



FINANCE COMMITTEE MEETING DRAFT REPORT

November 18, 2021

Mezzanine Room | Northwoods Clubhouse

ATTENDANCE Via Zoom Video Conference Call

Members: Dundas, Ravano, Watson, Niedringhaus, Rudolph, Vietor, Colbert

Absent: None

Deputy Chair: Martyn-Jones (DFA)

Board Liaisons: Mahoney (Treasurer), Roth

LRPC (GPC) Liaison: None

TDA Members: Kodres, Levine, Cross

TDA Staff: Mickaelian (GM)

AGENDA ITEMS

1. **Call to Order / Call for Quorum:** Meeting called to order by Dundas, Chair, at 3:04 p.m. Quorum present.
2. **Approval of Agenda:** Motion to approve Agenda, Rudolph 1st, Colbert 2nd; passed 6-0.
3. **Approval of Committee Report, October 21, 2021:** Motion to Approve, Vietor 1st, Ravano 2nd, Approved 6-0.
4. **Member and Committee Member Comments:** None
5. **Committee Management:**
 - a. **FC Member Terms:** Dundas referred members to the presentation prepared by Mickaelian for the Board and said there was a need to advertise the two vacancies to the membership and solicit applications.
 - b. **Committee Officers:** Dundas requested members to let him know if they were interested in any of the officer positions. He also reminded members that historically the Committee has had a liaison to the GPC (now the LRPC) which we need to continue. Dundas said he would reach out to each of the members individually to discuss their potential interest.
 - c. **2022 FC Tasks:** Dundas referred members to the paper he had included in the agenda. Levine suggested that an additional task to be completed is the revision of the FC Charter to ensure conformity with the policy on TDA Committees recently adopted by the Board. He also said that the Trails and Open Spaces Committee has a 2022 task to evaluate possible land acquisitions and that he would like to see the two committees working closely together on that task, as well as having a mutual liaison function between

the TOS and FC. Colbert reminded Dundas that the task to provide a liaison to the Downhill Ski Task Force was likely to end in the near future once the 30% planning stage is reached and suggested rewording Special Task #2 to broaden it to providing support to other committees and task forces as needed.

- d. **2022 FC Meeting Calendar:** Dundas referred members to the 2022 calendar he had included in the meeting agenda.

6. **Committee Tasks:**

Recurring Tasks:

1. **RT#1 - Financial Performance Update:** Martyn-Jones informed the Committee that that the transition to eUnify had happened and that he was very pleased with how the transition had worked. There had been a few kinks that required sorting out, which is to be expected with any switch to a new system.

The Operating result for the month of October was a deficit of \$954k which is \$61k better than the budgeted deficit for the month. However, he had received an invoice late from the Forestry department for \$48k which will reduce the positive variance to \$13k once it is posted. For the 10 months year to date (before the above adjustment), the operating result was a deficit of \$4,177k which is \$1,220k, or 22.6%, better than the budgeted deficit. The operating result for the Golf course was a surplus of \$173k which is \$271k better than budget, but the operating result for the Lodge was a deficit of \$488k, \$189k worse than budget.

In response to questions about the Forestry expenses being lower than budgeted and whether the work was getting done, Martyn-Jones explained that several workers at the various contractors had been diverted to fighting wildfires in the region over the summer months, in part because they could earn more money firefighting. Mickaelian said that management intends to combine several smaller forestry contracts into a much smaller number of larger contracts and to try to get Board approval of those contracts much earlier than in the past. This should ensure that we can get early in the queue for summer clearing and should also be more cost efficient if contractors can move their equipment here for longer periods of time. Levine and Mickaelian expressed confidence that the new head of the Forestry department, John Groom, would have a positive impact.

Mahoney asked Martyn-Jones whether the negative year to date variance in Administration expenses results from the decision to accrue a larger percentage of the bonus plan in order to avoid a large end of year catch up. Martyn-Jones confirmed that was the case. Watson asked about the positive variance for the Architectural Standards Office, which Martyn-Jones said was the result of more construction permits being requested as well as higher ASO fines. Watson asked whether the subsequent write-off of uncollected fines impacts the same accounting lines for the ASO, and Martyn-Jones said he thought that the write-offs impact receivables and the income statement, but are not reflected back at the ASO accounting level.

2. **RT#2 - 5501 Committee Report:** Dundas referred members to the link to the committee report included in the agenda. The attendees for the upcoming meetings are:

December 1: Ravano

December 28: Colbert

January 25: Vietor

Special Tasks:

1. ST#3 - Reserve Funding of Long-Term Capital Improvement Program:

Dundas introduced the topic and referred members to the Information Paper which had been prepared in the summer of 2020. Mahoney said that in his view this was the most important and pressing task for the FC to address. Watson provided some more context to the paper and, in particular, to the spreadsheet. He said the the estimated replacement costs were derived from a spreadsheet put together by the former DFA and that the estimated replacement costs were essentially the book values of the buildings owned by the Association with an adjustment for inflation over their estimated useful lives He also said that the estimated replacement costs did not include the components of the buildings. In the case of the Downhill Ski Lodge, the components would include windows, doors, HVAC, ski racks, boot racks, ski lockers, etc. For the Downhill Ski Lodge, the estimated replacement cost of \$7 million had clearly been superseded by the redesign and expansion of the footprint of the lodge.

However, the main challenge is in deciding on a process for how the Association reserves for building replacements over a 50-60 year cycle. The process adopted to date is clearly not working well. Whereas the reserving could be accomplished by, for example, putting aside 1/50th or 1/60th of the total portfolio cost each year, which would be somewhere around \$1.5 million per year (excluding the cost of discretionary capital improvements throughout the Association property,) members are now having to provide \$3.5 million a year to the Development Fund to be able to pay for the replacement of the Downhill Ski Lodge because nothing had been reserved in past years. The same pattern will likely repeat itself with the replacement of the Northwoods Clubhouse in about 10 years, for which nothing is currently reserved.

Levine asked how much money was currently reserved in the Replacement Reserve Fund for the Downhill Ski Lodge components. After some discussion, there was agreement that Martyn-Jones should update the spreadsheet so that members could see clearly (i) the expected replacement cost of the buildings on a like for like basis, (ii) the expected cost, if any, of enhancing the buildings, (iii) the replacement cost of components in each building and (iv) the amount currently reserved in the replacement Reserve Fund for those components. Once the spreadsheet is updated, the Committee can continue the discussion at the December or January meeting and decide the way forward.

Mahoney observed that this task will need a new lead person with Watson stepping away. Niedringhaus expressed his willingness to get involved with this task

2. New Task - Financial FAQ: Dundas referred members to the presentation of FAQs he had circulated with the agenda. Kodres updated the Committee on the progress to date and reminded members that there is a FAQ Hub on the TDHOA website, and that the Financial FAQs will need to be a section of that hub. Kodres said she was trying to organize the questions by her sense of the frequency of interest ex

pressed in the questions and to make sure that there was some logical structure and order to the questions. The Committee agreed that Governance questions should sit within the General Information about TD or HOA 101 sections of the FAQ Hub. Kodres said she was now at the point of starting to write answers and to make sure that they were as concise and jargon-free as possible and that she would soon need to lean on staff to make sure that the answers were factually correct.

Dundas and Mahoney thanked Kodres for her efforts and several members offered their support as needed.

7. **Next FC Meeting:** The next Committee meeting is scheduled for December 16, 2021 at 3:00-4:30pm, via Zoom.

8. **Preliminary Agenda Topics for Next Meeting:**

- Review Summer Season Financial Results

- Financial Performance Update

- 2022 FC Tasks

- 5501 Committee Report and FC Attendee signups

- Downhill Ski Lodge Update

- Financial FAQs

- Improving Financial Reporting

9. **Adjournment:** With no further business to discuss, Dundas thanked the members for their contributions to some good discussions and adjourned the meeting at 5:11 p.m.

Prepared and Submitted by Terry Watson, Vice Chair, Finance Committee