

FINANCE STANDING ADVISORY COMMITTEE

August 29, 2022

Minutes

MEMBERS	Present	OTHERS	Present
Jeff Buxton	Zoom	J.B. Belknap, General Manager	X
David Brendsel	X	Lynn Brew, Controller	X
Tom Hards	Zoom	J. Schwarz, Finance Liaison	X
Mary Koenig	X		
Paul Kutney	Zoom	Wendy Shea, Activities & Events Coord.	X
Rita Lehman	X	Supervisor Howard Young	X
Larry Pedersen, Vice Chair	Zoom	Supervisor MaryAnn Polvinen	X
Dennis Popp, Chair	Zoom	Residents:	7

I. CALL TO ORDER –

Chair Popp called meeting to order at 9:00 a.m.

II. WELCOME -

Chair Popp welcomed all those in attendance and those on Zoom.

III. APPROVAL OF THE MINUTES – May 2, 2022, Finance Advisory

Chair Popp asked for approval of the May 2, 2022, Finance Advisory meeting minutes. Larry Pedersen made a motion to approve the May 2, 2022, as written. David Brendsel seconded the motion, and a vote was taken, and the motion was approved unanimously.

August 12, 2022 – Finance Mtg. on Bid Oversight – Chair Popp asked for approval of the August 12, 2022, Finance Mtg. on Bid Oversight meeting minutes. Larry Pedersen made a motion to approve the August 12, 2022, as written. Mary Koenig seconded the motion, and a vote was taken, and the motion was approved unanimously.

IV. MANAGEMENT OPERATIONS & FY2022 FINANCIAL UPDATE –

● **JULY 2022 FINANCIAL HIGHLIGHTS** - Controller Brew reported cash balances: operating account balance was \$826,701. In addition; reserves for deferred maintenance total \$600,989, the capital reserve account totals \$3,398,846, and the uninsured losses reserve totals \$351,547. With funds held by the bond trustee, the total amount shown as reserves are \$11,818,707.

Controller Brew discussed the July 2022 Variance Report (see Attachment). For the month of July 2022, the Recreation District was unfavorable to budget by \$34,988 (Golf Operations-\$25,437 & Other Departments \$9,551).

GM Belknap presented his analysis of Non-Golf YTD Operating Favorability to Budget (see attached). The Fitness Center, CLIS, Clubhouse and Administration are favorable YTD Operations to Budget through July 2022 (by \$27,230), but the Restaurant is unfavorable by \$68,000. GM Belknap explained the F&B revenue – YTD to Budget: \$58,000 or 4.2% unfavourability by showing a chart (see attached) that shows the outside banquet and lounge revenue is favorable to budget, but the resident banquet and dining room are unfavorable to budget. He cited the trend for more casual dining.

GM Belknap made another presentation of the Golf Operations YTD Favorability to Budget through July 2022 (see attached presentation). GM Belknap explained that the two-month dues credit was not reflected in the 2021-2022 budget because it occurred after the budget was approved. There were many variables that have contributed to the unfavorable numbers in the golf operations – the two-month refund of dues, less outside play revenue, longer spacing between tee times, increased and unexpected increases in the cost of fuel, fertilizer costs, etc. and closing of the golf course on Monday afternoons for the first year of the new course. The

past four years the HGRD has had a surplus vs. the final budget. This will be the first year that there will not be a surplus. Larry Pedersen questioned the 10% consignment fee for golf shop merchandise. GM Belknap stated that the upcoming budget would reflect the change to consignment merchandising. The old business model of Pro Shop merchandise is reflected in this year's budget. Jeff Buxton asked the GM about the forecasting accuracy, as it is the credibility of the budget for next year. GM Belknap stated that the Board and Management worked countless hours in May and June to develop the budget with the information that they had at that time. It is difficult to forecast costs when the budget does not begin until October and things can change so dramatically in between that time. An example is that LCEC stated in June that their rates would go up 10% but recently advised that the increase would be 38%. GM Belknap stated that expenses are generally correct with information provided, but the revenue is difficult to determine with accuracy. Based on the last three years of O&M surpluses, GM Belknap stated the forecasting has been fairly accurate over the years.

- **FY2023 BUDGET recap sheet** – Controller Brew went over FY2023 Budget recap with the Finance Committee (see attached). The O&M Assessment per lot in 2021-22 was \$2,304 and the 2022-23 assessment will be \$2,535 which is 10% higher this upcoming fiscal year. Some of the contributing factors to this increase is an 18% increase in property & liability insurance and a mandatory increase in the minimum wage. At the start of the budget meetings, the proposed total increase was 13.8% over the current fiscal year budget. The Board supplemented the capital replacement reserve assessment through the long-term capital reserves to lower the total assessment increase to 10%. Jeff Buxton asked if GM Belknap was working on trying to hire a F&B Manager. GM Belknap is currently working on having a F&B Manager in place by October 1st.

V. MANAGEMENT OPERATIONS COMMENTS – GM Belknap made operations comments during the financial section of the agenda.

VI. OLD BUSINESS –

- **LIABILITY INSURANCE** – This item was an open issue from the August 12th meeting. The broker's offerings showed an 18% premium increase; however, they were awaiting the updated property appraisal. Treasurer Schwarz pointed out that, due to the updated appraisal which is expected to show District property value increased significantly, the cost of our property and liability insurance policy will also be increasing. When management receives updated quotes for the new fiscal year the committee will meet again. The question was raised on the adequacy of the insured loss reserve, which by District policy is the greater of \$350,000 or the insurance deductible amount. The current deductible is approximately \$310,000. Funds required to increase the reserve are allocated, by policy, from the new owner capital assessment. There have been sufficient closings this fiscal year to fund any needed increase. The Board determines this allocation at the end of the fiscal year when the liability insurance premiums and deductibles are finalized.

VII. NEW BUSINESS

- **CASH FLOW & INVESTMENTS PROPOSED CD'S** – Chair Popp and Treasurer Schwarz asked David Brendsel to investigate options for investments of District funds using FL qualified public depositories. David Brendsel met with our Finemark Bank representatives to discuss Intra-Fi Network Deposits (formally CDARS) to determine available options for the District. Current District funds are invested through the Intra-Fi Network and deposits are placed in Finemark, Truist, and 21st Republic, Finemark representatives stated they would pay a gross rate of .60% less 11 basis points net .49%. Finemark does not offer any other investment options or laddering of CD's.

David was advised that the FL State Board of Administration Prime Fund cannot ladder CD's and does not offer any other investment strategies. David stated that Lynn Brew met with an

individual that manages public funds at a Municipal Finance Officers conference. David contacted Nathan Nissan of PMA Financial who shared that his company helps local governments manage their cash investments along with providing a fixed income investments (treasury securities, CD's etc.) through their broker dealer program. The rates that they quoted to David was a net rate after fees of 10 to 15 basis points. They use FL Safe and Florida Surplus Asset Fund Trust as investment vehicles. These are local government investment pools developed by Florida local governments for Florida local governments in accordance with FL Statues. FL Safe has no association with the State of Florida and its sole purpose is to serve government entities in Florida to meet their daily cash management needs with an emphasis on safety, liquidity, transparency, and competitive yields.

David felt that using either one of these new companies can bring in a significant increase per month to the district. After discussion, Larry Pedersen made a motion to recommend to the Board of Supervisors to have a joint Board of Supervisors and Finance Advisory meeting with Florida Class and PMA and SBA Prime to review their programs. Mary Koenig seconded the motion. A vote was taken and passed unanimously. Treasurer Schwarz thanked David for his research and presentation.

● **STRATEGIC PLAN** – Jeff Buxton presented the HGRD's Strategic Plan Key Strategic Issues to the Finance Advisory Committee. (See attached) Jeff only went through the key strategic issues and strategies. The key strategic issues were 1. Facilities and Land Use by maintaining and expanding quality facilities, amenities, activities that meet the needs and desires of the residents. 2. Governance – implementation of the Strategic Plan, capital and operational budget management, and periodic review of Policies/Procedures and Rules/Regulations. 3. Services – optimized utilization of Herons Glen facilities and amenities, operation efficiencies and improvements and matching residents' desires with resources. 4. Staffing – maintain quality staff and management and control of wage and benefit costs.

Strategies to be employed to address Strategic Issues:

Facilities & land Use

1. Develop an overall Community Master Plan which should include Facilities utilization review, land Acquisition and Development, Environmental Safety, Prioritization of competing Capital Projects, HGRD facilities safety and security and energy conservation opportunities.
2. Review and adjust Long Range Plans annually (including an annual review of all large capital projects and the Master Plan).

Governance

1. Execute the Action Plans associated with this Strategic Plan
2. Operate within parameters set by the Board and the approved Capital and Operational budgets: Develop a long-range plan for Capital funding.
3. Ensure annual review of all rules/policies to assure continuous relevance.

Services

1. Develop a services utilization study to better understand the use of the services provided by HGRD to residents.
2. Develop a Restaurant Services Plan to resolve how the HG restaurant should better fulfill resident desires. Plan should address the following: Vision, Restaurant Management Model, Restaurant Communications, how/if to improve utilization and revenues from the restaurant.
3. Conduct an operational review of all food and beverage operations.
4. Determine and address community-wide wants in a timely fashion

Staffing

1. Develop short/long term plans to keep key staff in place.
2. Get control of all wage and benefit costs in every department.

Jeff stated that some of these strategies are already being addressed or will be soon. The Finance Advisory Committee would be part of the Governance Action Plan. Dennis thanked Jeff for the presentation.

VIII. OTHER BUSINESS

IX. NEXT MEETING – Monday, November 7, 2022 – 9:00 a.m. – Card Room C/Zoom

X. ADJOURNMENT – Chair Popp adjourned the meeting at 10:18 a.m.

Approved:

Dennis Popp
Chair, Finance Standing Advisory Committee
September 1, 2022