

## **Finance committee minutes – 10am October 10, 2024**

Attending;

Eugene Kaulius, Kurt Woetzel, Doug Dewar, Beth Spiegel, Jill Townsend, Rick Brown, Michael Hunter, Jim Funk

### **Welcome & introductions**

Eugene welcomed everyone to the 10 am meeting and began by introducing Michael Hunter the new Gainey Ranch controller. Michael thanked everyone and provided background information and his pleasure to be a part of the Gainey team.

### **Discussion and Chair election**

Eugene discussed the establishing of a Chair for finance and that the chair did not have to be the Director from the GRCA Board. After much discussion the committee asked Eugene to continue to be the Chair of the committee.

### **August 2024 financials**

Michael discussed the balance sheet.

The operating fund has a \$334,191 fund balance as of August 2024 down from the December closing but close to the average monthly balance. Michael noted that the operating fund is lower due to \$91,000 prepaid expenses which are accrued over the year, which should cause the cash balance to increase by the end of the year.

The reserve fund has a balance of \$339,000 higher than last year but below the projected due to expenditures from storm damage that were not anticipated.

The capital fund has a balance of \$685,630 and continues to improve due to the enhancement fee revenue. The 2024 enhancement revenues are \$590,000 to date and projected to be close to \$700,000 by the end of the year. Jim mentioned property sales are projected to be around 75 in 2024 compared to an average of 85.

The operating fund as has been reported is over budget, security is on target, but administration and Estate Club are over budget. The overages are due to water and electricity higher use due to continued record heat, and gas due to increases in rates.

The reserve fund is projected to be \$350,000 by the end of the year with higher expenses. Michael noted the reserve assessment was increased by \$5 per member per month for 2024 to move the fund ratio from 22% total funded to 25% within the next three years.

The capital continues to be strong.

Michael finished with the accounts receivable noting that the current \$ 69K is delinquent from Nationwide and the Golf Course, both of which have been contacted and will bring their accounts up to date.

Michael then reviewed the Analysis of Cash Balances that was provided. GRCA has a policy for all satellites to have 30 days with of operating funds to allow for normal bill paying and collection of assessment revenue. The GRCA operating fund has averaged around \$350,000 per month for the last decade. With inflation it was discussed that this operating fund balance should be increased to ensure adequate funds are maintained to manage the business. Michael's analysis show moving the GRCA operating fund balance to 1.25 months which would increase the balance to \$ 465,195. Michael noted the average bills paid per month is \$372,000. This increase is less than the auditors recommended (3 months) however management believes the increase to 1.25 remains healthy and proper.

### **2023 Finance Committee recommendations**

Eugene then reviewed the 2023 Finance committee recommendations which were provided in the packet. In short, the Yardi portal was created to allow all homeowners to review current GRCA and their specific satellite financials and is up and running. Further Michael has downloaded all 2023 and 2024 financials and will continue to download monthly financials.

The recommendation to raise the reserve monthly financials was adopted by the GRCA Board who raised the 2024 reserve monthly assessment by \$5 per member per month.

### **Review of reserves**

The percentage to full funded for the reserve was discussed. Currently the GRCA is at 22% and it is projected that the reserve will increase to 30% funded by the end of 2026. To reach that goal the projected expenditure must not be exceeded as it would seem will occur in 2024. Michael will revisit the model to ensure proper reporting entering the 2025 budget process and report back to the Committee during the next October meeting.

### **Review of 2025 Budget.**

Michael provided the 2025 budget work sheets which are detailed by each account. Further Michael provided a summary of projected assessment increase. In summary

The operating budget assessment is projected to increase by \$10 per member per month a 3% increase over 2024.

There is a revenue loss with the elimination of the homeowner court fees which will increase the member monthly assessment by \$3.46 per member per month. The increase includes the homeowner court fee elimination and adjustments to the homeowner guest fee program.

Management has recommended a \$5 increase per member per month to increase the operating funds or a 1.5% increase and a potential \$5 increase or a 1.5% for the reserve fund.

If all approved would result in a \$23.41 per member per month increase in the homeowner monthly assessment resulting in a 7% increase year over year.

Committee members discussed the need to maintain a healthy financial position. Further this year with increased property values this may be the right time to increase the monthly assessment.

Eugene finished the meeting asking is everyone (all Gainey homeowners) of what is available online. The sense was that the committee felt that most people were not aware of the resources that are online.

Additionally, how transparent is GRCA about the same, improving or falling behind. There was no specific answer to this question.

The meeting closed out with agreement to meet on October 25, 2024, at 10am to finalize the recommendations for the 2025 budget for the GRCA Board of Directors.

## GAINEY RANCH MASTER ASSOCIATION

### FINANCE COMMITTEE CHARTER

#### PURPOSE:

The purpose of the Finance Committee (the "Committee") is to assist the Board of Directors in an advisory capacity with respect to the monitoring and oversight of the Homeowners Associations financial resources, financial processes, and further transparency of this information to the Homeowners.

#### COMMITTEE RESPONSIBILITIES AND DUTIES:

- To facilitate full disclosure and transparency between the Board of Directors and HOA members regarding financial matters.
- Review the Gainey Financial Statements to better understand the process in preparing them, including internal controls.
- Review to better understand the Gainey budgeting and allocation processes.
- Review the Maintenance Reserve and Capital Reserve statements, fund flows and adequacy of these reserve funds.
- Review the bank loan terms and review the funding model.
- As requested by the Board of Directors, conduct other duties as assigned.

#### COMMITTEE MEMBERSHIP AND TERMS

The Committee will be comprised of 3-5 community residents and Chaired by a current Board Member. Members will be appointed by the Board through a Board Resolution, all terms of service are one year. Appointment consideration criteria will include, but will not be limited to, relevant experience, willingness, and availability to serve. The Committee will agree by a majority vote on any recommendations.

#### AUTHORITY

All Committee members shall serve at the will of the Board. The Board has the right and authority to disband and discontinue any committee or subcommittee, as well as appoint or dismiss any committee member or subcommittee member, with or without cause.