January 2019

Rancho Santa Teresa News

www.ranchosantateresa.org * www.facebook.com/RanchoST * office@ranchosantateresa.org

CHECK OUT OUR FACEBOOK PAGE:  www.facebook.com/RanchoST

OFFICE HOURS
Starting January 8, office hours will be reduced to 3 days a week. The office will be open Tuesday to Thursday only 8am to 12noon. Hall & club tours & member photos are Wednesday only.

Town Hall Meeting
There is an important town hall meeting on Friday, January 25 at 7pm in the Hall to hear member feedback and ensure all questions are answered for the upcoming bylaw change vote.

President’s Letter
Please read the important letter inside explaining the proposed bylaw changes.

1st Quarter Dues Notice
Remember to turn in your $100 dues for the first quarter or $400 for all of 2019. Dues are late after January 31 for this quarter only.

* 1st Quarter Dues Notice for 2019 *

1st Quarter Dues are due January 1, 2019. If your payment is received after the 31st (this quarter only), a $10 late fee will be added. THIS IS YOUR DUES NOTICE. We do not mail invoices to save costs. You can set up auto pay through your bank or put your check in the club mailbox located near the hall steps on Sorrento Way. Write checks payable to RSTSRC.

NOTE: Dues are $400 per year (or $100 per quarter: Jan-Apr-July-Oct). Payments must be received in the office by the 31st of the month/quarter or a $10 late fee will be added. If you pay $400 by January 31, you will be allotted 12 FREE guest passes at the window. Detailed rules and Club’s collection policy are available in the office. We have the privilege of membership in this great Club and all households in our neighborhood share in its care and vitality.

ARTICLES, ADVERTISEMENTS and ITEMS OF INTEREST for the NEXT newsletter are due by noon on the 16th of the month. Articles are subject to Board approval.

We are a community of 761 homes. We work, then we play ... at the best Cabana in town!
ON-GOING CALENDAR
Boy Scouts—Troop 212—Wed 7:00pm
Girl Scouts - Troop 60153—Wed 3:45pm
*EXCEPT DURING BOARD MEETINGS
OR WHEN CLUB IS RENTED OUT

The next Board Meeting is
tentatively Monday, February 11
at 7:00pm in the Club Lounge

IMPORTANT PHONE NUMBERS
Problems with abandoned cars?
Call Vehicle Abatement: 408-277-8900
Tree Problem? City Arborist: 408-277 2762
To Report Street Lights Out: 408-794-1903
Animal Care/Barking Dogs: 408-794-7297
Junk Pick Up: 408-213-7800
City Code Enforcement: 408-535-7770
(www.SanJoseCa.gov/CodeEnforcement)
Emergency..........................9-1-1
Non-emergency .................3-1-1
Cellular 9-1-1 (San Jose).....408-277-8911

Join the Neighborhood News: www.NextDoor.com

STRENGTH AND STRETCH
Jan 8—Feb 12 Tues/Thurs —
6 pm to 7 pm
12 classes per session (No class Feb 14)
Contact Sandra at
sandra.godsdivinecreation@comcast.net
or 408-205-8363
$65 members, $75 non-members
(Payable in Advance)
Bring 3 to 10 lb weights and a floor mat

Board of Directors & Office Staff
Dirk Seidel........................................President
Vic Haddad ........................................Treasurer
Michael Kirtland...............................Co-Treasurer
Arian Collen......................................Secretary
Norm Collier.....................................Board Member
John O’Byrne.................................Board Member
Nick Toprani....................................Board Member
Luke Brown.................................Facilities Manager
Jerry Bozzo....................................Pool Manager
Alana Martinez..............................Office Coordinator

FREE Activities

Evening Lap Swim
Mon-Wed-Fri, 8-9pm
Please email the office to register. The pool must be covered after evening lap swim is completed.

Weekly Friday Coffee Club
The Coffee Club meets every Friday at 10am in the Lounge to play games or to go on a road trip. Refreshments are served, so come on down and have some fun! Call Norm Collier for details
408-227-9252
Happy New Year,

I hope you all had a wonderful holiday season and a good start into the New Year. By now everyone should have received the letter from the club informing you that the Board of Directors has adopted new election rules. These rules are a necessary element for our upcoming vote to adopt new bylaws. The vote is planned for March at our spring membership meeting. The exact date will still be determined and depends on a couple of milestones, like when the new proposed bylaws will be approved by the Board of Directors and when we will be able to mail out the voting packages. Once the packages are mailed out to all members, the voting and spring membership meeting will be 30 days thereafter. The 30-day time frame is a legal requirement to give everyone a fair chance to turn in their absentee ballots.

As stated before, it is necessary to update our 50-year old corporate bylaws to ensure that they reflect current laws the board can rely on. As board members we use the bylaws as our “golden” rule book and it is therefore important that our bylaws are not in conflict with any other laws, in particular the Davis-Stirling Act, which is the relevant section in the California Civil Code which we must follow. Some members asked why we have to follow the Davis-Stirling Act since we are not a traditional home owner association, condo, or apartment complex. However, the Davis-Stirling Act applies to “common interest developments” (like ours) which essentially means any community where members share ownership in the common area, or share ownership of an association (our Rancho Santa Teresa Swim and Racquet Club) which owns the common area, or where the association can levy assessments and lien your property to pay for maintaining the common area. That meaning can apply to condominiums, but it also applies to developments with single-family homes, like ours.

As our club is incorporated as a 501(c) (7) non-profit organization, we enjoy special benefits like tax exemption, serving alcohol and even gambling activity would be legal. However, with these benefits come also restrictions. For example, our club needs to be exclusive, which means it cannot be open to the public. Furthermore, our non-member income cannot exceed 15% of our member income. In-depth research and consultancy with tax experts have revealed that our existing Seasonal Guest Pass program does not comply with 501(c) (7) regulations. When the Seasonal Guest Pass program was introduced in 2012 only 34 families, who lived outside of the Rancho Santa Teresa boundaries, joined the club for a two months period. At that time, the club benefitted from an extra income of $10,200. However, over the years our Seasonal Guest Pass program has gained in popularity and in 2018 we had 90 families joining from April to September. This ensured the club an extraordinary income of $45,000, which was used to keep the membership dues low and did offset the cost of operation. Absorption of the steep increase in minimum wage would not have been possible without this income. Further, non-member income is generated from renting the tennis courts, non-member swim lessons, and the all-year swim team, which is highly used by our members. The total non-member income received reached our maximum allowable threshold. Further, IRS rules require that guests are accompanied by members at all times, which would mean that all sponsors of the seasonal guest pass holders would need to be at the club with their seasonal guest pass holders. By implementing an Associate Membership, this requirement would be eliminated. Another requirement is that the Board of Directors needs to determine who will be granted a membership. Currently this is not the case and a change of our current bylaws is therefore required.

The planned Associate membership will allow families which do not live in the club boundaries to join the club after board approval. However, these families need to reside between Lean Avenue,
Bernal Rd., Hwy 85 and the mountains. Because our current Seasonal Guest Pass holders are a fundamental part of our Rancho community it would unfair to exclude those families who have been “quasi members” for years. For this reason, the board wants to “grandfather” those families in as long as they continue their membership. It is important to know that all our neighboring cabana clubs have already updated their bylaws to address civil law changes and adopted the concept of Associate Membership. So we are not proposing anything new or different.

Besides the definition of the term Associate member, which will have a maximum cap of 100, in our proposed new bylaws the board anticipates the following changes:

- All board meetings will be open to its members. An agenda of a planned board meeting will be posted 4 calendar days prior to the meeting and the meeting minutes will be posted 30 days thereafter. In the past, only the town hall section was open to the members and we never published the agenda prior to the meeting. While our current bylaws do not require this, recent changes in the law do.

- New defined officer roles of a Vice President, Assistant Treasurer and Assistant Secretary. This will improve operation.

- The term of all board members will be two years. This will improve efficiency.

- Elimination of compensation for the Board of Directors.

- Required annual review by a California State Board licensed Accountancy (Required by law).

- Requirement that all business actions must be conducted and approved at an official board meeting by the Board of Directors (Required by law).

- New Ethics Policy.

- Secret election of Board of Directors will be eliminated if there are not more candidates than openings. This will save the club time and money.

- Only one annual membership meeting is required in a fiscal year.

Mandatory statute of the California Civil Code, addressing Assessments, will be incorporated. This will empower the board to raise annual dues without a member vote if the increase is less than 20% of the dues in the previous year. This is something the board discussed in detail. While none of the board members wants to increase their own dues, it gives the board the capability to adjust to annual increased operational costs, i.e. utility and minimum wage expenses, more easily and at the same time ensures that we fund our reserve account appropriately.

Please note that this list is preliminary. At this point the board has not yet approved the proposed bylaw changes and I am writing this message before the January board meeting. We may even be waiting with the approval after the town hall meeting on Friday, January 25 as we want to hear your feedback and ensure that all your questions are answered for this important bylaw change vote. We will be posting the preliminary proposed bylaw change by January 19, so everyone has the chance to read them before the town meeting on Friday, January 25 at 7pm in the club house.
The board still has to clarify a couple of items on the received draft, developed by the law firm of Adams Stirling. We are planning to have the final version as soon as all our questions are answered. If everything goes according to plan, you should receive a copy of the proposed new bylaws in your mail with instructions and a voting ballot in early February. I will provide an update in the February newsletter. Please also visit our Facebook page or www.ranchosantateresa.org website for updated information. I hope I see you all at our town hall meeting on Friday, January 25th at 7pm in our club house where the board is planning to answer all your questions and count on your support for this important step in our long club history. The board does not want the bylaw change vote to fail because the consequences will be devastating for many members, their friends, the Sea Otter swim team, and the operation of our club. Therefore, we are planning a second town hall meeting after you receive the voting ballots to answer any further member questions. We hope that these town hall meetings provide our members with an open forum as your opinion is very important to us.

Sincerely yours,
Dirk Seidel, President
What changes can you expect in the proposed bylaw change?

While it is still too early to know for sure what exact changes the board will propose, certain changes are highly anticipated.

- Incorporation of an Associate Membership with a maximal cap of 100. This will eliminate our Seasonal Guest Pass Program (in 2018 we had 90 families participating in the Seasonal Guest Pass Program). We will restrict the boundaries where Associate Members need to reside (between Lean Avenue, Bernal Rd, Hwy 85 and the mountains) to ensure exclusivity, which is required by IRS regulations. We will have an exception for families who are existing Seasonal Guest Pass Holders and are proposing to grandfather in those families interested in being an Associate Member. Associate Members will have no voting rights and no participation in decisions of the Association.

- All board meetings will be open to its members. An agenda of a planned board meeting will be posted 4 calendar days prior to the meeting and the meeting minutes will be posted 30 days after. In the past, only the town hall section was open to the members and we never published the agenda prior to the meeting. While our current bylaws do not require this, recent changes in the law do.

- New defined officer roles of a Vice President, Assistant Treasurer and Assistant Secretary. This will improve operation.

- The term of a board member will be two years. This will improve efficiency.

- Elimination of compensation for the Board of Directors.

- Mandatory statute of the California Civil Code, addressing Assessments will be incorporated. (This is a point where our current bylaws are in contradiction and we will talk more about it in the newsletter and town hall section).

- Required annual review by a California State Board licensed Accountancy (Required by law).

- Requirement that no business action outside meetings can be performed by the Board (Required by law).

- New Ethics Policy

There are probably a couple of other minor updates, but these are the most significant items the board anticipates. While some of them have no visible impact, others may have. However, the board’s intention is not to establish some new rules that the board desires but rather establish a framework which is in compliance with the law, benefits our members, and provides a clear guidance how the board should operate.

That’s it for now. We hope to see you at our town hall meeting on Friday, January 25 at 7pm in our club house and count on your support for the necessary bylaw change. If you have any immediate questions or concerns which cannot wait until the town hall session, please do not hesitate to contact us at directors@ranchosantateresa.org.

Sincerely,
Rancho Santa Teresa Board of Directors
Rancho Santa Teresa Swim & Racquet Club
Summarized Profit & Loss Budget vs. Actual
January through December 2018

<table>
<thead>
<tr>
<th>Ordinary Income/Expense</th>
<th>Jan - Dec 18</th>
<th>Budget</th>
<th>$ Over Budget</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4000 · Dues and Assessments</td>
<td>362,953.54</td>
<td>345,100.00</td>
<td>17,853.94</td>
<td>105.17%</td>
</tr>
<tr>
<td>4100 · Member Lesson Income</td>
<td>43,012.43</td>
<td>34,150.00</td>
<td>8,862.43</td>
<td>125.95%</td>
</tr>
<tr>
<td>4200 · Nonmember Lesson Income</td>
<td>37,565.29</td>
<td>29,131.50</td>
<td>8,433.79</td>
<td>128.95%</td>
</tr>
<tr>
<td>4300 · Member Rental Income</td>
<td>13,190.88</td>
<td>13,794.00</td>
<td>(603.12)</td>
<td>95.63%</td>
</tr>
<tr>
<td>4500 · Interest on Operating Funds</td>
<td>133.71</td>
<td>143.00</td>
<td>(9.29)</td>
<td>93.5%</td>
</tr>
<tr>
<td>4600 · Social Event Income</td>
<td>2,328.40</td>
<td>349.00</td>
<td>1,979.40</td>
<td>667.16%</td>
</tr>
<tr>
<td>4800 · Other Ordinary Income</td>
<td>3,668.48</td>
<td>4,315.00</td>
<td>(646.52)</td>
<td>85.02%</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>462,852.73</td>
<td>426,983.10</td>
<td>35,869.63</td>
<td>108.4%</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5000 · Gross Payroll</td>
<td>127,679.28</td>
<td>134,080.00</td>
<td>(6,400.72)</td>
<td>95.23%</td>
</tr>
<tr>
<td>5100 · Payroll Related Expenses</td>
<td>18,818.35</td>
<td>22,565.00</td>
<td>(3,746.65)</td>
<td>83.4%</td>
</tr>
<tr>
<td>5200 · Member Lesson Expenses</td>
<td>34.05</td>
<td>615.00</td>
<td>(580.95)</td>
<td>5.54%</td>
</tr>
<tr>
<td>5300 · Nonmember Lesson Expenses</td>
<td>0.00</td>
<td>1,060.33</td>
<td>(1,060.33)</td>
<td>0.0%</td>
</tr>
<tr>
<td>5600 · Social Event Expenses</td>
<td>7,196.54</td>
<td>8,041.00</td>
<td>(844.46)</td>
<td>89.5%</td>
</tr>
<tr>
<td>5800 · Other Member Services</td>
<td>7,779.59</td>
<td>7,908.00</td>
<td>(128.41)</td>
<td>98.38%</td>
</tr>
<tr>
<td>6000 · Professional Services</td>
<td>11,321.49</td>
<td>10,711.00</td>
<td>610.49</td>
<td>105.7%</td>
</tr>
<tr>
<td>6100 · Other Outside Services</td>
<td>29,774.00</td>
<td>28,738.00</td>
<td>1,036.00</td>
<td>103.61%</td>
</tr>
<tr>
<td>6200 · Insurance</td>
<td>23,825.04</td>
<td>22,437.00</td>
<td>1,388.04</td>
<td>106.19%</td>
</tr>
<tr>
<td>6300 · Bank Fees</td>
<td>187.05</td>
<td>157.92</td>
<td>29.13</td>
<td>118.45%</td>
</tr>
<tr>
<td>6500 · General Office Expenses</td>
<td>10,733.92</td>
<td>6,972.01</td>
<td>3,761.91</td>
<td>153.96%</td>
</tr>
<tr>
<td>6800 · Taxes and Licenses</td>
<td>5,643.00</td>
<td>6,043.00</td>
<td>(400.00)</td>
<td>93.38%</td>
</tr>
<tr>
<td>7000 · Building and Hall Maintenance</td>
<td>26,126.88</td>
<td>38,004.00</td>
<td>(11,877.12)</td>
<td>68.75%</td>
</tr>
<tr>
<td>7100 · Pool Maintenance</td>
<td>16,253.68</td>
<td>16,002.80</td>
<td>250.88</td>
<td>101.57%</td>
</tr>
<tr>
<td>7200 · Utilities</td>
<td>66,953.70</td>
<td>69,114.00</td>
<td>(2,160.30)</td>
<td>96.87%</td>
</tr>
<tr>
<td>7300 · Reserve Funding</td>
<td>55,596.00</td>
<td>55,596.00</td>
<td>0.00</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>407,922.57</td>
<td>428,045.06</td>
<td>(20,122.49)</td>
<td>95.3%</td>
</tr>
<tr>
<td><strong>Net Income/Expense</strong></td>
<td>54,930.16</td>
<td>(1,061.96)</td>
<td></td>
<td></td>
</tr>
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</table>
## January 2019

<table>
<thead>
<tr>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Office Closed</td>
<td>2</td>
<td>Office Closed</td>
<td>3</td>
<td>Tennis 4-8pm S &amp; S 6-7pm</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Tennis 4-8pm Lap Swim 8-9pm Office Closed</td>
<td>8</td>
<td>Strength &amp; Stretch 6-7pm Board Meeting</td>
<td>9</td>
<td>Lap Swim 8-9pm Tennis 4-8pm</td>
<td>10</td>
</tr>
<tr>
<td>13</td>
<td>Lap Swim 8-9pm Tennis 4-8pm Office Closed</td>
<td>15</td>
<td>Strength &amp; Stretch 6-7pm</td>
<td>16</td>
<td>Lap Swim 8-9pm Tennis 4-8pm</td>
<td>17</td>
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<tr>
<td>20</td>
<td>Tennis 4-8pm Lap Swim 8-9pm Office Closed</td>
<td>22</td>
<td>Strength &amp; Stretch 6-7pm</td>
<td>23</td>
<td>Lap Swim 8-9pm Tennis 4-8pm</td>
<td>24</td>
</tr>
<tr>
<td>27</td>
<td>Tennis 4-8pm Lap Swim 8-9pm Office Closed</td>
<td>29</td>
<td>Strength &amp; Stretch 6-7pm</td>
<td>30</td>
<td>Lap Swim 8-9pm Tennis 4-8pm</td>
<td>31</td>
</tr>
</tbody>
</table>

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