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Hanover Seaside Club
Annual Meeting, October 26, 2019
Meeting Minutes

1. Call to order – Jan Sheppard, President, Presiding
President Sheppard called the meeting to order at 2:00 PM
2. Approval of Agenda, October, 2019 meeting. The Agenda was approved with one minor change. Item 4.b Report of Secretary Treasurer was moved down to become 5.b in order to consider and vote on proposed Constitutional amendments as any action taken would impact the proposed 2019/2020 Budget discussion. Motion passed and agenda was approved. There was a question as to who was taking minutes today. Dan Hickman answered that Clark Whitman and he were jointly keeping a record of the meeting and would have a set of minutes ready soon after the meeting.
3. Approval of minutes of the February, 2019 Annual Meeting
There were two changes requested regarding the Feb 9, 2019 minutes.
Member, Steve Lee, noted that two budget adjustment motions had passed at the Feb 9 meeting but were not reflected in the minutes or 2018-2019 budget. The Treasurer noted the claim and agreed to make the adjustments. Another member, Eelco Tinga, noted that there were comments made about the Jonas system assisting with fiscal efficiencies but the discussion was not included in the minutes. It was agreed that the minutes would be corrected to reflect both member's concerns. Motion to approve the minutes with noted changes made by Clark Whitman, seconded by Tom Cheatham. Motion passed.
4. Old Business
 - a. Remarks from President Jan Sheppard.
President Sheppard stated that it had been a very busy 8 months period for the club starting with Jonas computer system installation and training along with the creation of the 605 Committee to present options to the membership for the A-Frame to choose from. The Club held two informational meetings for members and had a Special Called meeting of Regular members to determine what to do with the property. It was decided overwhelmingly to tear down the A-Frame and build a duplex in order to replace the 605 rental income and upgrade the value of the property.

Room 109 was converted to an office /storage space with accommodation for a relief manager to sleep when the club manager is on leave.

The Membership asked that we hire a Security Guard as trespassers have been on the property. We formed a security committee and Danny Deas was hired as a security guard. He worked hard to keep non-members off the grounds.

We changed things up a bit for the July 4 Celebration. Instead of asking a child to carry the flag and lead the parade we invited one of our many veterans to do this.

Parties – We held a lot of parties this year. The Budget distributed was created based on data we gathered a few months ago. Year to date, the system reports that our party income is \$43,287 with related room rental income at \$17,396 totaling \$60,683. Food party income was budgeted \$31,000 for a favorable variance of plus \$29,683.

We have had many challenges including;

Jonas system

- Hotel invoice has taken a little getting used to
- A lot of work with Jonas to load and make changes to our member profiles

FYI theft of kayaks – 3 kayaks were reported stolen a few weeks ago. The board is discussing what can be done to prevent thefts in the future.

Costs to run the Club

- o Food costs are escalating
- o The Board voted to increase the prices by 15% for individual meals and room rent by 20% which is reflected in the proposed budget
- o I'd like to work with Victor and the Chef, Garrett, to ensure that we aren't losing money on specific meals.
- o I asked that we reduce the number of options on the breakfast buffet
- o How many people do we need to break even for meals? Our staff multi-tasks by getting ready for upcoming parties while fixing an evening meal. Instead of being quick to cancel dinners, I think we need to talk with Garrett about what goes on in the kitchen with regard to food prep/cooking before we arbitrarily cancel meals.
- o We need to look at party contracts – basically to not lock in prices for food at events until close to the date for an event. Some weddings/receptions are planned 18-24 months in advance. I believe we need to revisit food costs closer to the party to make certain that our costs are covered.
- o Staffing costs have increased in the last 2 years
- o Food service staff costs have increased a small amount (2%)
- o Parking lot/security guard increased nearly 300%
- o Salaries for Janitorial & maintenance increased over 300%
- o Front desk/bookkeeping staff will more than double in the coming year.

The advantage of Jonas is that we can get accurate, up to date statistics. For example, the club membership is aging. Since February the regular member (age 26 -69) count has changed from 247 to 218. These 29 members moved into the regular 70 and regular 75 categories. We lost 2 regular 80 and 2 seasonal 80 for a total of 4. From the member profiles we know how many members will be changing in the coming year. For example, 14 people can move into the 70 category, 16 can move into the 75 category, 12 can move into the 80 category. We know 8 children of members will turn 26 next year. More children may join due marriage but we have numbers for planning.

b. Report of Dan Hickman, Secretary-Treasurer

Dan reported that it had been a busy/fast 8 months. During that time, the financial team has;

Hired a new bookkeeper – Jeff Grate. We closed out the old TAM system and rolled/*crawled* data over into JONAS. It was a slow, painstaking process due to catching up entries and updating member data files. We discovered that approx. 70% of our member records were flawed and have worked all year to correct them. For example, of the 260 members eligible to be here today, 114 of you still have incomplete member files.

Member records are particularly important because we have 9 classes of members here at the Club and dues, fees etc. are predicated on AGE, and DATE a member joined the Club along with the ages of a member's children. Member records consume an enormous amount of staff time.

Membership update: This year we took in 20 children and only 4 new members – none related to anyone on the board and all membership votes were taken in open session. We are currently at our membership cap of 500 Seasonal and 260 Regular members. We are unlikely to take in many new members next year.

Dan noted that at the Feb meeting someone asked “*why we had spent 12,000 dollars on Landscaping.*” He reported that we had actually spent \$3,000 on landscaping and the other \$9,000 was for a drainage project in the gravel parking lot. The confusion was because bookkeepers have to file expenditures into the most appropriate accounts. To the casual observer without knowledge of, it can be misleading.

Dan also noted a remark by Elise Beal from the Feb 9 annual meeting where she stated that, “*The current budget starts with a loss. If we start with a loss and have another hurricane, we will be in trouble...is the board giving us a budget that will enable us to get by.*” Dan said that Elise's remarks were prophetic as just 8 months ago we voted against a dues increase and we voted for a deficit budget which we've tried to make work for the last 8 months. We did have another hurricane and we shouldn't be surprised that the Club has a deficit.

Dan then addressed why our deficit is worse than some thought it would be. He listed several reasons; For starters, we had insufficient dues income and the cost of goods, services, and maintenance went UP rather than DOWN this year. Second, the finance team was encumbered by the fact that our previous bookkeeper left shortly after the beginning of the FY and we were several months without a bookkeeper. So, we were unable to balance Nov-Apr until we caught up postings from last fall and winter. Our first complete balance was in the June – July timeframe - too late to make big adjustments for summer, 2019.

Dan also addressed food costs, citing five mitigating factors; 1. The cost of food has gone up. 2. The cost of labor has gone up. 3. Our Club is busier. We are serving more food (at a loss) to more people. 4. Cost of meal charges to members have remained the same. And 5 - We lost slightly over \$10,000 in unusable inventory left by the previous chef plus some spoilage.

This annual meeting is a first before the FY is closed out. This combined with accrual accounting make it more challenging for members to understand the budget. Dan noted that the bottom-line loss is significantly less than that reflected on the September P&L. And he pointed out that our cash balance appeared inflated due to combining insurance proceeds and \$104,000 in restricted funds with operating cash in order to temporarily take advantage of a higher interest rate in our PNC bank account. He also pointed out that the loss of 605 rental income and initiation income had significantly impacted our Club's bottom line. Even though we currently have no 605 income, we were still paying \$1,000.00 per month taxes on the vacant lot.

Dan then noted that Members had been given several options to address the 2019-20 income shortfall. Therefore, the Board is recommending a \$75 dues increase along with some fee increases to help keep the Club solvent.

Dan also pointed out the importance of making a decision during this meeting. Any delays making decisions add to administrative costs due to formal snail-mail requirements imposed on the Club by our Constitution. Today's meeting resulted in over \$1000.00 in mailing and associated costs. Pushing decisions to future called meetings comes with a price.

5a. Dan turned the meeting back over to President Sheppard who introduced Board Member Mackey Hughes.

Mackey Hughes talked about increasing initiation fees; Children to \$2500 and new members to \$10,000.

There was a spirited circular discussion ... It seemed that everyone had an opinion. Some members felt that \$2500 was too high for a 26-year old to pay. There was disagreement about whether relatives of life-long members should receive priority over more recent members. Bo Wessell suggested that first year initiation fees for children be set at \$2000 which could include the dues for the first year's membership.

Steve Lee insisted that the membership could not vote on several of the options because the Board had not defined all of the multiple options as multiple well-defined Constitutional amendments for each of the options. And that the plethora of potential Constitution changes was not officially mailed out 30 days in advance. Therefore, the decisions would have to be delayed into the next FY and a future called meeting.

More discussion followed and finally a motion was made by Jake Wessell to call the question. President Sheppard read the section of the motion related to combining the current 12-step range of \$1000-\$4,000 for children's initiation fees into a single fee of \$2,500, making it equal for all incoming children. Member, Steve Lee, requested that the complete motion be read. President Sheppard read:

. *Initiation Fees. The initiation fee for joining the Hanover Seaside Club will be ~~\$5,000.00~~. **\$10,000.***

*Children of current members in good standing shall be eligible to join the Hanover Seaside Club, provided they apply for membership on or before their 26th birthday or the date of their marriage, whichever occurs first. The initiation fee for eligible children of members, who are accepted for membership in accordance with Section 2 of this Article, will be ~~a reduced fee per the following table:~~ **\$2,500.***

A vote was taken on the legacy children portion and was defeated.

Then, the initiation fee for new members was discussed. The proposal was to increase membership for new members to \$10,000. There was some confusion/discussion as to whether "Legacy" non-members would also be charged \$10,000. **There was no agreement on what exactly defines a "Legacy Member."** **The consensus was that the same fee would apply to everyone equally.** There was more discussion comparing new members to family of legacy members. The question was called and the motion failed to pass.

After failing to pass either of the amendments for increasing initiation fees, the Chair turned to the subject of raising dues by \$75. There was more circular discussion regarding finding ways to save money rather than raising dues, but no one had any concrete ideas how to save more money. Bo pointed out that there were a number of projects that needed funding. The question was called and the motion to raise dues by 75 dollars passed.

The Secretary Treasurer returned to the podium to explain the budget again. A motion was made by Clark Whitman to accept the budget as identified in column four and retain the 12-step children's initiation scale favoring children of older members.

Steve Lee produced a pre-prepared substitute motion stating, "I move that the 2019-20 budget shall be approved except that total payroll salaries be capped at \$190,000 and that the Manager's pay-rate be capped at \$45,000."

Dan Hickman pointed out that Steve's motion was unconstitutional because the Constitution sets the authority "to hire and pay all employees of the Club" as the Board's responsibility and only the board has that authority. Steve Lee's motion was soundly defeated. The original motion was returned to the floor, seconded. The original motion passed. The budget was adopted.

Cher Pridgen was recognized and spoke to encourage positive participation of members during the year by attending board meetings instead of waiting until the annual meeting once a year to express their concerns.

5 b. 605 – Building Committee, Armistead Boyd

Armistead briefed the Membership about progress with the 605 project:

- Old 605 is gone the cost was \$13,500 and under budget
- Hoped to begin construction around first of the year **but**
- Issue with survey lot is narrower by 3.5 feet for the purposed plan to fit, this must be resolved with the City of Wrightsville Beach
- Have 5 loan term sheets from various banks and they favorably match the projections previously shared in July but if the plan changes that would require that we resubmit to banks
- These delays may cause the project to pushed back by months

The committee has insufficient information to ask the membership for permission to borrow money for construction. The decision was made to have a called meeting at a later date in order to get member's permission for authority to borrow money and to enter into a contract with a builder. According to the Constitution, the Board can make contracts for current and routine expenses. It shall not borrow money or contract debts. (Article II, Section 5).

6. New Business

- a. Nominating Committee Report , Mike Pridgen, Chairman
Mike Pridgen introduced the candidates for officer and board positions.
- b. Nominations from the floor resulted in Jake Wessell and Brian Wessell being nominated for the 3-year board position
Ballots were distributed, marked, and collected by the teller committee headed by Gary Henderson.
- c. Election results of Officers and Board Members for 2019/2020.
For President, Jan Sheppard
For Vice President, Cher Pridgen
For Secretary Treasurer, Clark Whitman
For one-year Board, Elise Beall
For three-year Board, Ernie Alexander and Dan Harris
- d. The date set for the 2020-2021 Annual Meeting will be October 24th, 2020 at 2pm.

Adjourn. President Sheppard adjourned the meeting at 5:45pm.

Respectfully submitted,

Dan Hickman
Secretary-Treasurer