



TOWN HALL MEETING

REPORT

March 11, 2008

**SUMMARY OF
TOWN HALL MEETING
HELD
MARCH 11, 2008**

— Doug Gale, Condo Board President

The attendance at the meeting was a little disappointing. The purpose of a Town Hall Meeting is to:

1. Communicate the Condo Boards position/action with respect to important topics that affect all residents.
2. To provide residents with the opportunity to express their opinions directly to Condo Board members.

We are all in this together. It is important that residents attend these meeting rather than getting their information from rumors that spread throughout the park.

The Town Hall meeting held March 11, 2008 covered four important topics.

1. SRP Presentation by David Murphy SRP's "Manager Distribution Design & Construction," David is Venture Out's primary interface to SRP. This is the first time I can recall we have invited SRP to speak directly to residents.
2. Comments from newly elected Condo Board President, Doug Gale.
3. Treasurer's Report, which covered the preliminary budget for 2009, including estimated 2008-2009 Quarterly Assessment figures. One chart shows additional projects that will be completed utilizing the 2007-2008 budget. Funding for these projects will be accomplished within the current budget and a contribution from the Social Board. One chart that highlights some major projects that will be accomplished utilizing the 2008-2009 budget. Funding for these projects also included a contribution from the Social Board.
4. Water Separation: The Board is gathering the facts to make the decision that the savings justifies the cost.

The Condo Board considers these topics extremely important.

SRP PRESENTATION FROM TOWN HALL MEETING

— Gary Robbins, Condo Board Vice-President

SRP representative David Murphy gave residents of Venture Out a historical account of the negotiations between SRP and Venture Out. David began his presentation with the year 1997.

1997 Venture Out could not issue a blanket easement to accomplish a cable replacement so the project is cancelled.

2004 SRP denies design & construction services. VO Infrastructure Committee begins discussion for Hazard & Encroachment Mitigation with SRP.

2005 VO/SRP agree to redevelopment plan to relocate all electric facilities to the front of lots. SRP completed a preliminary design November 2005.

2006 VO Infrastructure committee indicates to SRP that VO would not agree to share cost of project. SRP had proposed VO is responsible for trench & conduit and SRP would pay for cable and equipment.

2007 VO/SRP agree to implement pedestal hazard mitigation plan.

2008 SRP proposes transformer hazard mitigation plan.

David's main reason for presenting to the residents was to address the transformers in the park that SRP believes to be a hazard to residents. He showed photos of transformers next to park models along with propane tanks that were too close to the transformers. He stated propane tanks should be no closer than 10 feet. This is the standard enforced by the City of Mesa.

David told residents that SRP would have a recommendation and costs available to solve the transformer encroachment in October of 2008. The Infrastructure Committee for VO will meet in the fall of 2008 to review the information supplied by SRP, and will make recommendations to the Condo Board.

When resident Bill Don asked why the concern about the transformers when he thought that replacing the primary cables will be of a greater concern. SRP representative Dave Murphy said that SRP will replace the cables at their cost but that residents will be responsible for landscaping the property after the trenching is completed.

TOWN HALL MEETING

MARCH 11, 2008

— Doug Gale, Condo Board President

As the newly elected President of the Condo Board I get to introduce and welcome to the 2008-2009 Condo Board three new Directors. On behalf of all Venture Out residents it is an honor to welcome Carol Perkinson, Don Bogle and Gordon Klofstad. Your willingness to volunteer three years to the betterment of the park is one of the key ingredients that make Venture Out a Premiere Park. Each of you must put personal preferences aside, your decisions should be based on what you believe is best for all 1749 lot owners. You are now part of the Venture Out leadership team consisting of the Condo Board, the Social Board and our Management. You are about to experience an aspect of life in Venture Out that only a few residents have known. Welcome, I look forward to working with you.

On February 15, 2008 we held our Organizational Meeting the following Directors were elected to the Executive Board Gary Robbins Vice president, Alan Wilkinson Treasurer, Sue Warren Secretary and myself President.

Most of you know me; you have observed my participation at many Condo Board meetings over the past two years. I am hard working, passionate about issues, honest, and very realistic. I have no difficulty expressing my opinion but am willing to listen and try very hard to understand the other points of view. Making decisions is not difficult for me, all my decisions will not be right but will be based on what I believe is best for Venture Out. I take very seriously the Oath of Office and believe the CCRs have a lot of wisdom from the past in them. They are the Regulations, Bylaws and Rules we must all adhere to, however it is my belief that no Regulation, Bylaw or Rule fits every situation and sometimes the Board must interpret them for a particular situation. My goal is to provide the leadership that will produce a team effort. There are many challenges facing the board, they will not all be solved during my short term in office. By far the most serious issue facing the Board is the Pinney/Osburn lawsuit. This lawsuit is now into it's third Venture Out President, it has consumed over **\$80K** and an untold amount of staff time. My predecessor Ron Lucuik has kept you all very well informed on the status with respect to this case. The Appeals Court has scheduled Oral arguments on April 1, 2008 each side will be given 20 minutes to present their case. We will publish the time and location in the Outlines and encourage residents to attend. How long it will take for the Appeals Court to rule is very difficult to predict. I will pledge to you that this Board will do everything in its power to win the case. All Directors share the same opinion losing this case would over the years destroy Venture Out, as we now know it.

Infrastructure has been a subject of many of our Condo Board and Town Hall meetings. It is still a high priority item and much progress has been made in the last couple

of years. Our relationship with SRP is good. Improvements made by SRP over the past years have substantially improved the stability of power within the park. Anyone who has driven up Fairchild has seen the work being done by Qwest. Qwest has verbally committed to continue to work on their system until all the cables across the roads are buried and the system becomes more stable. Our new contract with ES has provided residents with a substantial improvement in signal quality and a good channel selection at a very low monthly cost. The water separation project is moving along thanks to Gary Robbins, Gordon Klofstad and our General Manager. Gordon is a great addition to this project he brings many years experience in this field to the team. He will give you details on the status of the project later on.

If Venture Out is to continue as a Premier Park in the East Valley it is essential we continue to maintain our current assets and to upgrade our park. We must offer the amenities that future residents want. This can only be accomplished if the Social Board the Condo Board and Management has the foresight to plan for the future. Continuing, as a Premier Park is not free, it will take future investments by each Lot Owner. We are competing against large corporations like Cal Am & Del Webb run by executives who have larger resources and are willing to spend money on amenities that will meet the needs of future residents. Venture Out must be willing to do the same.

The Boards function is to establish Policy and Direction; the General Manager is responsible for park operations. There should be no reason for Board members to micro-manage our General Manager. She is given the responsibility and should be judged on the results. I have confidence in our General Manger, and she has my full support.

There are in my opinion two key reasons for the success of Venture Out. Number One is you our resident and your willingness to volunteer and provide the funding required to continuously maintain and enhance our park. This was just demonstrated by the overwhelming support you gave to the two propositions on our most recent ballot.

Number Two is the two Board systems. Our past residents created an organization that has and should continue to be very successful. It is essential that both Boards work together using their combined resources to provide for the needs of all residents. As President of the Condo Board one of my goals will be to work with the Social Board President to coordinate our efforts for the betterment of the park. I believe all the funds available to both Boards is the resident's money; our task is to utilize our funds for the good of all current and future residents.

In conclusion thank you for the honor of serving as your President. Your confidence in me is appreciated.

TREASURER'S REPORT

— Alan Wilkinson, Condo Board Treasurer

My principal duty tonight is to let you know what the Board has developed on the Budget for Fiscal '09. This information is tentative until we formally approve the Budget on March 20, 2008, and all figures below are rounded.

Significant events in Fiscal '08

However, before dealing with Fiscal '09, I need to update you on two unusual events that are affecting the Fiscal '08 year which will end June 30, 2008. Firstly, last year's Board budgeted for some significant expenses in this period that have not been, and most probably will not be, spent. That board made the best effort it could at the time to estimate these expenses. The main items are a favorable variance on legal fees of \$30,000 re the Osburn/Pinney 55+ challenge, and a favorable variance of \$35,000 on an allowance for potential SRP costs.

Given these variances, your new Board decided to accelerate a number of approved projects into the current fiscal period rather than wait to Fiscal '09. Last year's budget kept the expenditures for Fiscal '08 projects very restricted, but now that we have the money, we should proceed with them. The accelerated projects total about \$57,000, which includes \$13,000 on curbing and fencing at the S.W. water retention area.

The second point is that the Social Board will transfer funds to the Condo Board. These funds will be used for two of the projects, totaling \$20,000. These projects are joint expenditures of the two Boards and will benefit V.O.'s recreation effort considerably. When the dust settles on these matters we hope to be able to still have some surplus left, which we will move into Fiscal '09.

BUDGET FOR FISCAL '09

Now for Fiscal '09. The following analysis basically compares the expected Fiscal '09 Budget figures with the expected actual figures for the Fiscal '08 year, looking at major changes only.

Our biggest expenditure each year is our payroll and the related employee benefits such as payroll taxes, medical insurance and workers compensation. The benefits work out to 21% of the gross payroll. Mary and her people have worked hard on the proposed payrolls for next year, recognizing that medical insurance rates rose last year and the employees had to take on an extra burden in that respect. Total payroll for last year plus employee benefits paid by the Condo Board was approximately \$1,624,000. Fiscal '09 is budgeted at \$1,701,000, an increase of \$77,000, and an average percentage increase of 4.8%. We are also budgeting for a net increase of one person in our head count, which would involve an additional net increase in wages and benefits.

Utilities are expected to continue to increase. For electricity, natural gas and water combined, we have budgeted a total increase of \$33,000, being 5.5% over Fiscal '08. Cable TV costs are budgeted at \$185,000, vs. \$76,000 for Fiscal '08. The difference is basically due to 12 months of cable in Fiscal 2009 vs. 5 months in Fiscal '08.

We have budgeted \$6,000 for legal expenses next year for the Osburn/Pinney court case, a reduction of \$24,000 from the current year's expenses.

We have budgeted \$10,000 for possible SRP costs, a reduction of \$25,000 compared to Fiscal '08.

One of the initiatives that the current Board has agreed on is to find a method to prioritize the many worthy suggestions for improvements in Venture Out that have been made over the years. One problem seems to be that we need to get reliable estimates of the costs involved, but the money is seldom available in the budget to do such estimates. The Board provided an allowance of \$65,000 for such studies, which is \$55,000 over last year's figure for this category. The amount is a best guess of what may be needed. If the allocation is not needed, the Board will not spend the money.

For Fiscal '09 we have budgeted \$69,000 for special projects such as \$20,000 on additional B-B-Q costs and \$12,000 for shuffleboard shade. The Social Club will participate in funding these two projects to the extent of \$28,000. The Condo Board will do the final stage of the palm tree skinning and trimming project in Fiscal '09 instead of waiting to Fiscal '10, which adds \$32,000 to the Fiscal '09 budget.

The Board also reviewed V.O.'s charges for various user-pay items. Fees will be increased for real estate transfer and document fees, badges (returning to the 50% refund system we had for many years), and 3rd party rental fees (making them all the same regardless of whether it is the first or a subsequent processing by the same owner). Overnight space fees and storage fees will increase 10%, and laundry fees will increase about 25% to bring them closer to commercial rates.

SUMMARY OF FISCAL '09 BUDGET

	<u>Total Amount Per Lot</u>	
Total expenses	\$3,480,000	
Projects, additions and alterations	69,000	
Total expenditures	3,549,000	
Miscellaneous revenue	(448,000)	
Contributions from Social Club	(28,000)	
Net expenditures	3,073,000	
Transfer from opening surplus	(30,000)	
Assessments – General Fund	3,043,000	\$1,740
Assessments – Reserve Fund	448,000	256
Total Assessments	3,491,000	1,996
Per quarter		499
Current '08 quarterly assessment		471

**PROJECT STATUS SHEET
2007 - 2008 BUDGET**

PROJECTS	BOARD APPROVED	FUNDING ASSISTANCE FROM SOCIAL BOARD	CAPITAL FUNDS(90K)	OPERATING FUND
Paint Interior Electronics	YES	NO	NO	YES
Microsoft Software	YES	NO	NO	YES
TOTAL ADDITIONAL OPERATING FUNDS	\$6,500			
Dog Walk Curbing	YES	NO	YES	NO
Dog Walk Fencing	YES	NO	YES	NO
Bar-b-Que Infrastructure	YES	YES	YES	NO
Electronic Room Rehab.	YES	YES	YES	NO
Upgrade Elec. C.C.	YES	NO	YES	NO
<i>*Electrical CCT. Backstage</i>	YES	NO	YES	NO
<i>*Upgrade Library Lighting</i>	YES	NO	YES	NO
<i>*Relocate Switches in Café</i>	YES	NO	YES	NO
<i>Light VO Sign</i>	YES	NO	YES	NO
Pavers To Sonoran Café	YES	NO	YES	NO
Renovate Adm. Office	YES	NO	YES	NO
Update Adm. Electrical CCT.	YES	NO	YES	NO
TOTAL ADDITIONAL CAPITAL FUNDS	\$57,390			
Increase Minus Social Board Contribution	\$37,190			
TOTAL ADDITIONAL INCREASE 2008 BUDGET	\$43,690			

**PROJECT STATUS SHEET
2008 - 2009 BUDGET**

PROJECTS	BOARD APPROVED	FUNDING ASSISTANCE FROM SOCIAL BOARD	CAPITAL FUNDS(90K)	RESERVE FUND	OPERATING FUND
2009 Operating Fund					
Palm Tr. Skinning 3rd sec.	YES	NO	NO	NO	YES
Repair Fence Pickle Ball	YES	NO	NO	NO	YES
New Fence Post Tennis Ct.	YES	NO	NO	NO	YES
Weed Sprayer for Maint.	YES	NO	NO	NO	YES
Rec. Flatbed Golf Cart	YES	NO	NO	NO	YES
Rec. Misc.	YES	NO	NO	NO	YES
2009 Operating Fund Projects Costs	\$45,600				
2009 Reserve Fund					
Recoat Tennis Ct. 5&6	YES	NO	NO	YES	NO
Streets Seal Coat	YES	NO	NO	YES	NO
New Valley Gutter 600 Nav.	YES	NO	NO	YES	NO
New Bocce Carpet	YES	NO	NO	YES	NO
Redo Oasis Floor	YES	NO	NO	YES	NO
Kool Deck Repairs	YES	NO	NO	YES	NO
One New Drywells	YES	NO	NO	YES	NO
2009 Reserve Fund Projects	\$167,200				
PROJECTS					
2009 Capital Projects					
Shuffle Shade Structure	YES	YES	YES	NO	NO
Bar-b-Que Structure	YES	YES	YES	NO	NO
New Signs	YES	NO	YES	NO	NO
Drainage at Billiard Corner	YES	NO	YES	NO	NO
2009 Capital Projects	\$55,600				
2009 Social Bd. Contribution	\$28,250				
2009 Cap. Proj. Minus SB Contributions	\$27,350				

**WATER SEPARATION REPORT SUMMARY
FROM PRESENTATION
AT THE TOWN HALL MEETING**

— Gordon Klofstad, Condo Board Director

The Board of Directors for Venture Out want to thank the Lot Owners for their support in voting for Proposition 2. Their approval provides the Board with the authority to go forward and further evaluate the benefits of separating the water used for irrigation and pools from water delivered and used for other purposes thereby removing the charge for sewer on water that does not reach the sewer.

Water separation is having two separate water delivery systems. One system will continue to provide service to our units and other common area facilities and the other for irrigation, pools, car wash, etc. The latter water does not require sewer service.

The City of Mesa provides water to Venture Out at both the Main Street and Broadway Street entrances to the Park. They have two meters at both locations, a 2-inch meter to cover low flows and a 6-inch meter to measure higher volumes. They do not measure the volume of water that is discharged from the Park by way of the sewer. They assess a flat fee of 1.02 times the water use for a sewer charge.

Water separation will add two 2-inch meters at both street locations to measure the water that will not be assessed sewer fees. A new and separate pipeline will also be installed to provide service to the existing irrigation meters and the pools. The goal of the Board is to reduce the cost of doing our business as long as the returns outweigh the costs to install the system that will be used to measure and deliver the water used for other purposes.

The City of Mesa gave permission to Venture Out to read the existing water meters in an effort to learn how much water is being used for irrigation. This information will help support and contribute to justifying the installation of equipment for the water separation project. Rick Stewart, VO employee responsible for irrigation, read the meters every week day morning about 7:00 am starting on February 26, Tuesday. Daily use varied from 189,513 gpd to 277,427 gpd. The difference can be related to the irrigation activities that occur this time of the year on Tuesday for the west half of the Park and Thursdays for the east half.

The amount of water for one irrigation was determined to be about 178,000 gallons. This is the amount of water required to fill both swimming pools. Based on about 80 irrigations per year, this volume is 14,240,000 gallons or 25% of our total use of 57,700,000 in 2007. If we had separation functional in 2007, VO would have saved \$69,000. The City of Mesa will be increasing water and sewer fees every year by a minimum of 5%. By not paying sewer costs on water not entering the sewer system, it is projected that we would save over \$500,000 over the next six years.

Over the weekend, 2/29 – 3/3, the average daily water use was 189,513 gallons. This is generally the period minimal irrigation is occurring. Based on the number of people in the Park, that relates to 63 gallons of water per person per day. The City of Mesa uses an average daily use of 71.5 gpd, so our use is realistic for a retirement complex. Mary Schmit, General Manager, used weekly occupancy figures for the Park in 2007 and based on 63 gpd, the Park would have used 32,500,000 gallons for our domestic needs. This amount is 56+ % of our total use resulting in 43+ % being used for irrigation and pool.

The range of savings by installing a water separation system is between 25 % and 43 %, more likely toward the higher percent.

Engineering construction plans will be available soon to submit to the City of Mesa so a construction permit can be obtained. We will ask at least three contractors to review our needs and submit bids to do the work. Based on the costs that contractors bid, the feasibility of the project will be determined. If it looks like the return will be greater than the cost to install, the Board of Directors will approve and authorize Mary to award a contract. Following award the amount of funds needed will also be determined so an assessment for each lot owner can be provided.

WHAT'S NEXT:

- Evaluate irrigation water applications and improve efficiency
- Automatic irrigation to be accomplished at night, less evaporation
- Reduce irrigation delivery system leaks
- Assist owners in evaluating their inside water systems to determine if water wasting is occurring

If project is determined to be feasible, construction will likely start as soon as the City of Mesa permit is issued, hopefully before June 1.