



## FINANCE COMMITTEE MEETING DRAFT REPORT

**December 16, 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, Gauny

TDA Staff: Mickaelian (GM)

### **AGENDA ITEMS**

1. **Call to Order / Call for Quorum:** Meeting called to order by Dundas, Chair, at 3:05 p.m. Quorum present.
2. **Approval of Agenda:** Motion to approve Agenda, Watson 1st, Colbert 2nd; passed 7-0.
3. **Approval of Committee Report, November 18, 2021:** Motion to Approve, Ravano 1st, Vietor 2nd, Approved 7-0.
4. **Member and Committee Member Comments:**
  - a. **eUnify:** Dundas reminded the committee that eUnify was live and that committee-related materials had been added to it. Dundas advised members to call Member Services if they had any problems getting set up or signing in. He also said that the committee has an email address to which comments may be submitted. Up until now, the email address has scarcely been used, but all emails addressed to it go to the FC Chair.
  - b. **2022 FC Tasks:** Dundas referred members to the list of 2022 tasks which had been circulated with the agenda.
  - c. **Finance Committee Meeting Calendar:** Dundas referred members to the FC calendar for 2022 which was included in the agenda and said that it would also be posted on the TD website.
5. **Committee Management:**
  - a. **Member Recognition:** Dundas thanked Watson and Colbert for their service on the Committee.

- b. **FC Membership 2022-2024:** Dundas referred members to the paper that will go to the Board tomorrow for approval which recommends the reappointment of Dundas and Ravano and the appointment of Kodres to one of the vacant seats, and appointment of Colbert as an ad hoc member. That still leaves one open vacancy which will be communicated to all homeowners in the usual way.
- c. **Committee Officers and Liaisons:** Dundas reminded members that we need to fill the officer positions on the FC as well as the liaison roles to the LRPC and possibly to the TOS committee as well and asked members to let him know if they have an interest. Election of officers to be conducted at the January FC meeting.

6. **Committee Tasks:**

**Recurring Tasks:**

1. **RT#1 - Financial Performance Update:** Martyn-Jones informed the Committee that Pizza on the Hill will reopen tomorrow and that management is optimistic that the quality of the food will attract people back to using it.

Martyn-Jones reported that the Net Operating Result for the month of November was a deficit of \$1,083k, which was \$21k higher than the budgeted deficit. Forestry contracts which had been delayed from earlier months came in \$127k higher than budget, while payroll expenses came in \$76k lower than budget due to the delayed opening of the two skiing amenities. For the 11 months year to date, the Net Operating Result is a deficit of \$5,259k, which is \$1,201k, or 18.6%, better than budget.

For the full year, Martyn-Jones said that the forecast Net Operating Result is a deficit of \$5,761k, which would be \$682k better than the budgeted deficit for the year. Sales of ski passes have helped with sales running 8% better than this time last year, and the expected snowfall should allow us to have a good second half of December.

Mahoney said that the Board was planning to approve a transfer of \$700k from the Operating Fund to the Capital Reserve Funds in respect of prior year deficits being ahead of budget. For 2021, he requested Martyn-Jones to isolate the timing issues, such as forestry contract delays, from the one-time savings, such as staff vacancies, so that the Board could better decide how much of the 2021 surplus to budget to transfer to Capital Reserve Funds.

Martyn-Jones also advised members that the bonus plan was now fully accrued so we would not have the of year catch up we have seen in prior years. He also reported that Mike Edmonds had joined TDA as the new head of HR and that Patricia West had started today as the Executive Assistant to GM/ Clerk to the Board.

2. **Discussion: New Task - DRAFT 5 Year Annual Assessment Forecast:**

Martyn-Jones presented a draft paper entitled “Annual Assessment Forecast” which was an attempt at trying to present a longer-term context for the annual assessments, both looking back at a 10-year history of assessments as well as trying to estimate what the annual assessments might look like over the next 5 years. Dundas commented that this is the first time to his knowledge that we have attempted to provide guidance as to the level of future assessments. Ravano suggested removing the word “Budget” in the historical

table as well as for 2021 and 2022 on for forecast table since all those years were actual numbers. Roth commented that using the word “Forecast” was potentially misleading in that it implied that there was a defined forecasting process, and recommended using a softer term, such as estimates or scenarios. Mahoney agreed that this was a great starting point for a discussion of the forward trajectory of assessments and asked Martyn-Jones whether he could add inflation increase percentages to the historical table. He also surmised that our current mode of catching up on capital reserving in the Development Fund means that the % increase in assessments may well exceed the inflation percentages in the near term. Niedringhaus opined that we need to decide what “normal” is for the level or percentage of capital reserves and we also need a compelling narrative to enable homeowners to understand the full context of where we are currently and where we are headed with annual assessments. Vietor agreed with the suggestion for a narrative. Ravano expressed her view that the Operating Fund needed more commentary around the interaction of cost increases, cost efficiency gains, and price increases to boost revenues. Colbert said he thought the presentation would be improved by adding references to projects. Mahoney agreed and suggested a left to right timeline showing both assessments and projects by year, rather than a top to bottom list of the components of the annual assessment. Watson added his perspective that (i) offsetting all the Operating cost increases over the next 5 years with either cost efficiencies or revenue increases would be a challenge, (ii) that the future level of contributions to the Replacement Reserve Fund of \$6.6 million feels about right given the aggregate replacement cost of the assets in the Reserve Study of \$66 million and assuming an average useful life of 10 years, and (iii) that the future level of contributions to the Development Fund at \$5.6 million feels to be too high given an aggregate building replacement cost estimate of \$65-75 million and assuming an average remaining useful life of 25 years, since we would be saving \$140 million over 25 years. He recognized that we were still in catch up mode with the Development Fund reserving and need to plan for other enhancements besides simply replacing buildings, and reminded members of Niedringhaus’s comment about the need to define “normal”. Kodres suggested taking an even longer-term perspective which would allow us to be able to show the path towards achieving “normal” reserving and not just remaining in catch up mode, and suggested developing three scenarios for the building replacement portion of the Development Fund: (i) full replacement and modernization of the buildings, (ii) rehabbing the buildings, and (iii) a fix if broken scenario. She also advocated a clearer distinction between the Operating Fund and Capital Reserves since they are such different concepts. Watson asked what the next steps were and Martyn-Jones said he would add in the inflation numbers per Mahoney’s suggestion and develop a comprehensive presentation incorporating many of the useful comments. Dundas summarized by thanking members for a very engaged and engaging discussion and thanked Martyn-Jones for working on this important topic.

**3. Discussion - Summer Season Financial Results:** Dundas referred members to the paper included with the agenda and Martyn-Jones advised the committee that Sloane

would present it tomorrow at the TDA Board Meeting. After short comments by Martyn-Jones and since it was a historical review of the season, Dundas suggested that there was no need for the committee discuss it further.

4. R/T #2 - **Discussion - 5501 Committee Report**: Dundas referred members to the report included in the agenda which was the report for the October meeting, since the report of the November meeting had not yet been received.

The attendees for the upcoming meetings are:

December 28: Colbert

January 25: Vietor

February 22: Rudolph

**Special Tasks:**

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

Dundas referred members to the spreadsheet of buildings, useful lives and replacements included with the agenda. He said it was a first cut with some amendments needed, but suggested that the committee not discuss if further at this point given the earlier discussion about annual assessments and overlap in this area.

2. New Task - **Financial FAQ**: Kodres provided the committee with an update on her progress, saying that she was about one third done and that progress had been slower than anticipated due to having to navigate how the Financial FAQs fit together with the FAQ website. She said she hoped to have a final draft in time for the next meeting and invited members to contribute suggestions.

7. **Next FC Meeting**: The next Committee meeting is scheduled for January 20, 2022 at 3:00-4:30pm, via Zoom.

8. **Adjournment**: With no further business to discuss, Dundas thanked members for their contributions to some very good discussions, wished everyone a Happy Holiday and adjourned the meeting at 4:54p.m.

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