Down the Rabbit-Hole
Discrimination & Financial Harm Impact All RSFA Members

In Lewis Carroll's classic tale, *Alice's Adventures in Wonderland*, Alice famously followed the White Rabbit down the rabbit-hole, *"...never once considering how in the world she was to get out again. The rabbit-hole went straight on like a tunnel for some way, and then dipped suddenly down, so suddenly that Alice had not a moment to think about stopping herself before she found herself falling down a very deep well.... she tried to look down and make out what she was coming to, but it was too dark to see anything.... down, down, down. Would the fall never come to an end!"*

Will the members of the Rancho Santa Fe Association (RSFA) now follow the White Rabbit and Alice down the Rancho Santa Fe Golf Club (RSFGC) rabbit-hole?

Proposal by RSFGC:

The RSFGC has proposed certain "revisions" to the RSFGC rules that they would like approved by the RSFA Board: "...restore the men's and women's locker rooms to the originally-designed configuration as informal lounge areas appurtenant to the respective locker room, with services and facilities to be substantially equivalent and consistent with the original wishes of the golfers." [Golf Club Rules Proposed to RSFA Board March, 2021]

Issues Presented:

- The obscure "original wishes" of the RSFGC were:
    1. Excluding all non-golfing RSFA members from using the Players' Clubhouse, which represent about 75% of the RSFA membership.
    2. Excluding all women from the Vaquero Lounge, located in the Players' Clubhouse.
- Is there an inherent conflict of interest of RSFA Board members being much too closely aligned with the RSFGC Board of Governors?
- The more RSFA money that is spent on RSFGC projects, the fewer funds available for other RSFA community priorities.
- A potential lawsuit related to these issues could be quite detrimental to all RSFA members.

What Can You Do If You Don't Believe In Discrimination And Are Concerned About The Adverse Financial Impacts This Will Have On Members?

1. Change the governance of the RSFA by voting for RSFA Board candidates that:
    a. Represent all RSFA members
    b. Have a proven track record of service to the RSFA community
    c. Have lived in the Covenant for many years
    d. Understand the issues and how to govern
    e. Provide a good balance between RSFGC members and non-golfing members
    f. Happen to be women who know how to get things done
2. Get involved in the community by serving on a RSFA committee, or volunteering at one of the local non-profit organizations, and/or attend RSFA Board/committee meetings to gain an understanding of how the community works, so you can help effectuate positive change.
3. Let the RSFA Board know what you think via letter or e-mail to: **memberinput@rsfassociation.org.**

If you want to follow Alice and the White Rabbit "...falling down a very deep well," where it becomes "too dark to see anything...Down, down, down" and wondering where it will end, the following provides a blueprint:

RSFA Articles of Incorporation & Applicable California Civil Code Sections

- "Each Members shall have an equal interest in all property owned by the Corporation." (This includes the golf course and buildings.) Articles of Incorporation, Art. 6 (d)
- "...in a planned development in which the common area[s] is [are] owned by the owners of the separate interests, the common area[s] is [are] owned as tenants in common, in equal shares, one for each separate interest." Civil Code, Sect. 4500
- "All persons...are...no matter what their sex...entitled to the full and equal accommodations, advantages, facilities, privileges, or services in all business establishments...." Civil Code, Sec. 51 (b)

Early History of the RSFA and RSFGC

- The RSFA is a Homeowners Association (HOA), founded in 1927 as a nonprofit, mutual benefit corporation. The RSFA operated and maintained a golf course, tennis courts, playing fields, and riding/hiking trails for the benefit of its members. [Useful Facts About Rancho Santa Fe, Second Edition, 1986]
- During the Great Depression, the privately-owned golf club ran into serious financial difficulties, and turned over the Rancho Santa Fe Country Club assets (golf course grounds and structures) to the RSFA.
- From 1934 to 1987 the golf course and facilities were operated and maintained by the RSFA.
- Effective July 1, 1987 the RSFA formed the RSFGC, "as a division of the Association, by the adoption of Resolution 1987-114."
- The RSFGC is not a legal entity. The RSFA Board "...shall...control its property." (Art. IV, RSFA Bylaws) The Board has a legal/fiduciary obligation to control and monitor all of its properties, including the RSFA golf course and structures built on the RSFA land.

Fiduciary Duties of RSFA Board of Directors

RSFA Board members "are entrusted with the money and property of the association (and thus) they are held to a higher standard and must avoid conflicts of interest. They are deemed 'fiduciaries' and have a duty to act in the best interests of the membership." [Davis-Stirling.com] Black's Law Dictionary defines "Fiduciary Duty" as: "A duty to act for someone else's benefit, while subordinating one's personal interest to that of the other person. It is the highest standard of duty implied by law (e.g., trustee, guardian)." RSFA Board members can't delegate their responsibilities to a division of the RSFA. Directors must exercise due care and undivided loyalty for the interests of the corporation, not just a minority of the members.

Historically, it has not been uncommon for the majority of the 7 RSFA Board members to be RSFGC members. Sometimes, as many as 6 RSFA Board members have been RSFGC members. Currently, 5 of the 7 RSFA Board members are members of the RSFGC. It has been very common for RSFA Board members to serve on the RSFGC Board of Governors and vice versa.

There should be a bright line of separation between RSFA Board Members having supervisory responsibility overseeing the RSFGC Board of Governors or self-dealing becomes inevitable. One of the implicit tenants of fiduciary duty is that the fiduciary avoids even the appearance of impropriety and subordinates his/her personal benefit to that of the whole organization.

Are the RSFGC members who serve on the RSFA Board able to advocate for the non-golf members of the RSFA and understand their perspective, or do the RSFGC members who serve on the RSFA Board have a conflict of interest when it comes to making financial decisions regarding investments in the RSFGC?

2017 RSFA Board of Directors Resolution relating to the RSFGC

On March 2, 2017 the Board of Directors passed Resolution 2017-102, relating to the RSFGC. The pertinent portion states:

> "WHEREAS, the **Rancho Santa Fe Association** (the 'Association'), acting through its Board of Directors (the 'Board'), **owns the real property and causes to operate for the benefit of the members of the Association a golf course**, driving range, practice greens, golf cart facilities, snack bar, **players clubhouse**, Ranch clubhouse, landscaping, short game practice area, all parking spaces contiguous to the clubhouse (except tennis club parking spaces), maintenance facilities and maintenance and other equipment (collectively, the 'Golf Facilities'). The Golf Facilities do not include the riding and hiking trails that circle the golf course.
>
> WHEREAS, certain members of the Association, as Regular golf members holding unlimited golf playing privileges at the golf course, desire that a division of the Association (which division is hereinafter referred to as the Rancho Santa Fe Golf Club ('the Club')), which has already been created for the managerial, operational and financial responsibilities for the Golf Facilities, continue to operate in such capacity. **The Club shall be responsible to the Board.**"
> (Text bolding added)

This Resolution makes it clear that the RSFA owns the real property that the Players' Clubhouse sits on and operates it for the benefit of the members of the RSFA (not just the golfing members).

The RSFA "contracts" with the RSFGC concerning the management of the RSFGC. Legally a contract is defined as a promise or a set of promises that the law will uphold. Such contracts can only be established between different legal entities, not between one legal entity (RSFA) and one non-legal entity (RSFGC). Therefore, the RSFA cannot legally contract with the RSGC.

RSFGC Players' Clubhouse Construction and Remodel of Main Clubhouse:

- In 2002 the RSFGC started planning for a remodel of the main clubhouse and to construct what became known as the Players' Clubhouse with planning and discussions taking place over several years. The majority of the members of the RSFGC and the RSFA Board approved the projects. There was no vote by the general membership of the RSFA regarding the construction of the Players' Clubhouse. The RSFGC didn't have enough free reserves to fund the entire project and didn't want to wait until they had accumulated the necessary funds, thus the need to "borrow" money from the RSFA. Since the RSFGC is not a legal entity, it could not borrow money on its own. In case of a default, the RSFA would be "on the hook". The RSFA is the only real party in interest. The RSFGC is just a convenient fiction that would quickly collapse if the RSFGC were saddled with debts it could not repay.

- During the discussions of whether or not the Players' Clubhouse should be built, there were many, many instances where members indicated to the RSFA Boards/RSFGC Board of Governors that if the Players' Clubhouse were to be built it would belong to ALL RSFA members, as it would be built on RSFA land and all RSFA members own common areas as tenants in common. The decision-makers fully understood that if RSFGC members chose to build the Players' Clubhouse and invest money obtained from initiation fees and monthly dues into building a structure, maintaining the course, renovating the main clubhouse, running the bars/restaurant, etc., that they were doing so at "their own peril" as the land and the buildings belong to all RSFA members.

Since July 1, 1987, the RSFGC has had the use of well over 100 acres of land for the golf course, Players' Clubhouse, main clubhouse and other structures. This is the largest and most valuable parcel of land that the RSFA owns, yet the RSFGC has paid $0 for the use of this land.

Follow the Money - Players' Clubhouse

- On March 3, 2006 the RSFGC sent a letter to its members indicating that the targeted cost of the proposed projects was $11.43 million, with a maximum cost of $11.8 million. In reality the total cost ended up being $11.9 million, with $5 million invested into the main clubhouse and $6.9 million invested into the Players' Clubhouse.
- To service the debt, the RSFGC instituted a "temporary" surcharge (an increase over what golf members had normally paid).
    - Initially in 2005 a monthly surcharge of $40-50 per member was forecast.
    - In 2006 the surcharge was increased to $60-65 which was expected to continue for 4 years, with full loan repayment anticipated in 2010.
    - The surcharge ballooned and is now $100 per member, per month.
- **13 years after the Players' Clubhouse opened in 2008, the remaining loan to be repaid is about $3 million, which is now estimated to be paid in full in 2027.**
- The promises made and not kept by the RSFGC, and supported by the RSFA Boards, represent substantial sums that could have been put to productive use or invested for the benefit of all RSFA members.

Cost Sharing Agreement

On June 11, 2019 an "*Agreement Between the Rancho Santa Fe Association and the Rancho Santa Fe Golf Club for Sharing Responsibilities and Authority for Food & Beverage Operations*" was adopted. The "Cost Sharing Agreement Q & A," was posted on the RSFA website shortly after the June 11, 2019 meeting. This agreement was not posted for discussion prior to the meeting and its adoption as it should have been. It indicated in part:

> "A joint committee was formed in December 2018 to explore a cost-sharing agreement between the Association and Golf Club and to lead an effort to explore redesign of the restaurant. The agreement approved by the Association Board and the Golf Board was the result of many joint committee meetings over the last six months. The committee included co-chairs Golf Club President Bill Weber [Current RSFA Board of Director member] ... Golf Club Governor Dan Comstock [Current RSFA Board candidate], Association Director Steve Dunn [Two times President of RSFGC Board of Governors], ... Association Director Rick Sapp [Former President and Current RSFA Board of Director member + intimately involved with RSFGC]..."

"The Agreement" states, in part:

> "5. It is the intent of the Boards that the net loss or profit, if any, of the **Food and Beverage Operations** calculated in the same manner as the budget... be ultimately **shared equally by the RSFA and the RSFGC....** In the case of fiscal year 2019-2020 it shall be **$300,000....**
>
> 6. **Capital costs for major capital improvements shall be shared equally...."**

It is reasonable to expect that when all RSFA members have access to the Players' Clubhouse that the expenses are also shared among all RSFA members.

The previous agreement indicated: "Any cash deficits resulting from the operation of the Club will be the sole responsibility of the Club and its voting members...."

- Where was the notice to the community of the formation of the committee in December 2018?

- When was the entire membership consulted about the very significant obligations that it was proposed it underwrite?

Renovations and Proposed Changes in 2021

- In January 2021, the RSFGC estimated the cost of planned "renovations" (installation of a new irrigation system, fresh turf placement, bunker reshaping, as well as renovation of the practice range and short game areas) to be $5.9 million. The RSFGC is currently undertaking this project, using their free reserves, which is now estimated to cost at least $6.2 million.

- In March 2021, the RSFGC indicated it intends to "restore the men's and women's locker rooms to the originally-designed configuration as informal lounge areas appurtenant to the respective locker rooms, with services and facilities to be substantially equivalent and consistent with the original wishes of the golfers." [Golf Club Rules Proposed March 4, 2021)

Vaquero and Bougainvillea Lounges: Separate but **NOT** Equal
Even if they were, "separate but equal" has not been the law of the land for decades

Anyone who is familiar with the layout of the Players Clubhouse and/or looks at the architectural plans, knows immediately that the Vaquero Lounge (which has been co-ed and is now to be the men's lounge) and the Bougainvillea Lounge (the women's lounge) facilities are not even close to being "substantially equivalent". The two lounges are of vastly different sizes, with the Vaquero Lounge being much larger; the Vaquero Lounge has a large covered porch and a large bar, whereas the Bougainvillea Lounge has no porch and no bar; the Vaquero Lounge has high vaulted ceilings with wooden beams, unlike the rest of the Players' Clubhouse etc.

The RSFGC has indicated that the proposed restoration would be consistent with "the original wishes of the golfers."

- What exactly does this mean?
- Why was the membership not told what the "original intent" was?
- The "original intent" of the RSFGC (which was not clearly stated in recent postings) was both:
    1) Exclusion of all non-golfing members from the Players' Clubhouse and the
    2) Exclusion of all females from the Vaquero Lounge
- Did "the original wishes of the golfers" include the wishes all of the female golfers (or the majority of them) and/or all of the male golfers (or the majority of them)?

Since the Players' Clubhouse opened, all RSFA members have been encouraged to visit and purchase items in the Pro Shop, which is part of the Players' Clubhouse building. Why are non-golfing members welcome in the Pro Shop but not in the Players' Clubhouse lounges? They are welcome because the sales in the Pro Shop are a source of revenue for the RSFGC. Yet the Pro Shop is part of the very building that the RSFGC wants all non-golfing members excluded from.

2021 RSFGC Adopted Rule Changes

- Effective January 1, 2022, any member who voluntarily terminates his/her membership in the RSFGC can reapply for membership but, unlike in the past, the individual will need to pay the full amount of the current enrollment fee, regardless of any amount previously paid for the prior RSFGC membership (Amendment to Plan of Operation Proposed March 4, 2021 and adopted by RSFA Board).

- A new rule proposed in the Spring of 2021 states that no RSFGC member can enter "Inactive Status" for the remainder of the calendar year.
- Effective January 1, 2022 for every ten continuous years that a member maintains active membership in the RSFGC, the member is entitled to between one month and up to up to six months of inactive status for any reason, without paying RSFGC membership dues. This is a change from the previous practice, wherein a RSFGC member could enter one year of inactive status for every five years of membership that a member had accrued. (Amendment to Plan of Operation Proposed March 4, 2021 and adopted by RSFA Board).

What May Be Coming Down The Road?

1. A desire to increase the RSFGC member and applicant fees.
2. The RSFGC may want significantly more financial support from the RSFA (in addition to the yearly $300,000 they have been receiving for the past two years) to offset food and beverage losses relating to the main clubhouse.
    - How much more will the RSFGC want?
    - Will the RSFGC want the RSFA to pay for all the food and beverage losses?
3. Under the "*Agreement Between the Rancho Santa Fe Association and the Rancho Santa Fe Golf Club for Sharing Responsibilities and Authority for Food and Beverage Operations*" it states that future capital costs, as well as the costs for major capital improvements, shall be shared equally between the RSFA and RSFGC.
    - How much money is the RSFGC going to ask for from the RSFA in the way of forthcoming major capital improvements?
4. The cost of water has skyrocketed in recent years.
    - In the future will the RSFGC request that the RSFA contribute to, or pay the RSFGC water bills?

The RSFA members are going down, down, down the Rabbit-Hole. When will "the fall" come to an end? The more money that goes to the RSFGC from the RSFA, the less money there is for projects that other community members would like their funds spent on.

It is up to you!

- **What will you do?**
- **Who will you vote for to represent you on the RSFA Board of Directors?**

Sincerely,
Rancho Santa Fe Association Members and Covenant Residents:

Ilia Christy   Marcia Lee   Sam Ursini

Ilia Christy — Marcia Lee — Sam Ursini

Ilia Christy, MD: A 10-year resident, a practicing physician, a mother of 2 children ages 8 and 4 who attend R. Roger Rowe Elementary School and a local preschool, and a member of the RSFA Trails and Recreation Committee.

Marcia Lee: A 29-year resident who taught piano at Penn State University and a mother of 3.

Sam Ursini: A 30-year resident, retired Colonel – Air Force Aviator, 25-year career in the aerospace industry, and a former RSFGC member (membership cancelled 4 years ago due to a family member's illness).