

MOUNT VERNON COUNTRY CLUB

METROPOLITAN DISTRICT

BOARD OF DIRECTORS SPECIAL MEETING

25 MARCH 2020

The Board of Directors of Mount Vernon Country Club Metropolitan District held a video/audio Special Meeting on Wednesday, March 25, 2020 for the purpose of conducting such business as necessary to address actions that must be taken quickly to assure District solvency during the COVID-19 pandemic, and in response to current and future governmental restrictions.

The meeting was called to order by president Tom Weimer at 7:00 p.m. Board Members Walter Crawford, Randy Lewis, Andrew Price and John Stringer were present. Also present were General Manager John Stebbins, Sue Blair and Marcos Pacheco of CRS, and Recording Secretary Gail McGowan.

Proprietary Members Charlotte Abel, Gina Astorino, Tracie Cordeiro, Cindy Deckerd, Ken Freienmuth, Jestin Gieck, Gay Gillespie, John Gritts/Page Lambert, Eric Grossman, George/Kassa Harrison, Brian Hoal, Julie Keating, Kristin Kilbourn, George Lowe, Bill McFarlane, Jim Martin, Lisa Mathews-Bingham, Gail Mesplay, Joyce Nelson, Barb Newcomb, Amy Ostheimer, Kitty Pring, Janet Roll, and Scott Valent were also in attendance.

Chair Tom Weimer opened the meeting by identifying essential services that the District will have to continue providing during the period of restrictions related to the viral pandemic including, but not necessarily limited to water and road systems (funding for basic system and facilities maintenance and compliance reporting, etc.) and, added by John Stringer, contractual obligations for fire protection/mitigation.

General Manager John Stebbins presented two financial models:

1) A return to “normal” activities as of June 15 (assuming all restrictions on restaurant and bar operations and sizes of gatherings are lifted on that date), with minimum disruption to summer activities, that projects a net loss from Club/recreation operations of \$23,157; and

2) A return to “normal” activities as of mid-July, that would result in a net loss of \$367,266 (significant loss of wedding revenue and pool revenue).

A third model that anticipates interruptions of services to mid-September or October, would project an additional estimated operating loss increase of \$100,000.

Work is currently being done to reduce expenses including reviewing and renegotiating all contracts (e.g., food vendors have waived minimum-load delivery requirements), reducing services (linen, housecleaning, trash service), and laying off some employees.

The Club has instituted a Take-Out Program that has received positive responses from members but, with a higher profit margin than dining, has not proven profitable in the short time it has been offered. Easter take-out offerings and making take-out available to non-members are being looked at.

Approximately 50% of the events scheduled between May 15 and June 15 have been moved to a later date; 50% have stayed, with alternate dates on hold. If the June 15 model holds and is accurate, \$100,000 of deposits would be expected by May 31.

The Club does not expect to have much opportunity to add new members in the short-term and would expect some membership losses and/or changes (e.g., downgrading of Aquatics Memberships to Social Memberships).

Immediate cash needs will present challenges and Sue Blair is looking into what funding the District may be eligible for under the new stimulus program that Congress is currently working on. There may be opportunities for an SBA loan (up to \$25,000 at 3% without collateral to be applied for by the Corporation; \$2 million with collateral (land could be used as collateral), DOLA grant, or State of Colorado money earmarked for Special Districts.

Other funding options to be considered would be the voluntary prepayment of proprietary member dues and fees; Colorado Unemployment Work Share Program; sale of additional buildable lots; claims under insurance covering business interruption losses (no coverage under current policies for this type of incident, but options are being looked into); debt refinancing (a crucial issue that is on the May 5 ballot); or a possible provision in the Federal Stimulus Package for 0% loans with loan forgiveness if employees are retained.

Because of the uncertainty as to the length of time restrictions will be in place because of the COVID-19 pandemic, the costs of completely shutting down the Clubhouse and/or recreation operations should be studied and would include such financial obligations as the need to refund deposits and initiation fees; debt obligations; continuing fixed expenses such as insurance, utilities; legal expenses and possible litigation fees.

In order to stabilize the financial condition of the Clubhouse operation,

On a motion by John Stringer, seconded by Walter Crawford and approved by a vote of 5-0, THE BOARD OF DIRECTORS OF THE MOUNT VERNON COUNTRY CLUB METROPOLITAN DISTRICT REQUIRES THAT, BEGINNING APRIL 1, 2020, AND UP UNTIL SUCH TIME AS THE GOVERNOR OF THE STATE OF COLORADO ALLOWS NORMAL OPERATIONS TO RESUME IN THE

RESTAURANT AND BAR INDUSTRY, THE GENERAL MANAGER OPERATE THE ENTERPRISE FUND (CLUBHOUSE) TO MAINTAIN MONTHLY NET INCOME FROM OPERATIONS (BEFORE CAPITAL EXPENDITURES, DEPRECIATION, AND DEBT SERVICE) AT NO LESS THAN ZERO. THERE ARE TO BE NO CAPITAL EXPENDITURES AND THERE WILL BE NO USE OF RESTRICTED (RESERVE) FUNDS FOR CLUBHOUSE OPERATIONS.

The General Manager will prepare a revised financial forecast to fit this required operating model. A request was made for financial statements to be provided to the Board and Chair of the Financial Planning Committee on a weekly basis.

In response to a question from the floor, Randy Lewis responded that the COVID-19 restrictions will not impact refinancing negotiations, but noted that the key to the success of refinancing at lower rates over a longer period will be having the increased mill-levy revenue dedicated and tied to the debt payment. Materials and information about the May 5 election and ballot questions will be sent out before the two scheduled community meetings on March 31 and April 8.

Sue Blair reported that CRS' printer will waive all charges for printing the ballot package. In addition, Sue offered to waive CRS' charge for running the election, as well as for preparing and mailing the TABOR Notice from its office. The Board gratefully accepted this generous offer and, for the record, also thanked Sue for regularly discounting bills for its contracted services on behalf of Mount Vernon.

George Lowe expressed his thanks to John Stebbins, the Club staff, and the Board of Directors for all the work that they have done in service to the Club and Mount Vernon Community.

There being no further business to come before the Board, the meeting was adjourned at 8:25 p.m.

Respectfully submitted,



Gail M. McGowan, Secretary