



FINANCE COMMITTEE MEETING REPORT

July 11, 2019

Mezzanine Room | Northwoods Clubhouse

ATTENDANCE

Members: Leibow, Dundas, Ravano, Hunter, Eyton-Lloyd, Bonzon, Anderson, Melia, Johns, Mahoney

Ex-officio: Salmon

Board Liaisons: Connors (Phone), Koenes (Phone)

GPC Liaison: Sullivan (GPC Chair, substitute for Miller, GPC Liaison)

TD Members: Jim Colbert

AGENDA ITEMS

1. **Call to Order, Approval of Agenda, Approval of Committee Report:** 3:00 pm, quorum present. Agenda approved by unanimous vote (Johns 1st, Mahoney 2nd). June 13, 2019 Committee Report approved by unanimous vote (Johns 1st, Eyton-Lloyd 2nd),
2. **Member and Committee Member Comments:** Chair Leibow, two comments:
 - a. TDA BOD considering going to more robust quarterly financial briefing format replacing current monthly financial report at monthly board meeting. Concept not previously shared with the Finance Committee. Not clear how this will impact on current operations. Current monthly financial packet is approximately 63 pages with key performance indicators. Need to develop an outline of what a quarterly financial reporting package might look like.
 - b. GPC has asked for assistance in developing financial analysis for emerging snowmaking concepts for downhill, cross country, and snow play. Steve Miller, GPC and Sally Jones, Manager, Cross Country have created some documents that will be shared with informal FC Subcommittee. Mahoney and Ravano volunteered to assist. Meeting to follow.
3. **Committee Management:**
 - a. Two vacancies exist on the FC. Leibow indicates that Terry Watson, who is serving on the Investment Subcommittee as a Member Volunteer is willing to step up to volunteer for one of the vacancies. He has been attending FC Meetings regularly and having been previously considered would be a valuable addition to the FC. Vote was taken to request addition to the Committee and approved by unanimous vote (Mahoney 1st, Bonzon 2nd).
 - b. 5501 Participation: Following are scheduled to attend monthly 5501 Committee Meetings for the next 3 months:
 - i. July 23 – Johns
 - ii. Aug 20 –Bonzon (Eyton-Lloyd backup)
 - iii. Sep 24 – Ravano (Mahoney backup)

4. Old Business:

- a. Status of RFP for Auditor Tasking: DFA reports that RFP and firms to be asked to apply is being worked at the TDA BOD level. Melia, Ravano, and Mahoney working on behalf of FC to assist in the process. Follow up report next month.
- b. Pricing elasticity, Cross Country: Reviewed Cross Country peak periods of Christmas, MLK, and Presidents. All three showed evidence in 2019 of lower volumes and same or higher revenues due to new Peak pricing of Guest and Public, not Members. While not 100% definitive, the strategy of peak period pricing to improve Member experience during peak periods appears to be working. It was agreed that we needed at least one additional full season to properly evaluate. We also need to acquire a more formal and quantitative analysis of Member opinions.

5. Recurring Business

- a. GPC Liaison Report: Dundas reported that GPC met on July 1, 2019. Agenda included discussion of emerging snowmaking proposals for downhill, cross country, and snow play. Total cost for all three areas is approximately \$865,000 to install infrastructure. Cross Country would probably be a phased approach. These capital projects provide business protection during low snow years. Trout Creek Phase One is complete. Phase Two underway and expected to be completed by January 2020. Expect to see survey regarding Trails and Open Space in late August. Golf Course Subcommittee looking at repair in 2020 that will impact play. Currently conditions being assessed by management to improve playing conditions this season.
- b. 5501 Subcommittee Report: Mahoney provided a summary of the May 2019 5501 Meeting held on July 7, 2019. During that meeting the group, among other things, (i) reviewed a randomly selected asset account (deposits), (ii) tracked several vendor payments from invoice through to general ledger and check register, (iii) discussed TDA policy on employee discounts for food and services, and (iv) reviewed at a high level TDA efforts to collect past due receivables. He acknowledged the excellent efforts of Mike, Melanie, and Tracy in assembling extensive data packs for these reviews. While we have dedicated FC Members attending these monthly meetings any TD member can attend and are encouraged to do so. Great opportunity to get in depth understanding of TDA financial operations and responsibilities.

6. New Business:

- a. June Preliminary Financial Results and May Monthly Financial Report Review:
- b. Highlights of review includes:
 - i. Despite weather impact upon the opening of the Golf Course and closure of Pizza on the Hill NOR only slightly negative for the month of June 2019. Op Costs were positive while Op Rev was negative to budget.
 1. Op Costs included reversal of \$40,000 of May incentive accrual based upon lower NOR results in June.
 - ii. YTD NOR is ahead of budget \$527,000 primarily on great winter season.
 1. Operating Fund Member's Equity Value now stands at \$2,971,000. This is a combination of \$1,421,500 held as Op Fund Contingency Reserve and excess favorable results of \$1,547,500 due to good business operations year to date and prudent cost control by management.

~~iii.~~—It is too early for forecast July performance but expect to end at budget for the month. Op Costs pacing below budget. Concert was sold out both nights and is expected to have positive NOR of approximately \$28,000. Golf Ops and Pizza On The Hill off budget but partially offset by the Concert. Continuing to assess the impact on revenue of current golf course playing conditions (several temporary greens). ~~Mike Salmon noted that course conditions improve daily.~~

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iii.

- c. Quarterly Reserve Fund Investments Review—Investment Subcommittee (ISC) consists of Salmon, Mahoney, Terry Watson, Marty Anderson, and Director Jeff Connors. Mahoney provided feedback on workings of the ISC. Main points include:
- i. The ISC has met several times over the past few months.
 - ii. The Association’s investment portfolios are conservatively invested in high quality, liquid securities with a strong bias to US government instruments.
 - iii. Investment portfolio seems to be over diversified in terms of individual security holdings. There is little benefit from the extra diversification, but it does add complexity. ISC will consider opportunities to recommend some consolidation especially of the tax-exempt municipal portion of the portfolio
 - iv. The individual capital funds’ portfolios are heavily weighted to US Treasury securities and in a few cases are above the TDA policy of not having more than 20% of an individual portfolio in a single asset type. . Considering actions to rebalance that would not require incurring losses from sale of Treasury securities to invest in other asset classes or sharply reduce the expected investment return.
 - v. Had extensive discussion of the Cash and Investments portion contained in the Monthly Financials prepare by DFA. Lots of detailed information. Recommend FC members be very familiar with this material.
 - vi. ISC reviewing opportunities to recommend to the FC that it expand the currently approved suite of investment alternatives as per TDA Investment Policy in order to improve investment flexibility and returns.
 - vii. Year over year, overall portfolio investment income has doubled (approximately) due to DFA’s conscious effort to earn higher returns in shorter dated instruments given the currently inverted yield curve. While quite profitable, this strategy necessarily has caused the average portfolio duration to fall to approximately 11 months. ISC considering when to begin lengthening the duration of the capital funds’ portfolios to better match the underlying need for funds.
 - viii. ISC beginning a work stream with the DFA to better synchronize the RRF and DF portfolios’ investment horizon (years, months, etc.) to the expected time when cash will be needed.
 - ix. Work has commenced on creating a standard quarterly ISC report to be presented to the broader FC on a regular basis. .
- d. Participate in Annual Budget Process (Annual Recurring Task, General Resolution 2014-1, Financial Planning, Budgeting, and Reporting): Discussed upcoming budget cycle. DFA asked that FC Members review emerging DRAFT documents on FC weblink and provide feedback. FC chair also recommended that FC committee members review the annual Member survey which highlights Member majority priorities. Many drivers impact on the budget:

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- i. California Minimum Wage
 - ii. Covenants Enforcement
 - iii. Workmen's Compensation pressures
 - iv. All types of insurance pressures
 - v. Defensible space concerns
 - vi. Controlling costs (i.e., legal fees) and changes to revenue streams that impact on ability of Association to maintain common properties and provide quality of life services
- e. 3 top annual objectives for BOD: Leibow explained that the President of the Board is looking for input from Chairs regarding annual strategic objectives for the Association. Requested that FC Members provide input to Leibow or Dundas NLT July 16th so a consolidated reply can be provided to the Board.
- f. DFA presented an idea that it may behoove the Association to purchase budget planning software tools in the future. This will be added to the August agenda.

7. Next FC Meeting: August 8, 2019, 3:00–5:00 pm, Mezzanine Room, Northwoods Clubhouse

8. Preliminary Agenda Topics:

- a. GPC Liaison Report–Dundas (5 min)
- b. 5501 Subcommittee Report-Johns (5 min)
- c. July Preliminary Financial Results and June Monthly Financial Report Review–DFA (15 min)
- d. Review Development Fund and Replacement Reserve Fund Activity (**Apr-Jun**, Quarterly, Recurring Task)-DFA (10 min)
- e. Participate in Annual Budget Process (Annual Recurring Task, General Resolution 2014-1, Financial Planning, Budgeting, and Reporting)-DFA (30 min)
 - i. Budget Planning & Workshops
 - ii. Rates, Pricing
- f. Budget (financial) Planning Software Tools-DFA (15 min)
- g. Status of RFP for Auditor Tasking–DFA (5 min)

9. Adjournment: 5:13 pm (Bonzon 1st, Mahoney 2nd)

Prepared and Submitted by Corey Leibow, Chair, Finance Committee