Association funds – Ms. Wolfe moved, seconded by Mr. Sallaberry, to authorize the investment on no more than \$700,000 of Reserve Fund assets in Certificates of Deposit issued by FDIC insured banks with the maximum invested in any one bank being less than \$100,000, and with the CD investments to be selected and managed by the President, Treasurer, and Controller, with the assistance of the Chair of the Finance Committee.

Mr. Pavlak stated that the HOA has a substantial amount of money in the Reserve Fund. The purpose of this proposal is to invest the money in accounts other than money market funds, which is where the current assets remain. Also, interest rates are changing and all short-term interest rates are dropping.

The proposal was addressed at a Finance Committee meeting in February. The consensus was to have discussions with Morgan Stanley. Mr. Chapman, Mr. Brogan and Mr. Pavlak discussed matters with Morgan Stanley.

The Reserve Fund currently has \$1,400,000. It was decided that \$700,000 could securely be invested in certificates of deposit. Mr. Sprouse stated that he felt that it was a positive move. Mr. Daily supports the motion 100% but recommends that this Ad Hoc Committee be permanent because the Committee had a fiduciary responsibility to properly invest these funds under a policy set by the Board. Mr. Pavlak stated that this was the intention and the CC&Rs vest the authority to pick the depositories in which HOA money is located. The Board has exclusive authority, and the current policy is written in a generic form so that it would apply to any bank

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that has FDIC insurance. This wording will alleviate the need to have prior approval by the Board for each individual investment. Voting “aye” – all; voting “nay”- none. Motion carried.

CONFERENCE ITEMS

Old Business - Mr. Daily stated the Ad Hoc Information Technology Committee made a recommendation to the Board and that a quarterly status report would be provided to the Board.

Mr. Daily also asked that the operations update prepared by Mr. Mitcham be read into the meeting minutes, and IT Completed tasks are as follows:

- A backup generator has been installed and tested. It automatically performs a self-test weekly.
- A complete inventory of all IT hardware and software has been recorded and identified as to user.
- The in-house E-mail server has been installed.
- A new server dedicated to F&B room scheduling has been installed.
- All hardware and software used in SB HOA #1 is now association owned except for a few laptops owned by employees.
- An in-house firewall has been installed.
- Procedures for requesting and tracking work orders have been implemented. This will allow for analysis of the amount and sources of work requests. Forty-seven (47) trouble tickets or work requests were addressed in February 2008.
- There are 22 other major IT projects identified and prioritized. Weekly meetings are being held to determine the status of each item. The development of protocols for the backup and storage of data is one of those projects. This would also include the testing of such a protocol (e.g. recovery plan).

New Business – None

QUESTIONS/COMMENTS FROM AUDIENCE

Gary Hammond (Unit 19) – Addressed Mr. Pavlak , “Investments are long overdue, and it is a good start although CDs are very conservative. I hope that you consider investing more than \$700,000 in the upcoming years.”

Mr. Hammond addressed Mr. Jeffery requesting that updated agendas be posted on the website. Mr. Jeffery stated that he would send a note to all committee chairs asking them to post the agendas on the website.

Hans Sanderson (Unit 5) – Mentioned the twilight rates for golf. Mr. Jeffery clarified that a whole range of items need to be considered for the 2009 golf plan. Mr. Sanderson asked, “Why can’t twilight rates be put into affect now?” Ms. Wolfe stated that the Golf Committee is discussing the issue and the item has currently been tabled. The issue will be addressed at the Golf meeting on Friday, April 4, at 8:00 a.m. in the Conference room. She suggested that Mr. Sanderson attend this meeting. Twilight rates have been discussed but no final decision has been made. The Committee is sensitive to those golfers who bought golf packages based on the 2008 rates, which were proposed at the Golf Open House.

Audrey Rupracht (Unit 5) – Proposed that something be done with the view above the RoadRunner Grill. She asked if anything could be done to improve this area. The Board should consider a rooftop garden. Mr. Daily stated that the rooftop could maintain a certain amount of weight and he recommended a cactus garden. Management was asked to follow up.

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Mr. Hammond (Unit 19) – Thanked the Board for allowing resident participation. He addressed Ms. Wolfe regarding the recent discussion on twilight fees and suggested having discussions earlier in the year in order to put forth a complete schedule in advance. Therefore, when people sign up next year, they are aware of their decision. He also urged that part of the early considerations should be the attraction of HOA #2 golfers. One way to attract could be group discounts. Ms. Wolfe stated that is one of the issues the Golf Committee is reviewing.

Mr. Sallaberry stated that at the end of last year when the Board passed the budget, they specifically gave management the authority to implement the twilight rates. They thought it was beneficial to not interfere or compete with the players who paid full price earlier in the day. The other issue was to grandfather all play cards. This matter should be addressed by management because they have the authority to implement the twilight rate.

Mr. Jeffery asked that Mr. Price talk to Mr. Sanderson to resolve the matter. Mr. Price said that he would update Mr. Sanderson on the Twilight rates.

Being no further business, the meeting was adjourned at 4:40 PM by General Consent.

Secretary

Date