

A G E N D A

POLICY COMMITTEE

REGULAR MEETING
TUESDAY, MARCH 6, 2018 AT 1:30 P.M.
BOARD ROOM - GATEWAY COMPLEX

1. MEETING CALLED TO ORDER Robert Kelso, Chair
2. ROLL CALL Robert Kelso, Geri Pyle, and Steve Roath
3. RESIDENTS' FORUM
4. APPROVAL OF THE REPORT OF MEETING HELD ON DECEMBER 5, 2017 (Attachment)
5. OLD BUSINESS
6. NEW BUSINESS

Policy 102.3 (Allocation of Revenue and Expenses) – Changes recommended by the Finance Committee at its February 20, 2018 meeting. (Attachments)
7. NEXT MEETING
Tuesday, April 3, 2018 @ 1:30 P.M. in the Board Room at the Gateway Complex
8. ADJOURNMENT

cc: GRF Board

POLICY COMMITTEE REPORT

REGULAR MEETING
TUESDAY, DECEMBER 5, 2017, AT 1:30 P.M.

A regular meeting of the Policy Committee was convened by the Chairman, Robert D. Kelso, at 1:30 p.m. on Tuesday, December 5, 2017, in the Board Room at Gateway Complex.

Present, in addition to the Chairman, were Mary Lou Delpech, Geraldine Pyle, and Stephen D. Roath. Also participating were Timothy O’Keefe, CEO; and Anthony W. Grafals, General Counsel. Attendance

One resident spoke at the Residents’ Forum Residents’ Forum

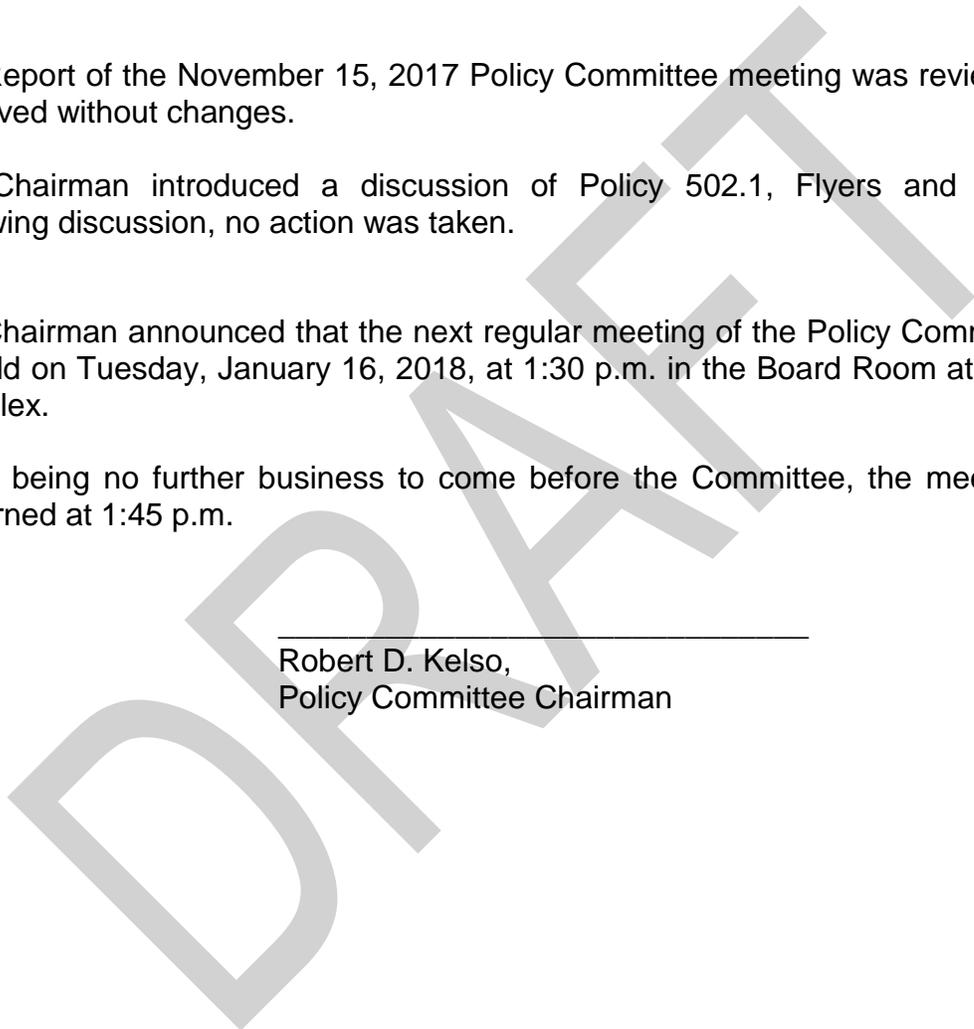
The Report of the November 15, 2017 Policy Committee meeting was reviewed and approved without changes. Report Approved

The Chairman introduced a discussion of Policy 502.1, Flyers and Petitions. Following discussion, no action was taken. Discussion re. Policy 502.1

The Chairman announced that the next regular meeting of the Policy Committee will be held on Tuesday, January 16, 2018, at 1:30 p.m. in the Board Room at Gateway Complex. Next Mtg. 1/16/18

There being no further business to come before the Committee, the meeting was adjourned at 1:45 p.m. Adjournment

Robert D. Kelso,
Policy Committee Chairman



Meeting Date: March 6, 2018

**SUMMARY REPORT
GOLDEN RAIN FOUNDATION POLICY COMMITTEE**

REPORT PREPARED BY: Anthony Grafals, General Counsel

REQUESTED ACTION/RECOMMENDATION: At its meeting on February 20, 2018, the Finance Committee voted to recommend changes to Policy 102.3 (Allocation of Revenue and Expenses).

BACKGROUND: Section 6 of Exhibit B to the GRF Trust Agreement (hereinafter referred to as, “the Bank Agreement”) as currently amended, sets forth the funding requirements for GRF’s annual operating budget. Generally, this section requires GRF to establish an annual budget for the operation and management of the GRF Trust Estate and the provision of administrative and recreational services for the members of the Mutuels and their successors in interest.

Such budget is to include administrative expenses, operating expenses, utilities, hazard insurance, taxes, assessments, interest, amortization and a reasonable contingency reserve.

Also, to be prepared in the same manner, GRF is to annually prepare a repair and maintenance budget to cover the repair and maintenance of the improvements included in the GRF Trust Estate, plus a reasonable reserve for replacement and renovation.

Both the operation and management budget and the repair and maintenance budget are to be calculated net of the use fees charged for the golf course and facilities and the lawn bowling greens and facilities. A copy of the referenced language is attached.

Pursuant to the GRF Trust Agreement, the funding for both of the foregoing budgets is to come from carrying charges allocated on a pro rata basis to the members of the Mutuels benefiting from the GRF Trust.

GRF Policy 102.3 (Allocation of Revenue and Expenses) was established in 2011 and amended in 2014, in order to, “describe the types of revenues and expenses that are classified as trust or operations and list some examples in each category.”

At its meeting on February 20, 2018, the Finance Committee voted to recommend changes to Policy 102.3 (Allocation of Revenue and Expenses) for consideration by the Policy Committee for possible further recommendation to the GRF Board for adoption. A copy of the minutes from that meeting is attached for consideration by the Policy Committee along with a redline of Policy 102.3 showing the changes recommended by the Finance Committee.

ATTACHMENTS:

- **GRF Trust Agreement, Exhibit B, Section 6, as amended**
- **Minutes from the February 20, 2018 Finance Committee Meeting**
- **Policy 102.3 (Redline Based on Finance Committee Recommendations)**

CRITERIA	Project:
Financial Impact	Undetermined
Operational Efficiencies	None.
Dependencies	Amended Section 6 of Exhibit B to the GRF Trust Agreement
Subsequent Actions	Recommendation to the Board only if approved.
Alternatives/Options	<ul style="list-style-type: none"> · Accept the Finance Committee's recommendations · Reject the Finance Committee's recommendations · Make alternate recommendations to the Board
Time-Frame	Unspecific.
Advantages/Benefits	Undetermined
Disadvantages/Risks	Potential violation of the terms of the Trust Agreement by the Trustee;

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AGREEMENTS

FIRST WALNUT CREEK MUTUAL, WALNUT CREEK MUTUAL NO. TWO, WALNUT CREEK MUTUAL NO. EIGHT, WALNUT CREEK MUTUAL NO. TEN, WALNUT CREEK MUTUAL NO. ELEVEN, WALNUT CREEK MUTUAL NO. TWELVE, WALNUT CREEK MUTUAL NO. THIRTEEN, WALNUT CREEK MUTUAL NO. FOURTEEN, WALNUT CREEK MUTUAL NO. FIFTEEN, WALNUT CREEK MUTUAL NO. SIXTEEN, WALNUT CREEK MUTUAL NO. SEVENTEEN, GOLDEN RAIN FOUNDATION OF WALNUT CREEK and UNITED CALIFORNIA BANK do hereby amend said instruments by the deletion in full of Paragraph 6 of the "Agreement" to which reference is made in Paragraph B hereof and by the substitution of the following provision therein for said Paragraph 6:

"6. GOLDEN RAIN shall operate and manage the Improvements and provide administrative, recreational and medical services for the benefit of the members of the Cooperatives and their successors in interest at cost and on a non-profit basis. The cost thereof (to the extent such cost exceeds receipts from the fees for which provision is hereinafter made) shall be included in the monthly carrying charges charged on a prorata basis to the members by their respective Cooperatives. No less than sixty (60) days prior to the beginning of each fiscal year GOLDEN RAIN shall prepare an operating budget setting forth its estimate of the amount by which the cost of operating and managing the Improvements and providing the other aforesaid services desired for the ensuing year exceeds the estimate of fees to be collected. Copies of same shall be delivered to the members of the Cooperatives or to the Cooperatives for delivery to their members. The estimate shall include administrative expenses, operating expenses, utilities, hazard insurance, taxes and assessments, interest and amortization, and a reasonable contingency reserve. GOLDEN RAIN in its capacity as Trustee of the Golden Rain Foundation Trust shall maintain and repair the Improvements for the benefit of the Cooperatives and their successors in interest at cost and on a non-profit basis and shall prepare and deliver estimates for such maintenance and repair in the same manner and such costs shall be defrayed in the same manner as provided above for operating and managing costs. Such costs shall include a reasonable reserve for replacement and renovation.

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GOLDEN RAIN may charge users of the golf course and golf facilities, lawn bowling greens and lawn bowling facilities and stables, horses and riding facilities a reasonable fee for such use, and such fees may be instituted, removed, re-instituted and the amounts thereof established and changed by action of the Board of Directors of GOLDEN RAIN."

IN WITNESS WHEREOF, the parties to said instruments have caused this instrument to be executed by their duly authorized officers and have caused their corporate seals to be affixed as of this 31st day of August, 1970.

FINANCE COMMITTEE REPORT

REGULAR MEETING
TUESDAY, FEBRUARY 20, 2018, AT 9:00 A.M.

A regular meeting of the Finance Committee was convened by David H. Smith, Chairman, at 9:00 a.m. on Tuesday, February 20, 2018, in the Board Room at Gateway Complex.

Present, in addition to the Chairman, were Jean A. Autrey, Mary K. Neff, Paul Rosenzweig, Della C. Temple, and Gery Yearout. William Dorband was excused. Also attending were Geraldine Pyle, President, Stephen D. Roath, Vice President, Robert D. Kelso, Secretary, and Leslie Birdsall, Sue DiMaggio Adams and Melvin C. Fredlund, Directors, GRF; Timothy O'Keefe, CEO; Richard S. Chakoff, CFO; Paul J. Donner, Director, Mutual and Trust Operations; Deborah Rose, Senior Administrative Assistant, Executive Services; and three residents. Attendance

The report of the Committee's regular meeting of January 23, 2018, was approved as written. Report Approved

During the Residents' Forum, Mr. Kelso shared his idea regarding agenda item 7a, Trust versus Operating expenditures, and Policy 102.3, Allocation of Revenue and Expenses. He then went on to say that the current GRF Board agenda line item from the Planning Committee, regarding traffic safety improvements, should have been run through the Finance Committee first before being presented to the Board. Residents' Forum

Messrs. Smith and O'Keefe addressed Mr. Kelso's comment regarding the Planning Committee's recommendations. Discussion followed.

Mr. O'Keefe provided an update regarding last week's Tice Creek Fitness Center's Grand Opening. He stated that a couple hundred people were in attendance for the presentation, and he noted that there were several hundred more in attendance that had left prior to the presentation. He shared that there was positive feedback. He also provided updates regarding the upcoming Board agenda items, noting specifically the Traffic Safety Study, Transit Study, Gateway Studio renovation, a new process for service level review, and risks and options for funding a geological hazard. Discussion followed. Staff Reports

Mr. Chakoff reviewed the GRF financial statements for January. Discussion followed.

After discussion, the Chairman stated that the size and terms of the permanent financing to replace the construction loan for the construction of the Tice Creek Fitness Center will be placed on the agenda for discussion at the next meeting of the Committee. Agenda Item for Next Meeting/ Staff Reports

Mr. Donner then reviewed the January Trust Facilities and Property Maintenance Report, the Capital Projects Budget and Expenditure Report, and the Machinery & Equipment Budget and Expenditure Report. Discussion followed. Continued

A memorandum prepared by Ms. Autrey and commented on by Mr. Rosenzweig regarding Policy 102.3 and circulated to members of the Committee was then discussed, as well as the propriety of circulating such a memorandum by email. The Open Meeting Clarification

Chairman stated that Ms. Autrey had asked him if she might circulate the memorandum, and he encouraged her to do so in order to stimulate thought and discussion. It was suggested by Mr. Grafals that while doing so was not improper, a better procedure might be to attach the memorandum to the agenda. A copy of the memo was distributed to those in attendance. (Attachment)

There was then a discussion regarding the history of Policy 102.3.

A motion was made by Ms. Autrey and seconded by Mrs. Temple to recommend to the GRF Board to amend Policy 102.3, Allocation of Revenue and Expenses, based on recommendations contained in the memorandum that Ms. Autrey wrote. Following discussion Ms. Autrey and Mrs. Temple withdrew their motion.

Motion
re.Policy
102.3

A motion was made by Ms. Autrey and seconded by Mrs. Temple to recommend to the GRF Board that Policy 102.3 be amended to provide that the revenue from the RV parking lot be moved to the coupon. The vote on the motion was taken, and the motion CARRIED, with Mr. Rosenzweig voting no.

Recom-
mendation
re. Revenue
from RV
Parking Lot

It was moved by Ms. Autrey and seconded by Mrs. Temple to recommend to the GRF Board that Policy 102.3, Allocation of Revenue and Expenses, Section I, Trust Revenue, be amended as follows (additions in italics):

Recom-
mendation
re.Policy
102.3,
Section I

“membership transfer fees;

earnings on Trust assets held for investment, including interest and Medical Center rent;

fees for capital equipment purchased for MOD Reimbursement by MOD for capital equipment purchased by the trust on their behalf;

gifts to the Trust (either for construction of a specific Trust asset or for general Trust activities).

Resale Community Facilities Fee (policy 102.1.2)”

The motion was CARRIED, with Mr. Rosenzweig voting no.

It was moved by Ms. Autrey and seconded by Mrs. Temple to recommend to the GRF Board that Policy 102.3, Allocation of Revenue and Expenses, Section II, be amended as follows (additions in italics):

Recom-
mendation
re.Policy
102.3,
Section II

“construction of new facilities or capitalized major renovations to existing facilities;

1. fees for work done by non-GRF employees in anticipation of a capital project, including architect fees, engineering studies and consultant fees. Abandoned projects are an expense of the

Trust.

2. any cost of temporary facilities required due to construction;
and repair of changes that occurred due to construction;

acquisition or replacement of capitalized assets, including but not limited to, vehicles, landscape and Golf Course maintenance equipment, large computer systems, major software purchases, and major equipment items such as Fitness Center machines and video projector systems and roadways; and

bank charges, loan fees and debt service (principal and interest) for loans associated with Trust operations.

Tangible property costing \$5,000 or less per item comprising a set or system, with an aggregate cost of \$80,000 or greater and a useful life in excess of one year, at the discretion of the GRF Board of Directors upon approval of the annual GRF budget. Pooled Assets - tangible property costing \$5,000 or less per item but capitalized when part of a set."

A motion was made by Mr. Rosenzweig to amend the main motion as follows: take valley wide paving out of Trust expenses and bring back to the coupon. The motion DIED for lack of a second.

The vote was then taken on the main motion, and the motion CARRIED, with Mr. Rosenzweig voting no.

A motion was made by Ms. Autrey to recommend to the GRF Board to eliminate the entire paragraph in Policy 102.3, Allocation of Revenue and Expenses, Section IV. The motion DIED for lack of a second.

Recom-
mendation
re.Policy
102.3,
Section IV

A motion was made by Mrs. Temple and seconded by Ms. Autrey to recommend to the GRF Board that Policy 102.3, Allocation of Revenue and Expenses, Section III, be amended as follows (additions in italics):

Recom-
mendation
re.Policy
102.3,
Section III

"monthly fees collected from each manor for the operation of Rossmoor;

fees collected for normal operation of Trust properties, including but not limited to, all golf course related revenue; room rental charges; sales of advertising; Creekside restaurant, catering and bar rents and revenues; and sales of Vehicle Access Devices.

charges for programs and activities sponsored by GRF, e.g., Recreation Department concerts or excursions.

earnings on operating fund assets held for investment, including interest; and

miscellaneous items including but not limited to facilities usage fee,

guest fees, handyman income, personal training income, RV rental fees and contractual business income from the Waterford and from vehicle maintenance.”

The vote on the motion was taken, and the motion CARRIED, with Mr. Rosenzweig voting no.

There being no further business to come before the Committee, the meeting was Adjournment adjourned at 11:07 a.m.

The next regular meeting of the Finance Committee will be held on Tuesday, March Next Mtg. 3/27/18 27, 2018, at 9:00 a.m. in the Board Room at Gateway Complex.

David H. Smith, Chairman
Finance Committee

dr

DRAFT

Policy 102.3 – Allocation of Revenue and Expenses

Following are my comments/suggested changes to the above-referenced policy.

Trust Revenue

1. Membership transfer fees – no change
2. Earnings on Trust assets held for investment, including interest and Medical Center rent.
No change. However, various fees (RV lot fee, fitness center usage fee, corp yard fees, are not paid on assets held for investment so they should be coupon revenue since the offsetting cost is paid by the coupon.) Policy 102.1.1 as it relates to the RV lot fee may need amendment.
3. fees for capital equipment purchased for MOD.
Change the wording on this to read: Reimbursement by MOD for capital equipment purchased by the trust on their behalf.
4. gifts to the Trust either for construction of a specific Trust asset or for general Trust activities.
No change
5. Resale Community Facilities Fee (see policy 102.1.2 for detail)
add this to the list

Trust Expenses:

1. construction of new facilities or major renovations to existing facilities.
Add the word “capitalized” before major renovation
2. fees for work done by non-GRF employees in anticipation of a capital project including architect fees, engineering studies and consultant fees.
Add: Abandoned projects are an expense of the Trust.
Change the label so it’s a sub-section (a) of item #1
3. any cost of temporary facilities required due to construction and repair of changes that occurred due to construction.
Change the label so it’s a sub-section (b) of item #1
4. acquisition or replacement of capital assets.....
Change the wording to: acquisition or replacement of capitalized assets, including, but not limited to, vehicles, landscape and golf course maintenance equipment, large computer systems, major software purchases, major equipment items such as Fitness Center machines and video projector systems and roadways.

5. bank charges, loan fees and debt service (principal and interest) for loans associated with Trust operation.
6. Tangible property costing \$5,000 or less.....
Change wording to: Pooled Assets - tangible property costing \$5,000 or less per item but capitalized when part of a set.

Operating Revenue:

1. monthly fees collected from each manor.....
no change
2. fees collected for normal operation of Trust properties...
add "including but not limited to" before the items listed.
3. charges for programs and activities...
no change
4. earnings on operating fund assets held for investment, including interest
no change
5. miscellaneous items such as :
add "including but not limited to" before the items listed. Add facilities useage fees and guest fees to the list.

Subject: Allocation of Revenue and Expenses

Purpose: To Establish a Policy to Differentiate Trust Revenues and Expenses From Operating Revenues and Expenses

The categories shown on the following two pages describe the types of revenues and expenses that are classified as trust or operations and list some examples in each category. These lists should not be considered exhaustive but are merely illustrative.

For purposes of this Policy, a capital expenditure is defined as a purchase of tangible property costing over \$5,000 per item wherein the property will not be consumed or converted to cash in one year. Capital assets may be purchased with Trust funds or funds from the operating budget.

I. Trust Revenues include:

- membership transfer fees;
- earnings on Trust assets held for investment, including interest and Medical Center rent;
- ~~fees for capital equipment purchased for MOD~~ [Reimbursement by MOD for capital equipment purchased by the trust on their behalf;](#)
- gifts to the Trust (either for construction of a specific Trust asset or for general Trust activities);
- [Resale Community Facilities Fee \(policy 102.1.2\)](#)

II. Trust Expenditures include:

- construction of new facilities or [capitalized](#) major renovations to existing facilities;
 1. fees for work done by non-GRF employees in anticipation of a capital project, including architect fees, engineering studies and consultant fees. Abandoned projects are an expense of the Trust.
 2. any cost of temporary facilities required due to construction; and repair of changes that occurred due to construction;
- acquisition or replacement of [capitalized](#) assets, [including but not limited to](#), vehicles, landscape and Golf Course maintenance equipment, large computer systems, major software purchases, and major equipment items such as Fitness Center machines and video projector systems and [roadways](#); and
- bank charges, loan fees and debt service (principal and interest) for loans associated with Trust operations.

DRAFT POLICY RECOMMENDATIONS

- ~~Tangible property costing \$5,000 or less per item comprising a set or system, with an aggregate cost of \$80,000 or greater and a useful life in excess of one year, at the discretion of the GRF Board of Directors upon approval of the annual GRF budget. [Pooled Assets - tangible property costing \\$5,000 or less per item but capitalized when part of a set.](#)~~

III. Operating Revenues include:

- monthly fees collected from each manor for the operation of Rossmoor;
- fees collected for normal operation of Trust properties, including but not limited to, all golf course related revenue; room rental charges; sales of advertising; Creekside restaurant, catering and bar rents and revenues; and sales of Vehicle Access Devices.
- charges for programs and activities sponsored by GRF, e.g., Recreation Department concerts or excursions.
- earnings on operating fund assets held for investment, including interest; and
- miscellaneous items including but not limited to facilities usage fee, guest fees, handyman income, personal training income, RV rental fees and contractual business income from the Waterford and from vehicle maintenance.

IV. Operating Expenditures include:

- normal costs of operating GRF assets, including utilities, taxes, insurance, as well as labor and materials for functions such as custodial and landscape maintenance of GRF facilities and land, including temporary facilities;
- labor and materials for programs/services such as aquatics, bus transportation, counseling, communications, fitness and public safety;
- labor and materials for administrative services such as human resources, accounting, legal and executive services;
- purchase of tangible property costing \$5,000 or less per item;
- repairs;
- maintenance of Trust assets, in accordance with the terms of the Trust; and
- banking and financial expenses related to the operating budget.

Authority: Policy

12/1/11 5/29/14

Note : Policy 102.1.1 re: RV lot fee should be reviewed in light of these recommendations.

Subject: Allocation of Revenue and Expenses

Purpose: To Establish a Policy to Differentiate Trust Revenues and Expenses From Operating Revenues and Expenses

The categories shown on the following two pages describe the types of revenues and expenses that are classified as trust or operations and list some examples in each category. These lists should not be considered exhaustive but are merely illustrative.

For purposes of this Policy, a capital expenditure is defined as a purchase of tangible property costing over \$5,000 per item wherein the property will not be consumed or converted to cash in one year. Capital assets may be purchased with Trust funds or funds from the operating budget.

I. Trust Revenues include:

- membership transfer fees;
- earnings on Trust assets held for investment, including interest and Medical Center rent;
- fees for capital equipment purchased for MOD; and
- gifts to the Trust (either for construction of a specific Trust asset or for general Trust activities).
- Resale Community Facilities Fee (policy 102.1.2).

II. Trust Expenditures include:

- construction of new facilities or capitalized major renovations to existing facilities;
- fees for work done by non-GRF employees in anticipation of a capital project, including architect fees, engineering studies and consultant fees. Abandoned projects are an expense of the Trust.;
- any cost of temporary facilities required due to construction; and repair of changes that occurred due to construction;
- acquisition or replacement of capitalized assets, including but not limited to vehicles, landscape and Golf Course maintenance equipment, large computer systems, major software purchases, and major equipment items such as Fitness Center machines and video projector systems and roadways; and
- bank charges, loan fees and debt service (principal and interest) for loans associated with Trust operations.
- Tangible property costing \$5,000 or less per item comprising a set or system, with an aggregate cost of \$80,000 or greater and a useful life in excess of one year, at the

discretion of the GRF Board of Directors upon approval of the annual GRF budget. Pooled Assets – tangible property costing \$5,000 or less per item but capitalized when part of a set.

III. Operating Revenues include:

- monthly fees collected from each manor for the operation of Rossmoor;
- fees collected for normal operation of Trust properties, e.g., including but not limited to, all golf course related revenue; room rental charges; sales of advertising; Creekside restaurant, catering and bar rents and revenues; and sales of Vehicle Access Devices.
- charges for programs and activities sponsored by GRF, e.g., Recreation Department concerts or excursions.
- earnings on operating fund assets held for investment, including interest; and
- miscellaneous items such as including but not limited to facilities usage fee, guest fees, handyman income, personal training income, RV rental fees and contractual business income from the Waterford and from vehicle maintenance.

IV. Operating Expenditures include:

- normal costs of operating GRF assets, including utilities, taxes, insurance, as well as labor and materials for functions such as custodial and landscape maintenance of GRF facilities and land, including temporary facilities;
- labor and materials for programs/services such as aquatics, bus transportation, counseling, communications, fitness and public safety;
- labor and materials for administrative services such as human resources, accounting, legal and executive services;
- purchase of tangible property costing \$5,000 or less per item;
- repairs;
- maintenance of Trust assets, in accordance with the terms of the Trust; and
- banking and financial expenses related to the operating budget.

Authority: Policy

12/1/11
5/29/14