



FINANCE COMMITTEE MEETING

FINAL REPORT

November 17, 2022.

Northwoods Clubhouse, Mezzanine Room and Zoom

1. **Call to Order / Call for Quorum (5):** The Chair (Dundas) called the meeting to order at 3:02 pm PDT after noting that a quorum was present.

Attendees (All attendees present on either Zoom Video Conference Call or in person at Northwoods Clubhouse):

Members: Dundas, Ravano, Kodres, Rudolph, Vietor (via Zoom: all but Kodres)

Absent: Niedringhaus

Staff Lead: Martyn-Jones (DFA&BS)

Board Liaison(s): Mahoney, Treasurer

LRPC Liaison to FC: Gauny

TDA Staff: David Mickaelian (GM), Steve Hogan (Controller)

TDA Members: Craig Falk (FC member applicant)

2. **APPROVAL of Agenda:** A motion was made by Dundas to approve the Agenda for the meeting. Rudolph provided a 1st and Kodres a 2nd. Motion was approved 5-0.
3. **APPROVAL of Committee Draft Report, September 15, 2022:** Chair Dundas requested comments about the Finance Committee Report prepared after the September 2022 Finance Committee meeting. No comments were forthcoming. Ravano provided a 1st and Vietor provided a 2nd. The motion was approved 5-0 to send the final report to the Board. It was also noted that no report was available for October since the Finance Committee did not meet during the month.
4. **Member and Committee Member Comments:** A request was made by the Chair for comments by any Member or Committee Member who wished to do so. There were no Member comments.
5. Chair Dundas noted there were 3 upcoming vacancies on the Finance Committee which would be filled with 2 new applicants (Falk and Leibow for 3-year terms) and re-appointment of Ms. Ravano for a 2-year term pending Board approval. A recommendation was made for Director Mahoney to take the 3 applications forward to the Board for review and subsequent approval. This recommendation was approved by members of the Finance Committee 4-0 with Ms. Ravano abstaining.

6. Committee Tasks:

- a. Review of Reserves (Presented by John Mitchell who joined the meeting at 3:14 pm): Mr. Mitchell reviewed the various Reserves maintained by the Association. As an example, he discussed the Replacement Reserve Fund as an overview, indicating that the Fund was at \$6.3 million to begin the year, with \$2.5 million being spent during the year and \$1.0 million in committed funding that would be spent, leaving a projected balance of \$2.8 million. However, there would be a reserve balance of \$3.8 million at year end including the committed funding amount. A number of projects were deferred during the year due to timing and supply chain issues which are expected to continue in the near term. In a normal year, the rollover would be \$500,000 to \$1,000,000. In every project, the potential for savings from budgeted amounts are sought but timing, weather and other factors may also cause overages. Several examples of project savings as well as delays were discussed. It was also indicated that the Replacement Reserve Study is the main driver for this reserve in terms of funding and level of reserves needed.

- b. Recurring Tasks - Presentation and Discussion of October 2022 Financial Results: Mr. Martyn-Jones. For October 2022, TDA had budgeted a Net Operating Loss (“NOL”) of -\$1,052,189 and the actual NOL of -\$968,912, resulting in a favorable variance to plan of \$83,277 (7.9%). Principal factors in achieving these results were: a year-to-date “true up” of recreation fee revenue at Trout Creek resulting in a \$195,000 increase in revenue; golf related revenue was ahead of budget by \$37,000 (48% ahead); the Fall Festival added \$10,000 in revenue that was not budgeted; and Pizza on the Hill added \$39,000 in revenue (the budget assumed closure of the restaurant). Offsetting the positive revenue variances were several negative operating and administrative expenses: a timing issue for Employee Housing resulted in a negative variance in October of \$15,000 which will correct in November; salaries and wages were unfavorable to budget by \$55,000 or 6% due to golf maintenance labor expense was unfavorable to budget by negative \$10,000, having Pizza on the Hill remain open created a \$17,000 unfavorable variance (offset with revenue) and having XC hourly employees back earlier than planned had a negative \$7,000 variance to budget; off-season pool heating and increased utility costs resulted in a \$11,000 negative variance to budget; overall, utilities were \$27,000 negative to budget resulting from increased utility costs and usage; and an unplanned negative \$5,000 variance was seen in veterinary services.

Year to date Net Operating Result was a favorable \$37,544 to budget or 0.74%. Relative to the true up in recreation fee revenue, Mr. Martyn-Jones was requested to examine doing a reconciliation of these accruals on a more frequent basis as a mechanism to reduce potential large positive or negative variances. This reconciliation would also provide a more accurate picture of ongoing revenue if done more frequently. Mr. Martyn-Jones agreed that this would be reviewed and potentially have shorter timeframes.

Director Mahoney also reviewed an investment in the reserve portfolio that technically was a borderline investment relative to the investment grade. The investment was a \$35,000 bond from Bank of America Corporation. Based on the facts presented, the FC believes that this investment will be good relative to the company and the investment size relative to the overall portfolio. While Director Mahoney will cover this issue with the full Board, he will also present the FC viewpoint and recommend that the investment be retained.

Finally, Mr. Martyn-Jones indicated that the Annual Assessment invoices were in the process of being sent out to Members.

- c. Discussion of the 5501 Committee Report that was submitted in draft form for October 2022. The November 22 meeting will be attended by Ms. Kodres. The December 27th Meeting will be attended by Ms. Vietor and Mr. Rudolph will be at the January 24, 2023 Meeting.

6. **Finance Committee Workplan Matrix Discussion:** The 2023 Workplan Goals provided to FC members by Director Mahoney was reviewed. Director Mahoney requested that the Finance Committee should try to structure FC goals and objectives for the coming year around the Workplan Goals. Director Mahoney suggested that from his perspective as a Board member, the Board would prefer fewer special projects in exchange for ones that are congruent with Board priorities and staff capacity. For example, recurring tasks such as reviewing the financial results, participating in the 5501 Committee meeting, review of the annual audit, etc. would be within the FC charter. Additional projects should be consistent with Board objectives and goals. For example, a more thorough analysis of the amenity policy in conjunction with finance administration would be a topic that the FC may assist.

Each FC member was asked to review the Draft 2023 Workplan Goals along with the current FC Committee Workplan and provide input on what should be the FC Committee's Workplan Goals. Each member should submit a DRAFT for review to Mr. Rudolph for editing and compilation. Target date for FC member completion is December 2nd. Mr. Rudolph will then submit a completed DRAFT back to the members for final review and then forward to Patricia by December 9th.

7. **Special Tasks (ST)**

- a. **UPDATE:** Ms. Kodres provided an update on the FAQ project. Kodres had passed several sections on to FC Members for review in prior months. Kodres indicated that the 1st set of FAQ documents were transmitted to Lindsey for finalization. Kodres also indicated that a 2nd set of documents was out for review with interested parties for further input.
- b. **Reserve Funding for Long Range Capital Improvement Program:** The original draft was reviewed by the Board which elicited a number of comments from Board Members. A further review will be undertaken by the LRPC.

- c. **Financial Presentation Enhancements:** No progress was made due to work on the 2023 budget by the Finance staff.
- 8. **Next FC Meeting:** December 15, 2022, 3:00-4:30 pm, Northwoods Clubhouse, Mezzanine Room + Zoom
- 9. **Adjournment:** The meeting was concluded at 5:08 pm PDT with a motion not being made to adjourn.

Prepared and submitted by Michael Rudolph, Vice Chair, Finance Committee