

BOARD OF DIRECTORS MEETING
THE MONARCH AT ROYAL HIGHLANDS, INC.
July 24, 2020

A meeting of the Board of Directors for The Monarch at Royal Highlands, Inc. was held at 9:00 a.m. in the Crown & Shield. Those present: Dick Sjogren, Steve Ryan, Ann Carter, Esther Patterson, Vince Laverghetta, Bob Keating and Bill Ortvals. Therese Buono and Steve Bryan were absent. Craig Misch, General Manager, Terry Stephenson, Course Superintendent, Lisa Applewhite F/B Manager, Crown & Shield, were also in attendance.

President – Dick Sjogren

Dick Sjogren called the meeting to order. The Minutes of the July 10, 2020 meeting were approved.

Superintendent's Report – Terry Stephenson

- Bushhog down; parts ordered.
- Old 3500 down; pricing out parts for repair to consider using it on the driving range.
- Z-turn mower fixed and running as of yesterday.
- New 3500 Sidewinder came in yesterday; mowing alongside the 4500 to set height of cut.
- Sprayed for crickets on Wednesday.
- Setting up equipment for DryJect on Monday, July 27.
- Sprayed some fairways and roughs for sedges on Thursday.
- Spot spraying weeds.
- Cleaned out drains this week.
- Fertilized tees this week.
- Will be putting out fertilizer and pre-emergence on Aug 3rd.
- Had to repair the main board on #5 satellite due to a lightning strike.

Dick Sjogren made a motion seconded by Vince Laverghetta that we put lightning strike arrestors on all of our satellites at a cost not to exceed \$6500. Motion approved.

- Having staffing issues again; employees not showing up for work (3 didn't show up today). Several ideas were discussed on what we can do to retain staffing (ie, reviewing their pay scale, looking at various types of incentives, guaranteeing hours, etc). Terry will get with Craig to review the situation.
- Will take the dead tree down behind #5 tee box. The dead tree behind #5 green will require a professional tree removal service.
- Terry, Craig and Barry Troutman (VP for ValleyCrest before retiring) looked at the trees on #16 fairway to see what can be done to keep them living. Barry has been in the landscape business for 45 years and is very knowledgeable and said that one of the trees may have been root bound when it was first planted; the other one looks OK. Both had plenty of moisture near the root base, and they are drought tolerant, so watering is not the issue. Terry will keep a watch on them.

Manager's Report – Craig Misch

June was a fantastic month; the golf department was \$14,440 above budget revenue and almost the same over last year's revenue. Golf rounds were up over 700 rounds as compared to last year, more members are playing more often, and outside play is way up as well. Expenses in the golf department were down \$798 to budget and down \$550 from last year.

Craig was asked about the number of double tees being used more often and the slowness of play. He explained that he is continually looking at ways to increase revenue on the course and provide as much play as possible, and rounds are still being completed in under 4 hrs.

Food and beverage department had a nice month, up \$5319 to budgeted sales and \$4131 over last year's sales. Expenses in food and beverage were over budget by \$2331 and over last year's expenses by \$3805. Food cost is a huge driving factor in the increase, because of COVID-19 the supply chain has been affected, when that happens prices go up. Many of the products we buy on a weekly basis have had an increase in price. We have noticed the cost of some of these items beginning to come down in the last few weeks.

Maintenance department was above budgeted expenses by \$1963 dollars and up \$6233 over last year. The driving factor on the increase here is we spent more money this year on taking care of the golf course than we did last year. Fertilizer for the fairways was the largest portion of the overage, money well spent.

Overall, as a business we were slated to have a net income loss of \$22421. We came in at a net income loss of \$8817 to budget. Last year we lost \$21628 in June. Outside play is the main contributing factor in the increase over budget and last year. Year to date net income is up \$28189 to budget and \$48818 over last year.

Craig called four companies for a quote to fix the air conditioning. So far, he has received two proposals ranging in price from \$10,644 to \$18,400. He expects to receive the other two quotes and will put together a report for comparison purposes on each of the companies to help with our due diligence in picking the best provider. He will have more information at our next meeting.

Craig looked at several options to determine if it was feasible to replace Golf Now (the company we have been using for 9 years). He reviewed the cost of each of the companies compared to what we have now and went over the pros and cons of switching from Golf Now. We have found solutions to the issues we were having with Golf Now and this system does provide tremendous benefit to us. It was decided to hold off on these options for the time being.

The attic fans are not working. When the roof is replaced, they will take out the old attic fans and replace them with roof ridge vents which will help with the air circulation throughout the building. Ann will send out another e-blast to remind members that golf and the restaurant will be closed on Monday, July 27th.

Treasurer's Report – Steve Ryan

Steve and our Financial Mgr discussed the amount to be transferred from the Cash account to the Raymond James MM account and it was decided that \$50,000 was sufficient based on the upcoming expenditures (roof, air conditioning) and the possibility of having to repay the outstanding PPP loan.

Checking is available through Raymond James account and would cost \$100. We would probably use no more than 2 checks per year thus making the charge unreasonable. Therefore, I signed for the program of electronic transfer between Monarch and Raymond James. This does not rely on checks being delivered by mail or by hand and is therefore faster.

Treasurer's Report				
				07/24/20
<u>Account</u>	<u>Account Type</u>	<u>Bank</u>	<u>APY</u>	<u>Balance</u>
Cash - Operating	Checking	BB&T	0.00%	142,333.66
Petty Cash	Currency	Office Safe	0.00%	1,400.00
Capital Reserve	Checking	BB&T	0.25%	32,746.12
Ford Interest Advantage	Note/Checking	Ford Interest Advantage	2.40%	35,344.12
Non Operating Investment Account	Cash	Raymond James	0.25%	-
Non Operating Investment Account	Institutional MM	Raymond James	2.01%	233,499.22
Cash Balance as of 07/24/2020				445,323.12
Change from 07/10/2020 Report				(5,331.59)
BB&T Loan	Monthly On 28th...\$10,101.43		4.80%	899,193.31
PPP Loan				129,675.00
Personal Note	Monthly on 1st...\$2191.00		6.00%	144,191.48
Monthly Lease Payments				5,039.28
Accounts Payable				26,943.93
BB&T Credit Card				1,050.53
Cash Balance 07/24/2020				445,323.12
Cash Balance 07/12/2019				213,068.78
Difference				<u>232,254.34</u>

Vice President – Vince Laverghetta (nothing to report)

Secretary – Esther Patterson (nothing to report)

Membership – Bill Ortvals

New: Wendell McDaniel Single Limited General – eff 8/1/20

Medical (15):
Bev Race
Harry Taylor
Tom Campbell
Richard Taylor
Tom Christie
Len Vieira
Ann Carter
Tom Lawrenson
Judy Keating
Jackie Klein
Sally Tubbs
Bob Gravatt
Kathy Sjogren
Martha Wolff
Karen Brondyke

Building and Grounds Report – Bob Keating

Pump house will be painted on Monday, July 27th, and we have enough volunteers to complete the work. The course will be closed that day due to the DryJect aerification being done on the greens. Gary Ritchey and John Buono will be doing more tree trimming around the course.

Finance and Audit Therese Buono (absent)

Golf – Steve Bryan (absent)

Communication – Ann Carter

The numbers from the Crown & Shield from July 9 - thru July 22 are as follows:

Note – Numbers include take out and dine-in meals including the total revenue dollar.

7/9– Thursday Dinner Special (Meat Lasagna - 15) 22 Lunches, 35 Dinners=\$1,012
7/10- Friday Dinner Special (Surf/Turf - 27) 36 Lunches, 58 Dinners=\$1,816
7/11- Saturday Dinner Special (Sliced Pork Loin - 5) 37 Lunches, 9 Dinners=\$1,449
7/12 – Sunday Dinner Special (Pot Roast - 23) 37 Lunches 33 Dinners=\$960
7/13- Monday Dinner Special (Seared Ahi Tuna - 5) 6 Lunches, 17 Dinners=\$351
7/14-- Tuesday Dinner Special (BQQ Pulled Pork & Chicken - 4) 19 Lunches, 26 Dinners = \$912
7/15 – Wednesday Dinner Special (Lobster Mac & Cheese - 20) 26 Lunches, 35 Dinners = \$1,187
7/16 – Thursday Dinner Special (Veal Parmesan -25) 24 Lunches, 40 Dinners=\$1,251
7/17 – Friday Dinner Special (Seared Sea Scallops - 28) – 29 Lunches, 77 Dinners=\$2,001
7/18 – Saturday Dinner Special (Filet of Beef W/Shrimp - 13) 27 Lunches, 28 Dinner - \$1,263
7/19– Sunday Dinner Special (Crab Stuffed Haddock - 6) 26 Lunches, 23 Dinners=\$630
7/20 – Monday Dinner Special (Blackened Snapper - 6) 18 Lunches, 18 Dinners = \$453

7/21 – Tuesday Dinner Special (Corned Beef & Cabbage - 27) 32 Lunches, 48 Dinners=\$1,447
7/22 – Wednesday Dinner Special (Baked turkey - 30) 14 Lunches, 60 Dinners=\$1,135

For the period through 7/9 thru 7/22 (14 business days) 61 pizzas were sold= 4.4/day

Dinner & Lunch Specials for the month of August are:

Sunday's – Served with your choice of a cup of soup or dinner salad

August 2 - Ground Beef Shepherd's Pie \$13.99
August 9- Grilled Swordfish Steak served with starch & vegetable \$17.99
August 16- Corned Beef with Cabbage served with boiled potato & carrots \$13.99
August 23– Ground Beef Stuffed Peppers with choice of side \$12.99
August 30- Baked Turkey Dinner with stuffing, mashed potatoes, gravy & vegetable \$13.99

Monday's – Served with your choice of a cup of soup, or dinner salad

August 3- Chicken Cordon Bleu served with starch & veg. \$14.99
August 10- Baked Turkey Dinner with stuffing, mashed potatoes, gravy & vegetable \$13.99
August 17- Pot Roast with mashed, gravy, & vegetable \$14.99
August 24- All you can eat garlic butter mussels with choice of side. \$14.99
August 31- Salisbury Steak served with mashed potato, onion & mushroom gravy & vegetable \$12.99

Tuesday's – Served with your choice of a cup of soup, or dinner salad

August 4- Liver & Onions with bacon, mashed potatoes, gravy & vegetable \$12.99
August 11- Salisbury Steak served with mashed potato, onion & mushroom gravy & vegetable \$12.99
August 18- Lobster Mac & Cheese served with a breadstick 15.99
August 25- Pot Roast with mashed, gravy, & vegetable \$14.99

Wednesday's – Served with your choice of a cup of soup, or dinner salad

August 5- Jerk Chicken served with pineapple salsa, rice, & vegetable \$13.99
August 12- Baked Cod with lobster sauce, served with starch & vegetable \$14.99
August 19-1/3 Rack BBQ Ribs and Chicken with French fries & Coleslaw \$16.99
August 26- Meatloaf served with mashed potato, gravy, & vegetable \$12.99

Thursday's- Dinners – Served with choice of a cup of soup or dinner salad

August 6 – Spaghetti and homemade meatballs \$12.99
August 13– Veal Parmesan served with pasta & vegetable \$15.99
August 20 – Ground Beef Shepherd's Pie \$13.99
August 27– Chicken Cordon bleu served with starch & veg. \$14.99

Friday's – Dinners – Served with choice of a cup of soup or dinner salad

August 7– Seared Ahi Tuna served with starch & vegetable \$15.99
August 14–(Surf/Turf) Crab Stuffed Shrimp & Sliced Beef Tenderloin with starch & veg. \$18.99
August 21–Bacon wrapped Sea Scallops served with starch & vegetable \$18.99
August 28- Seafood Scampi \$16.99

Saturday 's – Served with your choice of a cup of soup, or dinner salad

August 1- Meatloaf served with mashed potato, gravy, & vegetable \$12.99

August 8- Ground beef Stuffed peppers with choice of side \$12.99

August 15- Meat Lasagna with bread stick 12.99

August 22- Liver & Onions with bacon, mashed potatoes, gravy & vegetable \$12.99

August 29 - Corned Beef with Cabbage served with boiled potato & carrots \$13.99

August Lunch Specials

Coconut Shrimp Basket **\$11.99**

5 Shrimp & Fries, Served with sweet Thai chili sauce

Grilled Bratwurst **\$ 8.99**

On a hoagie roll with sauerkraut & side of spicy brown mustard

Pastrami on Rye **\$10.99**

Grilled rye bread, swiss cheese, grilled onions & mustard

Served with 1 side

Southwest Chicken Salad **\$11.99**

Mixed greens, black bean and corn salsa, tomato, mixed cheese, fried chicken.

Served with chipotle ranch

Southwest Chicken Flatbread **\$ 9.99**

Mixed cheese, grilled chicken, black ban & corn salsa & chipotle salsa

Beer Battered Chicken Sandwich **\$10.99**

Beer battered chicken breast, served on a Kaiser with lettuce, tomato & choice of 1 side

Philly Cheese Steak Panini **\$11.99**

Shredded beef & Provolone cheese with onion and peppers and mushrooms

Choice of 1 side

Ann is continuing to work with Golf Now regarding emails not getting out to the subscribers. Every once in a while, an address seems to drop off and now she knows how to determine the issue. In some cases, the Golf Now staff has to reinstate it and she now has a contact she is working with that is very helpful.

Liaison

Question:

“Equipment and quotes from Wesco and Global Turf for the 3500 Sidewinder are still good as of yesterday. We need to determine if we buy or lease for 3 years. It does not seem feasible to put out \$23,000 at this time not knowing what the future holds. The interest would be about \$2,000 over 3 years if we lease.”

What is the monthly rent for this equipment?

What part of the future is concerning? Are we worried about the survival of Monarch as an entity or “just” upcoming expenses such as AC, roof etc

Comment:

In reading the minutes it took me a while to figure out what loan forgiveness we are applying for. Perhaps a “Regarding our Government stimulus plan” (or whatever it is called) could preface the update on the loan.

Answer:

We are paying \$735 per month for the rental of the 3500 Sidewinder.

We have serious concerns about what business will look like when we are “In Season” (Nov. – April). Yesterday (7/22/20), there were 10,249 cases of Covid-19 and 173 deaths in Florida. Most experts are saying things may be worse in the Fall. There is no guarantee that people will come to Florida if the state does not get things under control. At this point our Canadian Members are not allowed to enter the US and we do not know when or if that will change. We feel that the money we have at this point will carry us through however bad things get. We normally make about \$180,000 during those months and lose about \$170,000 the other 6 months of the year. Those are the budget numbers for this fiscal year. Our job as the BOD is to plan for the continued success of the Monarch Golf Club, which is what we are doing, and with circumstances as they are at the present time we are being very prudent with our finances. Or as they sometimes say: “We are keeping our powder dry”.

If reducing expenses is our target, we need to review our Capital Leasing which is our highest interest rate.

We will re-evaluate the financials about six (6) months down the road.

Thank you for your comment. We received a PPP Loan from the SBA and are in the process of applying for forgiveness of the loan. Until we receive a letter stating that it has been forgiven it is a liability of \$129,675 and we would be required to pay it back. We expect that it will be forgiven, however we need to understand we actually have \$129,675 less in available cash.

Liaison Comment:

Since 11/22/19, cash in the operating checking account has risen from \$74K to over \$200K. There is no need for keeping such a large amount in that account. Not using excess cash to earn interest, be invested or pay down debt is a waste. This is especially true when we have the opportunity to reduce our "Personal" loan that is costing us 6%. In fact, there is no need to have this loan any longer. During the summer months, we usually lose about \$100K or less. This needs to be considered when managing our cash flow requirements. So far this year, we are not experiencing that kind of loss. However, keeping a reserve of cash is always prudent. Further, planned major capital expenditures and coverage for contingencies should be considered. In the past, SunTrust required us to maintain a \$200K cash reserve. After years of paying our bills in a timely manner, SunTrust dropped

this requirement for excessive cash. At this point, we have some known requirements, such as the roof, Sidewinder, and the air conditioner. The roof is covered in the capital reserve. The AC and Sidewinder are the only capital costs not specifically covered in any account.

I suggest we use our cash as follows:

1. \$145 K: Pay off the unnecessary "Personal" loan. This will save \$8,000+ interest in the next year. That will mitigate the cost of the Sidewinder lease.
2. 183 K: Keep this in the Raymond James investment account.
3. 57 K: Keep this amount in Operating Checking.
4. 65 K: Combine the 29.7K in the BB&T checking with the \$35.3 in the FIA account that earns 1.4% for balances of \$50K. Close the BB&T checking account.

Tot: \$ 450 K

5. 100K: Open a line of credit with BB&T. This will cost us nothing unless there are unplanned expenses that cannot be covered from current assets. We will, as always, be able to generate a positive cash flow in November. At that point, we will be able to reduce the line of credit balance.

If it is felt that this approach is too tight for comfort, we could always reduce the Raymond James account. Personally, I would like to be able to maintain this account at the current level. However, keeping an account that earns only 2% while we pay 6% is clearly unsound. I believe that reducing this account to \$150K would cover any probable expenses beyond what we can cover with current and future cash flow.

Answer:

The minutes of July 10th meeting read:

“Ann noted that the \$50,000 transfer to Raymond James had not been processed as requested by the Board at the last meeting and she recommended the amount be increased to \$75,000 (Board agreed). Steve said that as soon as Linda gets back, he will discuss with her and Craig about the feasibility of transferring more than \$50,000 into the account to take advantage of the interest. He will also check whether there is an early withdrawal fee and if there are check writing privileges on the account.”

Note: Please be advised \$50,000 was transferred and is so noted in these minutes. The reason why \$75,000 was not transferred is because there was a meeting with our Financial Mgr, who is very well versed with financials, and it was determined due to some major up-coming expenses to just move \$50,000 at this time. After the new roof and new air conditioning system is paid for, it will be re-evaluated. Also, the PPP loan is a liability until it is officially forgiven.

See answer to the first Liaison Question above.

Question:

It wasn't that far back that we only kept about \$60K in Operating / Checking account.

Instead of putting more money into the Raymond James Account for 2.01%, why not just pay off the Personal Note and save 6%? The interest saved alone, (\$8K+) would pay for the first year of the lease for the Sidewinder.

Thank You for listening.

Answer:

See answer to the first Liaison Question above.

Question:

Could someone please explain the logic of leaving over \$200,000.00 in the cash account where it is drawing a whopping 0% interest rate.

I realize we will not always be bringing in the revenue we are now, but we could at least put a large chunk of that money in short term CD's where it would earn something even though small.

An even better use of the money would be to pay off the personal note. That would save the club 6% which is better than what we would earn with CD's, and would eliminate a liability down the road when things could get tougher income wise.

Answer:

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Question:

I ran an amortization schedule using \$150,000, 8 years and 6%. The result is a required payment of \$1,971.21 or \$219.79 less than our actual current payment. This may not be precise, because I used a start date of 3/1/20 which may not be the actual date. Also, there may be a difference in the planned time in each year, 365 days vs my program which uses 360 days. The difference is only a couple of dollars per payment. Anyway, did the board adjust the payment to shorten the total time of the payments? If not, why the extra payments.

Answer:

The loan is for 7 years at 6%, not 8. We have the amortization worksheet and the schedule is spot on.

Meeting adjourned at 10:50 a.m. Next Board Meeting will be held at 9:00 a.m. at the Crown & Shield on Friday, August 14.

Respectfully submitted,
Esther Patterson, Secretary