

**HERONS GLEN RECREATION DISTRICT
FINANCE ADVISORY COMMITTEE
9:00 AM (Card Room C/Zoom Meeting)
Monday, May 8, 2023 - Minutes**

	Present		Present
Jeffrey Buxton	Zoom	Jayne Schwarz, Board Liaison & Treasurer	X
David Brendsel	X		
Paul Chipman	X	Lynn Brew, Controller	X
Richard Kline, Alternate	X	J.B. Belknap, General Manager	X
Rita Lehman	X		
Arthur Lippens	Zoom	Wendy Shea, Act. & Ev.Coordin.	X
Larry Pedersen, Vice Chair	Zoom	Supervisor Howard Young Supervisor Peter Overs	X X
Dennis Popp, Chair	X	Residents:	0

Call to Order:

I CALL TO ORDER

Supervisor Schwarz called the meeting to order at 9:00 a.m.

II WELCOME & INTRODUCTION OF 2023-2024 COMMITTEE MEMBERS

Supervisor Schwarz welcomed all in attendance and on Zoom to the Organization meeting of the 2023-2024 Finance Advisory Committee. Supervisor Schwarz welcomed the new Finance committee members: Paul Chipman, Richard Kline and Arthur Lippens and then asked the entire Finance Committee to do self-introductions.

III CHARTER

Supervisor Schwarz reviewed the General Policies concerning all Committees. (See attached) Supervisor Schwarz pointed out that the Finance Committee serves only in an advisory capacity. Committees may recommend, but do not approve or take action pertaining to the District. All requests for staff to provide information must be requested through the General Manager.

Supervisor Schwarz briefed the Charter for the Finance Standing Committee. It was pointed out that the Finance Subcommittee on Bid Oversight responsibilities include reviewing proposed purchases for expenditures for Category 2 or higher as outlined in Section 287 of FL statues. This means that, generally, purchases under \$35,000 or obtained through intergovernmental purchasing agreements do not need to be reviewed by the committee.

IV ELECTION OF CHAIR AND VICE-CHAIR

Supervisor Schwarz opened nominations for the position of Chair of the Finance Advisory Committee. Larry Pedersen nominated Dennis Popp and David Brendsel seconded the nomination. The committee voted unanimously to elect Dennis Popp as chair of Finance Advisory for 2023-2024.

Chair Popp opened nominations for Vice-Chair of the Finance Advisory Committee. Rita Lehman nominated Larry Pedersen and David Brendsel seconded the nomination. The

committee voted unanimously to elect Larry Pedersen as vice-chair of the Finance Advisory for 2023-2024.

V APPROVAL OF MINUTES - November 7, 2022

Chair Popp asked for approval of the November 7, 2022, Finance Advisory meeting minutes. David Brendsel made a motion to approve the November 7, 2022, minutes as written. Larry Pedersen seconded the motion, and a vote was taken, and the motion was approved unanimously.

VI FINANCIAL INFORMATION

- a) Mid-year results recap – GM Belknap presented to the committee the Herons Glen: Mid-Year Review 2023 – Operating Performance that was presented to the Board of Supervisors. (See attached) GM Belknap stated that management reviewed the mid-year Operational performance versus budget and where we expect to end up at year-end against the total approved budget. He stated that the operational budget is set to “breakeven” (excluding depreciation) each year. It is the vehicle for delivering services/amenities consumed by the residents enjoying the facilities and amenities. Management budgets to provide operational resources to meet resident expectations. Since the June 2022 budget the HGRD has had some budget volatility such as 7 key employee turnover, Hurricane Ian, and Insurance Premium increases of \$50,000 due to Hurricane Ian. The end of year forecast for non-golf (Admin, F&B, Clubhouse, CLIS and Fitness Center) are expected to have a deficit of \$23,000 and Golf a surplus of \$216,000. All departments are forecasted at the year end to have a budget surplus of \$192,000. Some of the reasons that non-golf operations are down is due to home sales are down about 50% therefore estoppel and set up fees are down by \$13,000; and, \$10,000 went to CLA for GASB 87 (lease accounting) research. F& B gross sales are 3% unfavorable (\$43,000 of the \$49,000 deficit is due to the unfavourability from banquets). Combined dining room and lounge sales are on budget. The cost of food is unfavorable by 13%. There were the following unexpected expenditures caused by Hurricane Ian – \$300,000 for debris removal on district property and tree removal from the golf course, and the fact that insurance was based on purchase price not actual current replacement value.
- b) Status of Insurance and FEMA damages and claims – Year to date the expenditures from Hurricane Ian are \$382,000. Management has spent months working with FEMA to recoup some of the expenditure but found out last week that we are not eligible to receive any FEMA benefits. To date we have received \$183,000 from our insurance company.
- c) Brief overview of Club Benchmark Asset reserve study – GM Belknap stated that management are gathering more information on the Club Benchmarking Capital Reserve plan for analysis. At this point, GM Belknap explained that the capital plan is fluid and is being reviewed to assist the Board of Supervisors to determine which capital assets should be reserved for through capital assessments in the next 20 years- Obligatory (Maintenance) Capital- and which items should be included in the Strategic Plan-Aspirational (Growth) Capital when the next bonding opportunity presents itself beginning after 2036. Jeff will work with management to present planning options to the Board for the June budget meetings.

Discussion ensued on Club Benchmarking on the following issues: recategorization of some of the items that are part of the Bond for 2023, reclassifying the useful life of equipment, furniture, etc., items labeled and should be classified for future bond projects, and taking the Club Benchmarking report and comparing it with the deferred list to merge into one report. Management will be working with the departments to review and compare the reports and merge them into one report during the month of May. GM Belknap stated that they will work to get it completed before the June 5th joint meeting of the Finance and Long-Range Planning Committees.

d) Possible purchases requiring Bid Oversight (and timeframes) – Did not discuss.

VII HIGHLIGHTS OF 2023 STRATEGIC PLAN

Jeff Buxton presented highlights of the Strategic Plan which is the “Final Draft” that will be presented to the Board of Supervisors at their next Board meeting in May. Since the development of the 2022 HGRD Strategic Plan, the following significant accomplishments have been achieved in addressing the action items called out by the plan: A) Develop a Facilities Master Plan of which the Facilities & Amenities Committee has begun some elements of developing a Master Plan, including demographics analysis and resident desires for new and / or upgrades to amenities as determined by the 2023 Resident Survey. B) Develop a long-range plan for capital funding – Finalization of the Club Benchmarking study will provide a key basis for developing the long-range plan for Capital funding. C) There was a complete review of all rules / policies to assure continuous relevance. D) The Annual Survey results helped to develop a plan to effectively understand the community-wide wants and needs. And lastly, E) The Food and Beverage quality and service issues have been addressed and the area has had significant positive changes and good results. Outside events are improving – events are up to 18% with the goal of 20%.

Key Strategic Issues –

1. Facilities & Amenities:

- Community Master Plan
- Long Term Capital Plan
- Growth Plan

2. Governance:

- Rules & Regulations review process
- Strategic Goals and Agendas
- Elections

3. Services:

- Food & Beverage Facilities Renovation
- Food & Beverage Financial performance

4. Operations:

- Technology Plan
- Facilities, Property, and Asset Management
- Asset Management
- Hurricane Preparedness

VIII REQUESTS – RECOMMENDATIONS

Paul Chipman asked if he could get the debt balance by year. GM Belknap will provide the bond amortization schedule. Paul Chipman asked if the Board presented management with certain perimeters on developing the budget for the meetings in June. GM Belknap stated that the budget was cost driven not revenue driven. Rita Lehman asked management what processes they have established regarding the auditors issue last year with the Fixed Asset Registry. Controller Brew said they have started processes, but the issue has not been resolved to date.

IX SCHEDULE OF BUDGET MEETINGS – (Finance Committee attendance invited)

Monday, June 12th –	9:00 AM - 5:00 PM – CR-C
Tuesday, June 13th –	9:00 AM - 5:00 PM – CR-C
Wednesday, June 14th–	9:00 AM – 5:00 PM – CR-C
Thursday, June 15th –	9:00 AM – 5:00 PM – CR-C
Friday, June 16th -	9:00 AM – 5:00 PM – CR-C (Board Meeting)

- X SCHEDULE OF FINANCE ADVISORY MEETINGS – Available on Zoom
Monday, June 5, 2023 – 9:00 AM – CR-C
▪Joint Mtg w/LRP to discuss Club Benchmark asset replacement and reserves
Tuesday, August 15, 2023 – 11:00 AM – Property Insurance & 2:30 PM – Health Insurance - CR-C/ Zoom
▪Discussion of employee health benefit offerings with Insurance Broker-2:30 PM
▪Discussion of property insurance and potential offerings with broker-11:00 AM
Monday, September 11, 2023 – 9:00 AM – CR-C (First Hold) (*property insurance rates?*)
Monday, January 8, 2024 – 9:00 AM – CR-C
Monday, January 29, 2024 – 9:00 AM – CR-C (First Hold) (Depends on status of Audit)
Monday, February 12, 2023 – 9:00 AM – CR-C (Joint Meeting w/Board on Audit) (First Hold)
Monday, March 11, 2024 – 9:00 AM – CR-C (First Hold)
Monday, April 29, 2024 – 9:00 AM – CR-C (Joint Meeting w/Board on Mid-Year Review)
(First Hold)
- XI OTHER BUSINESS
- XII NEXT MEETING – Monday, June 5, 2023 – 9:00 AM – CR-C/Zoom
- IX ADJOURNMENT- The meeting adjourned at 10:27 a.m.

Approved:

Dennis Popp
Chair, Finance Advisory Committee
Date: August 15, 2023

**HERONS GLEN RECREATION DISTRICT
FINANCE AND LONG-RANGE PLANNING ADVISORY COMMITTEES
9:00 AM (Card Room C/Zoom Meeting)
Monday, June 5, 2023 – Minutes**

<i>Finance</i>	Present	<i>Long-Range Planning</i>	Present
Jeffrey Buxton, F&LRP	X	Beth Brucker, V Chair	X
David Brendsel	X	Fred Gignac, Chair	-
Paul Chipman	X	Bob Herbstritt	-
Richard Kline, Alternate	Zoom	Bruce Johnson	X
Rita Lehman	X	Carlton Smith	-
Arthur Lippens	Zoom	Howard Young, Board Liaison	Zoom
Larry Pedersen, V Chair	Zoom		
Dennis Popp, Chair – Fin LRP member	Zoom	J.B. Belknap, General Manager	X
Jayne Schwarz, Board Liaison	X	Lynn Brew, Controller	X
		Wendy Shea, Act. & Ev.Coordin.	X
		Supervisors Overs & Kulkoski	XX
		Residents:	1

Call to Order:

I CALL TO ORDER

Vice Chair of Long-Range Planning Beth Brucker opened the meeting at 9:00 a.m.

II ROLL CALL

Wendy Shea took roll call for the Finance and Long-Range Planning Committees.

III MANAGEMENT UPDATES

GM Belknap reported on the following:

- Collier mobilized and began widening the path from Kaidon to Wheelock.
- Jim Ink is scheduled to do a certification walk on June 15th to address the drain sizing which has been questioned by the Bocce players.
- Management will be meeting on Thursday at Copperleaf to oversee the restaurant/lobby furniture move. If everything goes as planned, the furniture will be delivered here on Friday and be placed in the ballroom per Beth Brucker's schematic.
- The 50-mph wind we received last week took off some of the "peel & stick" material that Crowther Roofing put on. Once it is down again, they will issue a report with pictures which will be sent to the insurance carrier. Jack Brown & Associates said they would like to move forward on getting the RFP out to prospective roof companies this coming Monday.

IV CB STUDY AND REPORT

GM Belknap distributed a Capital Planning Report for June 5, 2023 (See Attached) that explained the following:

- What is CB study – It is a capital planning tool that requires an in-depth analysis & evaluation of a club's physical assets and a plan to pay for them over a period.
- How does it work? – The framework of the Master Capital plan lists all items (\$5K or more), per area, that need to be repaired or replaced over the next 20 years.

- How are costs and life cycle established? CB uses regional standard costing and life cycle.
- How report to be used? Planning tool for existing asset replacement over the next 20 years and estimated costs required to fund those replacements and repairs.
- How is it updated? - The plan is a living document that must be continuously updated for obligatory needs, replacement costs and inflation.
- How does model work? Uses 20-years of data and adds inflation and shows year of replacement.
- Club Benchmarking data impacts -

V REVIEW SECTIONS AND DISCUSS RECOMMENDED MODIFICATIONS

- Cap assets
- Deferred reserves: maintenance and equipment
- Bond items
- Lease purchases – including time of financing and how evaluated.

The Committees reviewed the Executive Summary of the Master Capital Plan and had the following questions and discussions:

- 1) The Capital Expenditure Total from the CB Report was \$9,227,434 with a Budgetary Contingency at 10% of the total Capital Expenditure of \$922,743 for a grand total for Capital Expenditures for 20 years is \$10,150,177.
- 2) Jeff Buxton asked Management if Herons Glen has used the 10% contingency in past years and is management comfortable with using it? GM Belknap stated that Herons Glen has always had a \$50,000 contingency every year which was basically a 3% cost of inflation. GM Belknap stated he is comfortable in using the 10%.
- 3) Rita Lehman stated she felt that we need the 10% contingency in case of possible issues like hurricanes, etc.
- 4) David Brendsel asked management if CB physically assessed the value of all the equipment when they conducted this report. Controller Brew stated that CB went to each department and physically assessed the value of the equipment.
- 5) Discussion concerning the 2023 completed Bond items being moved off the Master Capital Expenditure report. Examples: Restaurant Furniture. GM Belknap stated that management will review and make changes to the Capital Plan by removing Bond items that have been completed.
- 6) Discussion of Controller Brew making changes to the Capital Expenditure Plan when new or old items are added or removed. Club Benchmarking plans to offer their services to keep the report updated using a subscription cost. Management will explore the best processes for updating the Capital Expenditure Plan.
- 7) Beth Brucker asked if the Capital Expenditure will be redone every five years?
- 8) Jeff Buxton asked why the 10-year leased Equipment was in this Capital Expenditure Report. After discussion, it was explained the Capital leased Equipment I was for informational purposes as the analysis should be updated. These items are not included on the Capital Expenditure Plan, as the leased costs are in operating expenses.
- 9) Discussion on what method to use for the yearly assessment – a 20-year average or cap a % increase each year and still arrive at the 20-year total. Paul Chipman will do an assessment of both methods and give the report to the Finance committee for the GM and to the Controller before next week's budget meetings so the Board can decide what would be the best method.
- 10) The Strategic Plan survey asked the residents what new projects that they would like to see occur in Herons Glen in the future. Jeff Buxton believed that the Board should communicate to the residents that the capital plan only maintains

what the District currently has. Any new projects would need to be part of a Bond or by a special assessment.

- 11) The following suggestions were made to management to update the CB report before the Board of Supervisors Budget meetings:
 1. Review bond items that are between 2025-2035 to reschedule to coincide with next bond issuance or reclass to working capital.
 2. 2023 amounts should not include items that were done in 2023 since it is included in the total amount to be funded (this was suggested by Club Benchmarking to do so it would be included in the 2023 "spend", but for our purposes it should not be included).
 3. Move the roof from 2028 listing on the bond sheet, as replacement will need to be earlier.
 4. Peter Overs suggested to have Club Benchmarking come out every five years to reassess the assets
 5. Paul Chipman will test a discussed collection option of starting with \$280 annual capital assessment per household and increasing 3.5% each year vs. dividing the 20-year needs and collect 1/20 of the total needed each year
 6. Paul Chipman suggested there should be a minimum threshold of funding for the capital plan.
 7. Remove bond item amounts that have been or will be done with the 2020 Bond Plan current 2020 Series Bonds.

VI COMMENTS - FINANCE COMMITTEE

Finance Chair Dennis Popp had no other additions other than to thank the committees and management for putting together the CB report.

COMMENTS - LONG RANGE PLAN COMMITTEE

Beth Brucker stated that there will be a discussion of the Strategic Plan initiatives at the next meeting in October.

VII SCHEDULE OF BUDGET MEETINGS – (Finance Committee attendance invited)

Monday, June 12th –	9:30 AM - 5:00 PM – CR-C
Tuesday, June 13th –	9:30 AM - 5:00 PM – CR-C
Wednesday, June 14th–	9:30 AM – 5:00 PM – CR-C
Thursday, June 15th –	9:30 AM – 5:00 PM – CR-C (IF needed)
Friday, June 16th -	9:30 AM – 5:00 PM – CR-C (Board Meeting)

VIII Next FINANCE ADVISORY MEETINGS – Available on Zoom

Tuesday, August 15, 2023 – CR-C

- Discuss property insurance and potential offerings with broker – 11 AM
- Discuss employee health benefit offerings with Broker -2:30 PM

Monday, September 11, 2023 – 9:00 AM – CR-C (tentative) (*property insurance rates?*)

IX NEXT LONG RANGE PLAN ADVISORY MEETINGS – The next meeting will be in October when the Chair returns to Herons Glen. A date will be determined later and conveyed to the LRP Committee – CR-C/Available on Zoom

X ADJOURNMENT

The meeting adjourned at 10:28 a.m.

Approved:
Date: December 4, 2023

Approved
Dennis Popp

**HERONS GLEN RECREATION DISTRICT
FINANCE ADVISORY COMMITTEE
August 15, 2023
11:00 AM – Property Insurance
2:30 PM – Health Insurance
Minutes**

MEMBERS	Present	OTHERS	Present
David Brendsel	X	Ryan Schmidt, Gulfshore Insurance	Zoom
Jeff Buxton	Zoom		
Paul Chipman	X	Garrett Gardi, BKS	Zoom
Richard Kline, Alternate	Zoom	Jonathan Simmons, BKS	Zoom
Rita Lehman	X	Les-Lee Robinson, BKS	Zoom
Arthur Lippens	-		
Larry Pedersen, Vice Chair	Zoom	Peter Overs, Supervisor	Zoom
Dennis Popp, Chair	Zoom	Karen Mars, Supervisor	X
J.B. Belknap, General Manager	X	Bill Kulkoski, Supervisor	Zoom
Lynn Brew, Controller	Zoom	J. Schwarz, Board Liaison/Treasurer	X

I. CALL TO ORDER – Chair Dennis Popp called the Finance Advisory Committee meeting to order at 11:00 AM. The meeting was scheduled to be in two segments: the review of proposed property and liability insurance and the review of the employee health benefits proposal. Chair Popp turned the meeting over to GM Belknap for the introduction of the Property Insurance portion of the meeting.

II. INTRODUCTION OF SPEAKER

GM Belknap introduced Ryan Schmidt from Gulfshore Insurance who has serviced the HGRD account for over 10 years and has an abundance of Country Club experience.

III. PROPERTY INSURANCE PRESENTATION- Ryan M. Schmidt, Gulfshore Insurance

The District's property and liability insurance is renewed on October 1, 2023. Ryan opened the session with a brief discussion on the challenges of today's insurance market. Ryan stated that the market is very volatile at the present time due to Hurricane Ian and the cost of construction. Due to recent events, the FL market is highly unprofitable for Insurance companies.

Ryan went through the PowerPoint presentation in its entirety. (See attached presentation) The presentation was just an overview of potential costs and coverage. The final costs and coverage will occur in late September.

- Property- Clubhouse & Fitness Center – Catalytic Risk Managers and the 2023-2024 Premium budget is estimated to be \$250,000 from \$135,004 i current premium. Ryan went through the Notable Policy Terms and Conditions of the Policy.
- Property- Ancillary Property – Trisura Specialty Insurance Company and the renewal Premium budget is estimated to be \$40,000, up from \$30,538 the 22-23 premium. Ancillary Property are other buildings in the District other than the clubhouse. Examples are fountains, pump houses, the “sports complex” Shuffleboard Courts, Bocce Courts, and Tennis courts. Also under this category are Pickleball Courts, Restrooms on golf course, wood bridge, etc.
- Equipment Breakdown – Federal Insurance Company and the 2023-2024 Premium budget is estimated to be \$2,000 up from \$1,745, the current amount. The “Breakdown” coverage supplements the building/contents coverage

- Package (General Liability, Umbrella, Liquor, Auto & Marine) – Cincinnati Insurance Company and the Premium is estimated to increase from \$126,000 from \$119,945.
- Crime – Cincinnati Insurance Company and the premium is estimated to be \$4,275, with no increase.
- Other components of the total HGRD coverage were presented, along with an explanation and industry and FL claim trends in these areas.
- The total 2022- 2023 annualized premiums are \$305,435 and the estimated budget for 2023-2024 is \$437,725.

Discussion and questions ensued on the insurance information that was presented by Gulfshore including the following:

- The HGRD has had approximately \$400,000 in liability claims over the past five years. One claim is currently outstanding. Additional information will probably be received from the claimant's attorney upon completion of treatments.
- The process of changing the October renewal date until January through March.
- The probability of our current insurance company renewing the clubhouse insurance due to the roof not being replaced - possibly 6 months due to the availability of roofing tile.
- The possibility of not purchasing wind insurance for the clubhouse and considering using the District's reserves for damage,
- New insurance programs such as the Parametric Programs and their viability,
- Could the HGRD can get endorsements once a construction project is completed, whether or not propane tanks need to be covered with liability insurance\
- Availability of local municipalities insurance, for intergovernmental pool insurance.

At 12:20 p.m. after Ryan Schmidt concluded his presentation and answered questions, Chair Popp thanked him and stated that the meeting would be on a break until 2:30 p.m. when the committee would reconvene for a presentation by BKS Insurance on Employee Health Insurance.

BREAK

V. INTRODUCTION OF SPEAKER

GM J.B. Belknap introduced Garrett Gardi of BKS who has worked with the HGRD for over 9 years with the Employee Health Benefits Insurance. Garrett Gardi then introduced Jake Bowman and Les-Lee Robinson who have been working with Garrett on the HGRD account.

VI. HEALTH INSURANCE PRESENTATION – Garrett Gardi, BKS-Partners

Garrett Gardi presented the HGRD Renewal Executive Summary (See attached report and charts) that will help the Finance Committee to review the options concerning Employees' Health Benefits policies identified by BKS. As in prior years, quotes were requested from multiple carriers. Cigna declined and the rates were not competitive, Aetna made a proposal but was not competitive, KBA/Lee Health Program declined due to the size of the HGRD account. Florida Blue originally proposed a 14.8% increase, but then BKS negotiated a reduced increase of 4.8% renewal rate. Florida Blue is the carrier currently used by the District to provide employee health benefits. United Health offered rates which were a 6.5% decrease from current costs. The District pays either 80 or 85% of plan premiums, while employees pay the balance. There are currently 31 employees participating in the health benefits program offered by the District.

Since the two most appealing options to the attendees were United Healthcare and Florida Blue, the discussion focused on the pros and cons of changing carriers. Both carriers offered 4 plans. Over 50% of HGRD employees choosing to enroll in HBs currently opt for the HMO with the lowest total deductible. If a change of carriers was made, the impact would be to employees in finding health care providers in the United plan as well as the timing required for carriers to

transfer amounts of annual deductibles the employee already paid. This is due to the fact that the deductibles are based on calendar year and HGRD renewal is October 1. This could be a financial impact to an employee who had medical expenses during the last three months of the calendar year. The plan components for FL Blue remained the same except one plan provided an enhancement for physician services and emergency room and urgent care services – payment of flat fees in lieu of a percentage after deductible. Comparisons were provided of each component for all plans offered by both carriers.

If the District chooses to change carriers, it was recommended that they should be prepared to budget for 2 years, as it is typical and most likely to see a significant impact in year 2 rates due to market volatility. Carriers sometimes offer a low first-year rate but have significant increases after that.

Discussion and questions on the plans included: Florida Blue has 65% of the market from Sarasota through Ft. Myers with United Healthcare in second, United Healthcare is very aggressive right now and have given a rate that BKS feels is not realistic in the long run. When asked when was the best time to renew it would be April, May or June, The busiest time is January when 70% of all renewals are made and the District is small. the HGRD must offer minimal plans to comply with ACA, however it needs to remain competitive to hire and retain employees. HGRD contributes only to the employee plan premiums and not for family members District employees must pay the cost of a family plan if that coverage is desired. When asked what percentage of premiums the district competition pays, the group learned it was over 90%, which is above that offered by HGRD. Additionally, the trend has been moving away from a flat percentage that employers pay toward each plan premium to a defined contribution amount.

Chair Popp thanked Garrett, Jake, and Les-Lee for their presentation and stated that GM Belknap will get back to them. Since employees need to renew by October 1, participant enrollment information must be prepared and provided to employees.

BKS representatives left the Zoom meeting.

Chair Popp stated that the Finance Advisory Committee cannot make a recommendation to the Board of Supervisors on Property Insurance until they find out if the current insurance company will offer a renewal and if so at what cost. The committee will investigate other insurance companies such as Public Risk Management of Florida which provides comprehensive public entity insurance throughout Florida and other insurance companies that deal with municipalities and whether other options would work for the HGRD.

Chair Popp opened the discussion on which health plan the Finance Advisory Committee would like to recommend to the Board of Supervisors for Employee Health Insurance. After discussion, David Brendsel made a motion to renew the Employee Health Insurance with Florida Blue for the 2023-2024 year. Rita Lehman seconded the motion. A vote was taken and there were 6 votes in the affirmative and 1 vote opposed. The recommendation was passed.

VII. ADJOURNMENT – Chair Popp adjourned the Finance Advisory Committee meeting at 3:50 P.M.

APPROVED:

Approved
Dennis Popp
Chair, Finance Advisory Committee

December 4, 2023
Date

**HERONS GLEN RECREATION DISTRICT
FINANCE ADVISORY COMMITTEE
Monday, December 4, 2023 – Minutes**

	Present		Present
Jeff Buxton	ZOOM	Jayne Schwarz, Board Liaison	X
David Brendsel	X		
Paul Chipman	X	J.B. Belknap, General Manager	X
Dick Kline, Alternate	X	Lynn Brew, Controller	X
Rita Lehman	X		
Arthur Lippens	X	Wendy Shea, Act. & Ev.Coordin.	X
Larry Pedersen, Vice Chair	X		
Dennis Popp, Chair	X	Residents:	2

CALL TO ORDER

Dennis Popp called the meeting to order at 2PM. Attendees are listed above. He then asked for approval of minutes of the August 15th and November 15th minutes. These were unanimously approved.

RISK MODEL AND WIND MITIGATION INSURANCE

Dennis advised that the Board of Supervisors requested the committee provide a review of the wind coverage and financial impact of various insurance options. These were to include suggested options for the near term and longer term for fiscal year 2025 and beyond. The District could not obtain wind coverage for the clubhouse for the full amount of the asset replacement value (\$8.5 million) due to the roof. The clubhouse roof is currently being re-roofed and this is expected to be completed and inspected by the end of the month. The fitness center and other ancillary properties are covered under a separate insurance policy for their replacement value, which was in excess of \$5million. Additionally, the majority of the District's financial impact from Hurricane IAN in 2022 related to cleaning up trees. There is no wind coverage offered for this.

The District had previously been advised that the insurance broker could shop wind mitigation insurance once the 20+ year old roof was replaced. However, this would not happen until January 2024.

Paul Chipman led the discussion of the of his presentation (attached) which was developed with the assistance of Jeff Buxton, Supervisor Schwarz, and GM Belknap. Paul noted that there is no consensus of the annual insurance increases the District could expect. And wind premiums are increasing at a greater rate than other items.

The committee discussed the risks and costs of obtaining wind coverage for the balance of the fiscal year for the clubhouse. The amount of reserves the district maintains and the increased FY2024 budget for losses reserve was recognized as well as, but not discussed, financing options if a catastrophic wind loss was incurred at the clubhouse. Brought up, as previously discussed in August, was the goal of moving the renewal date for the policy. The

committee suggested considering steps to “harden” District assets. The District is pursuing replacement of current windows and doors with impact windows and doors, and in fact, windows and doors on the west side of the administrative wing as well as two windows in the HOA manager’s office are on order as part of clubhouse improvements in the bond projects.

The committee requested another meeting with the insurance broker once wind coverage is shopped.

Dennis adjourned the meeting at 3:20 PM.

Draft Approved – December 20, 2023

Dennis Popp
Chair, Finance Advisory Committee

Attachment

Herons Glen Recreational District Finance Committee Recommendations Related to FY23-24 Property Insurance Issues

Outline

- Project Summary
- Background & Assumptions
- Analysis
- Recommendations

Project Summary

- The HGRD will face increasing insurance costs (premiums, deductibles) especially insurance for “wind damage” (hurricanes, tornadoes, micro-bursts)
- The HGRD has traditionally “fully insured” HGRD assets, but the Board of Supervisors and HGRD management recognize that “full insurance” may either be unaffordable or unavailable
- The Board of Supervisors asked the Finance Committee to provide an analysis of the financial impact/options of various insurance options for both the near term (analysis of options once the Clubhouse roof is fully permitted) and longer term (analysis of what actions could be taken near term based on the projected insurance costs/probability of damage going forward)

Background & Assumptions

- Climatologists are in agreement that damaging storms will increase in **AVERAGE INTENSITY** and will **INCREASE IN INTENSITY** more rapidly once a storm is organized
- There is not, at this time, consensus on whether the **NUMBER** of storms in any given period of time will increase
- Insurance companies in Florida (and in other states, but Florida is certainly being focused on due to the likelihood of major hurricanes making landfall in Florida) are significantly increasing property insurance costs or in a number of cases exiting the Florida market

Background & Assumptions, CTD

- There is no consensus on the YoY rate increases the HGRD can expect, for purposes of this analysis, the Finance Committee aligned on 15% YoY increases
- For the purposes of this analysis, it is assumed that the current HGRD assets are “must haves” and in the event assets are damaged, the HGRD will repair or replace as needed... the big ticket item is the Clubhouse
- Assumed replacement values as of 2023 are
 - Clubhouse \$8.5 million
 - Fitness Center \$1.2 million
 - Ancillary Assets \$4.2 million

Background & Assumptions, CTD

IAN Impact	
Insured Assets "Cost to Repair"	\$692,000
Deductible	\$323,000
Uninsured Assets "Cost to Repair"	\$350,000
Total Costs (Deductible + Uninsured Costs to Repair)	\$673,000

- Key Learnings from Ian

- HGRD financial impact ~ \$750,000, net of insurance proceeds
- Majority of impact related to cleaning up down trees – most of this damage was NOT insured (“Tee to Green” insurance not available)
- Clubhouse’s 30 year old roof “weathered the storm” – with moderate damage and no damage to the interior
- No significant damage to Fitness Center or other ancillary assets
- Anecdotal evidence is that residential roofs less than 5 years old had significantly less damage than older roofs
- Water and Power outages can last an extended period of time
- Majority of damage in the Fort Myers area was related to storm surge

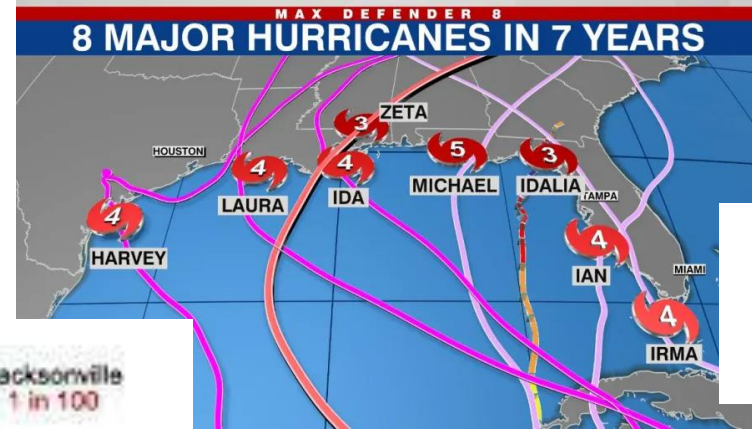
Background & Assumptions, CTD

The HGRD Insurance “Suite” and Recent Quote

	Expiring	Option 1	Option 2	Option 3
Property - Clubhouse + Fitness Center	\$135,004	\$212,904		
Property - Clubhouse			\$192,225	\$34,705
Property - Ancillary	\$30,538	\$55,332		
Property - Ancillary + Fitness Center			\$78,251	\$78,251
All Other Coverage (rounded)	\$143,098	\$187,750	\$187,750	\$187,750
Total	\$308,640	\$455,986	\$458,226	\$300,706
Option 1, Changes vs Current Coverage	\$5M Loss Limit, All Perils			
Option 2, Changes vs Current Coverage	\$5M Loss Limit, All Perils, Fitness Center included in Ancillary			
Option 3, Changes vs Current Coverage	Fitness Center included in Ancillary, Clubhouse wind damage excluded			

Table provided by HGRD’s insurance broker – broker noted that these are estimates only for budgeting purposes

Analysis - Probability of a Major Wind Event



Ian – significant impact to HGRD,
Irma – moderate impact to HGRD

Southwest Florida Hurricane Risk By City

Metro Area	FEMA Hurricane Risk Classification	FEMA Hurricane Risk Score	# Recorded Hurricanes Since 1930	Affected By Storm Every (# Years)	Direct Hit (# Years)	Major Hurricane (# Years)
Fort Myers/Cape Coral	Very High	99.8	82	2.4	8.4	15.1
Naples	Very High	99.5	69	2.5	6.6	10.0
Port Charlotte/Punta Gorda	Relatively High	98.1	78	2.5	7.9	21.6
Sarasota/Venice	Very High	99.3	86	2.1	8.9	37.8
Tampa	Very High	99.8	71	2.0	10.8	37.8

Sources: FEMA, HurricaneCity, HomeFacts



It's clearly a guessing game...

For purposes of the following analysis, we'll assume an "impactful" storm has ~ 10% chance of occurring



Learn more at:
Eurexshutters.com

Analysis – “Damage” Assumptions

- The probability of a wind event completely destroying the Clubhouse or Fitness Center seems very low
- In the event of moderate (25%) to significant damage (50%) to the Clubhouse, we have to assume there will also be damage to the Fitness Center and other ancillary assets
 - In the 25% Clubhouse damage case, assume 12.5% damage to other assets
 - In the 50% Clubhouse damage case, assume 25% damage to other assets
- In the moderate to significant damage case, we have to assume uninsured costs similar to Ian (\$750,000)

Analysis – Insurance Assumptions (Near Term)

- Analysis considers ONLY wind damage – insurance for “other perils” will remain as it is today
- Assumes HGRD insures Fitness Center + Ancillary assets for wind damage, with a 5% deductible
- In both moderate (25%) and significant (50%) damage cases, there will be uninsured expenses of \$750,000
- Wind Damage Coverage for Clubhouse will be \$125,000/year

FY23-24 HGRD Finance Committee Insurance Review

Comparing Cost/Resident Outcomes

Clubhouse Value	\$8,500,000
Fitness Center Value	\$1,200,000
Ancillary Assets Value	\$4,200,000
Clubhouse Wind Damage Premium	\$125,000
Uninsured Damage (Significant Case)	\$350,000
Uninsured Damage (Moderate Case)	\$175,000

No Damage Case		Moderate (25%, 12.5%) Case		Significant (50%, 25%) Case	
Clubhouse Wind Damage INCLUDED		Clubhouse Wind Damage INCLUDED		Clubhouse Wind Damage INCLUDED	
Clubhouse Damage	\$0	Clubhouse Damage	\$2,125,000	Clubhouse Damage	\$4,250,000
Fitness Center Damage	\$0	Fitness Center Damage	\$150,000	Fitness Center Damage	\$300,000
Ancillary Asset Damage	\$0	Ancillary Asset Damage	\$525,000	Ancillary Asset Damage	\$1,050,000
Total Damage	\$0	Total Damage	\$2,800,000	Total Damage	\$5,600,000
Deductible (5%, per location)	\$695,000	Deductible (5%, per location)	\$695,000	Deductible (5%, per location)	\$695,000
Cost/Resident (Clubhouse Premium)	\$96	Cost/Resident (Clubhouse Premium)	\$96	Cost/Resident (Clubhouse Premium)	\$96
Cost/Resident (Deductible)	\$0	Cost/Resident (Deductible)	\$535	Cost/Resident (Deductible)	\$535
Cost/Resident (Uninsured Damage)	\$0	Cost/Resident (Uninsured Damage)	\$135	Cost/Resident (Uninsured Damage)	\$269
Total Cost/Resident	\$96	Total Cost/Resident	\$765	Total Cost/Resident	\$900
Clubhouse Wind Damage EXCLUDED		Clubhouse Wind Damage EXCLUDED		Clubhouse Wind Damage EXCLUDED	
Clubhouse Damage	\$0	Clubhouse Damage	\$2,125,000	Clubhouse Damage	\$4,250,000
Fitness Center Damage	\$0	Fitness Center Damage	\$150,000	Fitness Center Damage	\$300,000
Ancillary Asset Damage	\$0	Ancillary Asset Damage	\$525,000	Ancillary Asset Damage	\$1,050,000
Total Damage	\$0	Total Damage	\$2,800,000	Total Damage	\$5,600,000
Deductible (5%, Fitness, Ancillary)	\$0	Deductible (5%, Fitness, Ancillary)	\$270,000	Deductible (5%, Fitness, Ancillary)	\$270,000
Cost/Resident (Clubhouse Damage)	\$0	Cost/Resident (Clubhouse Damage)	\$1,635	Cost/Resident (Clubhouse Damage)	\$3,269
Cost/Resident (Deductible on Other Ass)	\$0	Cost/Resident (Deductible on Other Ass)	\$208	Cost/Resident (Deductible on Other Ass)	\$208
Cost/Resident (Uninsured Damage)	\$0	Cost/Resident (Uninsured Damage)	\$135	Cost/Resident (Uninsured Damage)	\$269
Total Cost/Resident	\$0	Total Cost/Resident	\$1,977	Total Cost/Resident	\$3,746
INCLUDED vs EXCLUDED Cases	\$96		-\$1,212		-\$2,846

Cost/Resident Outcomes

Risk Adjustment = 10%	Clubhouse Wind Damage Insurance INCLUDED		
	No Damage Case	Moderate (25%, 12.5%) Case	Significant (50%, 25%) Case
Estimated Cost/Resident	\$96	\$765	\$900
Estimated Cost/Resident - Risk Adjusted	\$96	\$77	\$90
	Clubhouse Wind Damage Insurance EXCLUDED		
	No Damage Case	Moderate (25%, 12.5%) Case	Significant (50%, 25%) Case
Estimated Cost/Resident	\$0	\$1,977	\$3,746
Estimated Cost/Resident - Risk Adjusted	\$0	\$198	\$375
	Difference Between INCLUDED and EXCLUDED Cases		
	No Damage Case	Moderate (25%, 12.5%) Case	Significant (50%, 25%) Case
Estimated Cost/Resident	\$96	-\$1,212	-\$2,846
Estimated Cost/Resident - Risk Adjusted	\$96	-\$121	-\$285

Note 1: the impact of the Loss Reserve funds is not considered in the analysis, as if the funds are used, they would need to be replenished, so the use of these funds is a “net zero” impact to residents

Note 2: we recognize the HGRD could finance repairs, but did not consider financing options as financing is a cash flow/time issue, and would add costs. The option of financing repairs should be considered when repairs are needed

Summary and Recommendations (Near Term)

- While the probability of a Wind Event is “low”, insuring the Clubhouse for Wind Damage at current or even increased rates appears affordable, and “worth the money”
- In the event Wind Damage coverage cannot be purchased, we recommend that the BoS hold off on using current Capital Reserve funds to complete yet to be started Bond projects – this provides the HGRD a ~ \$2,000,000 buffer
- The BoS should consider taking steps to “harden” HGRD assets (to the extent there are opportunities to do so) against Wind Damage (could use some of the “buffer” or Deferred Maintenance reserves to take the “hardening” steps
 - Note, this action should include “stress testing” the HGRD assets in the event of a long term power, water, or effluent service disruptions

Summary and Recommendations (Longer Term)

- We expect the probability of a damaging wind event to be higher in the future than in the past
- We expect the “how much insurance do we need” question to come up annually, as there is no indication insurance costs will decrease
- When preparing the 2024-2025 budget, the Finance Committee can support additional analysis based on preliminary information from the insurance broker – may want (or need) to include insurance options including
 - “Loss Limit for All Perils” options
 - Hedging our deductible (Wind Buyback Insurance)
 - Alternative insurance sources (e.g., governmental organizations)