

2019 Budget Presentation

GVR Board Meeting

December 4, 2018

2019 Budget Overview

Budget Development Process:

GVR's budget process for the next fiscal year (Jan. – Dec) starts in June of the current year and culminates with a GVR staff budget presentation to the Fiscal Affairs Committee ("FAC") during its September meeting. GVR staff makes FAC requested changes and the budget is reviewed again by the FAC. If necessary, this process is iterated until FAC approves a budget and recommends it to the Board of Directors ("Board"). Typically, the Board reviews the budget during its September meeting. Article III, Section 4 of GVR's Bylaws state: "On or before December 10th of each year, the Board of Directors shall announce the schedule of membership dues and the Operating and Capital Budgets for the next calendar year."

Brief 2019 Budget History:

In the interest of increasing participation and engagement of non-FAC Directors and GVR members, the FAC held three (3) 2019 budget reviews: July, August and September. In July revenue was reviewed, in August expenses were reviewed and in September capital spending budgets were reviewed. These three (3) reviews allowed for more in-depth discussion.

During the August and September FAC meetings, questions about the calculation of the 2019 budget member dues increase and calculation of historical member dues and expense growth arose.

In response, GVR staff created seven (7), A thru G, alternatives to the original 2019 budget with no dues increase, increases in non-dues revenue and expense reductions. The FAC could not agree on any one of them.

GVR staff reworked the 2019 budget again. It created Plan B and Plan C which were presented to the FAC. The FAC approved Plan B with annual dues of \$504, a 2.2% increase from 2018, instead of \$508, a 3.1% increase over 2018, and made other revenue adjustments. During the September Board meeting Plan B was rejected.

The FAC approved Plan C with annual dues of \$500, a 1.42% increase over 2018. During the October Board meeting, Plan C was rejected.

At this point, the Board seemed hopeless deadlocked on the 2019 budget. Following the Plan C vote, to reconcile its budget differences, the Board formed the Ad Hoc 2019 Budget Reconciliation Committee (“ad hoc committee”). It consists of four (4) Directors and one CEO appointed GVR staff person: Director and chairperson Denise Nichols, Director Roger Myers, Director Charles Sieck, Director Tom Sadowski and GVR appointed staff Kent Blumenthal.

The ad hoc committee met four (4) times: November 5, 7, 9 and 28. It worked diligently to reconcile 2019 budget differences.

Plan Z ver. 2 is the result and it's being presented to the Board today.

GVR Staff Kudos:

GVR staff lead by Cheryl Moose, CFO, and David Webster, Accounting Supervisor, have produced eleven (11) 2019 budget versions – the original 2019 budget, versions A thru G, Plans B and C and Plan Z ver. 2 – since September 2018. It has been a contentious and stressful process. Thank you for your patience and hard work!

2019 Budget Plan Z ver. 2 General Agreements

One-time no member dues and no Life Care dues increase over 2018 dues of \$493.00. The 2020 budget may increase member dues and Life Care dues.

The difference between 2019 budget Plan Z ver. 2 total revenue and member dues/Life Care dues revenue will be made up by increases in non-dues revenue.

2019 budget Plan Z ver. 2 total revenue of \$11,479,00 is 1.0% less than the original 2019 budget but 4% greater than 2018 budget. 2019 expense adjustments should not negatively impact GVR employees.

2019 budget Plan Z ver. 2 total expenses of \$10,535,462 are 2.0% less than the original 2019 budget and 1.7% less than the 2018 budget.

Total 2019 budget Plan Z ver. 2 expenses includes \$50,000 to hire an Assistant Facilities Project Planner to assist in resolving the facilities planning workload with a personnel requisition to be executed immediately.

CEO will determine 2019 budget Plan Z ver. 2 expense allocation adjustments as allowed by GVR's CPM without Board micromanagement but reduction in the level of GVR services is not permitted.

The 2019 budget Plan Z ver. 2 adds \$105,926 over the original 2019 to non-reserve capital budget for a total \$513,926. GVR has deferred and delay many maintenance and repair projects evidenced by the original non-reserve capital budget being cut by \$348,000 from \$756,000 to \$408,000.

The ad hoc committee recognizes that GVR has significantly fallen behind in reserve study maintenance, repair and replace work as evidenced \$1.8 million in 2019 maintenance, repair and replace items. The growing number of postponed work must be seriously attacked and reduced.

If 2019 actual expenses appear to be exceeding the 2019 budget Plan Z ver. 2 total expenses and an operating deficit may be occur, the CEO may request the Board of Directors to reallocate up to \$100,00 of the 2019 non-reserve capital budget to reduce it to no less than \$408,00 which is the original 2019 budget non-reserve capital budget amount. Such request can be made within 30 days after the end of fiscal quarter with a detailed justification including a Projected Fiscal Year-End Statement of Activity, i.e., Statement of Income.

Statement of Activities

Revenue	Plan Z Ver. 2 2019	Plan Z ver. 2 v. 2019 Budget ver. 2			Plan Z ver. 2 v. Projected YE 2018			Plan Z ver. 2 v. 2018 Budget		
		2019 Budget ver. 2	Over/(Under)		GVR Projected YE 2018	Over/(Under)		2018 Budget	Over/(Under)	
			\$	%		\$	%		\$	%
Member dues	6,701,349	6,905,244	-203,895	-3.0%	6,739,812	(38,463)	-0.6%	6,672,756	28,593	0.4%
Life care, Transfers, Tenant & Add'l Care Fees	822,640	829,640	-7,000	-0.8%	767,345	55,295	7.2%	696,017	126,623	18.2%
NMCF/Initial Fees (Capital Revenue)	2,693,151	2,621,000	72,151	2.8%	2,538,966	82,034	3.2%	2,378,383	314,768	13.2%
Programs	442,000	427,000	15,000	3.5%	434,683	(7,683)	-1.8%	391,149	50,851	13.0%
Instructional	441,450	431,450	10,000	2.3%	369,142	62,308	16.9%	431,450	10,000	2.3%
Recreational Income										
Interest Income (Investment Income)	200,000	200,000	0	0.0%	182,572	17,428	9.5%	280,000	-80,000	-28.6%
Advertising Income	75,000	75,000	0	0.0%	111,719	(36,719)	-32.9%	75,000	0	0.0%
Communication	57,000	57,000	0	0.0%	41,483	15,517	37.4%	57,000	0	0.0%
Communications Income										
Senior Games										
Other Income	20,500	20,500	0	0.0%	31,896	(11,396)	-35.7%	20,100	400	2.0%
Facility Rent	23,000	23,000	0	0.0%	25,096	(2,096)	-8.4%	23,000	0	0.0%
Marketing Events	3,000	3,000	0	0.0%	1,000	2,000	200.0%	6,000	-3,000	-50.0%
Other Income										
Total Revenue	11,479,090	11,592,834	-185,895	-1.0%	11,243,714	235,376	2.1%	11,030,855	448,235	4.1%
Total Expenses:	10,535,462	10,769,670	-234,208	-2.0%	10,694,836	-159,374	-1.5%	10,736,855	-201,393	-1.9%
Net Surplus	943,628	823,164	105,926	12.9%	548,878	380,212	69.3%	294,000	635,090	216.0%
Unrealized Gain or (Loss) on Investments	-150,000	-150,000	0	Divisor 0	-317,945	167,945	52.8%	-108,000	-42,000	-38.9%
Change in Net Assets	793,628	673,164	105,926	15.7%	230,933	548,157	237.4%	186,000	593,090	318.9%

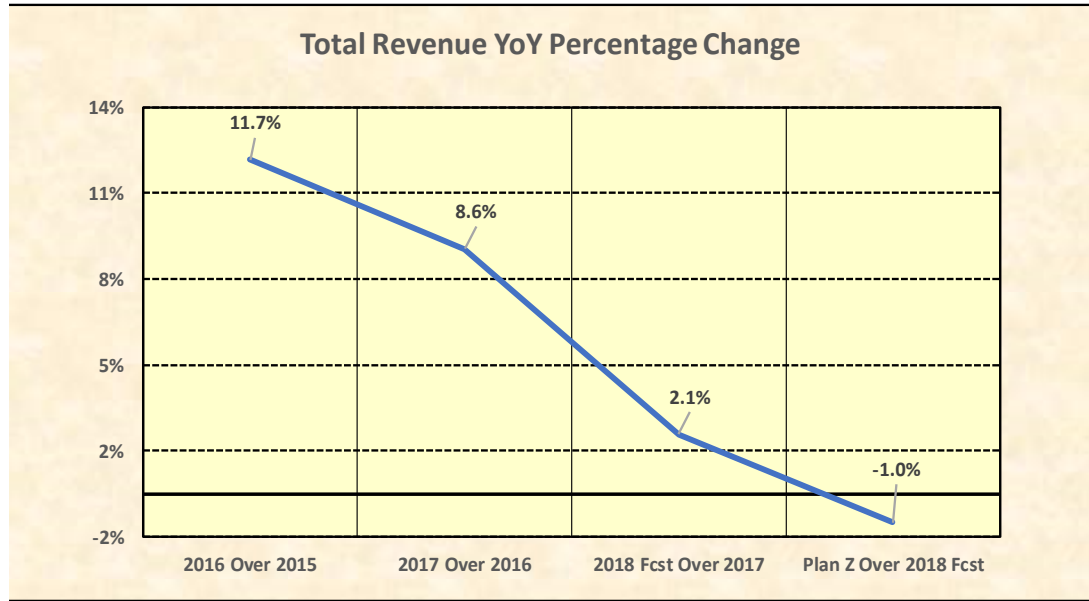
Statement of
Financial Position

Add Back Non-cash Expenses:										
Depreciation Expense	1,309,109	1,309,109	0	0.0%	1,238,919	70,190	5.7%	1,246,000	63,109	5.1%
Total	1,309,109	1,309,109	0	0.0%	1,238,919	70,190		1,246,000	63,109	5.1%
Reserve Funding:										
Reserve Funding - MRR Reserve Contribution	-966,323	-966,323	0	0.0%	-940,003	26,320	2.8%	-940,003	26,320	2.8%
Reserve Funding - Initiatives Reserve	-542,488	-527,950	14,538	2.8%	0	542,488	N/A	0	542,488	N/A
Reserve Funding - Emergency Reserve	0	0	0	Divisor 0	0	0	N/A	0	0	N/A
Total	-1,508,811	-1,494,273	0	0.0%	-940,003	568,808	60.5%	-940,003	568,808	60.5%
Capital Projects:										
Non-reserve Capital Projects	-513,926	-408,000	-105,926	26.0%	-531,590	-17,664	-3.3%	-411,997	101,929	24.7%
Club Requests	-80,000	-80,000	0	0.0%	-92,090	-12,090	-13.1%	-80,000	0	0.0%
Total	-593,926	-488,000	-105,926	21.7%	-623,680	-29,754	-4.8%	-491,997	101,929	20.7%
Surplus/(Deficit)	0	0	0	0.00%	-93,831			0	0	0.00%

Revenue

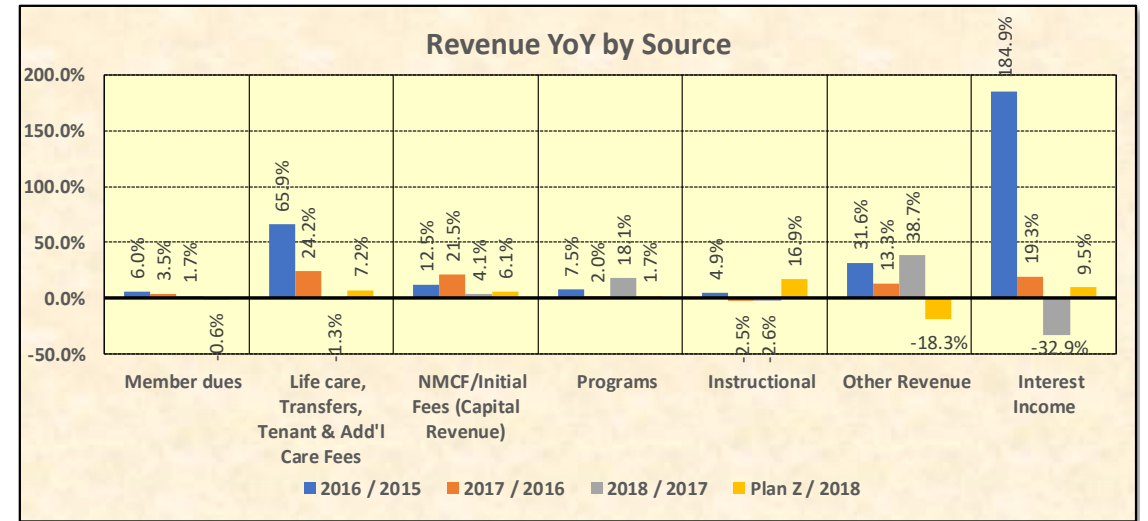
Revenue Growth

2016 Over 2015	11.7%
2017 Over 2016	8.6%
2018 Fcst Over 2017	2.1%
Plan Z Over 2018 Fcst	-1.0%



Revenue YoY by Source

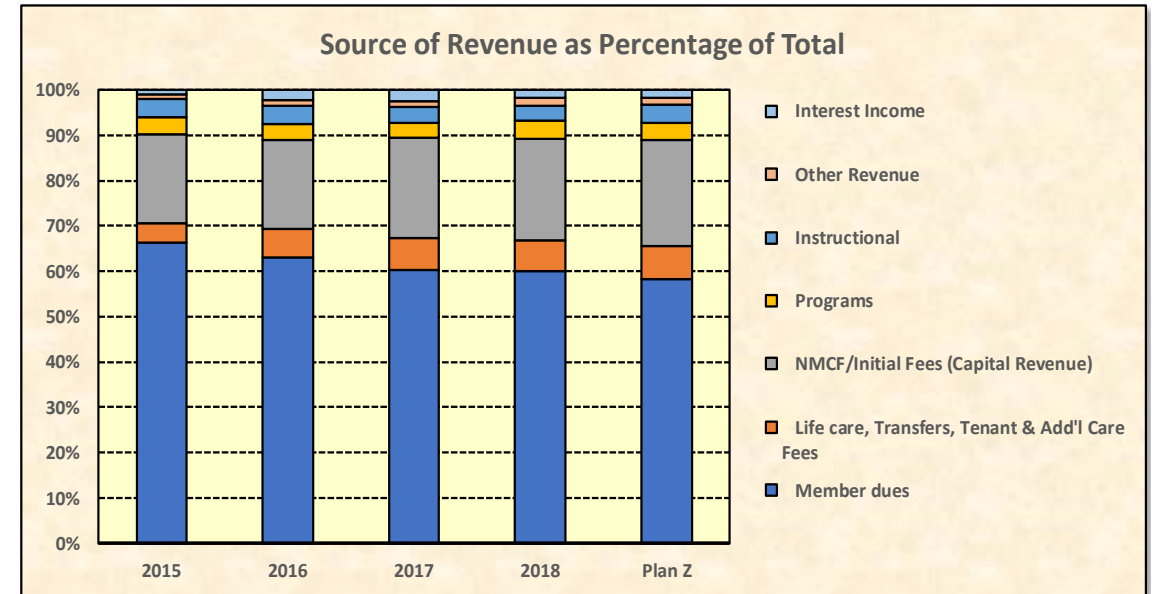
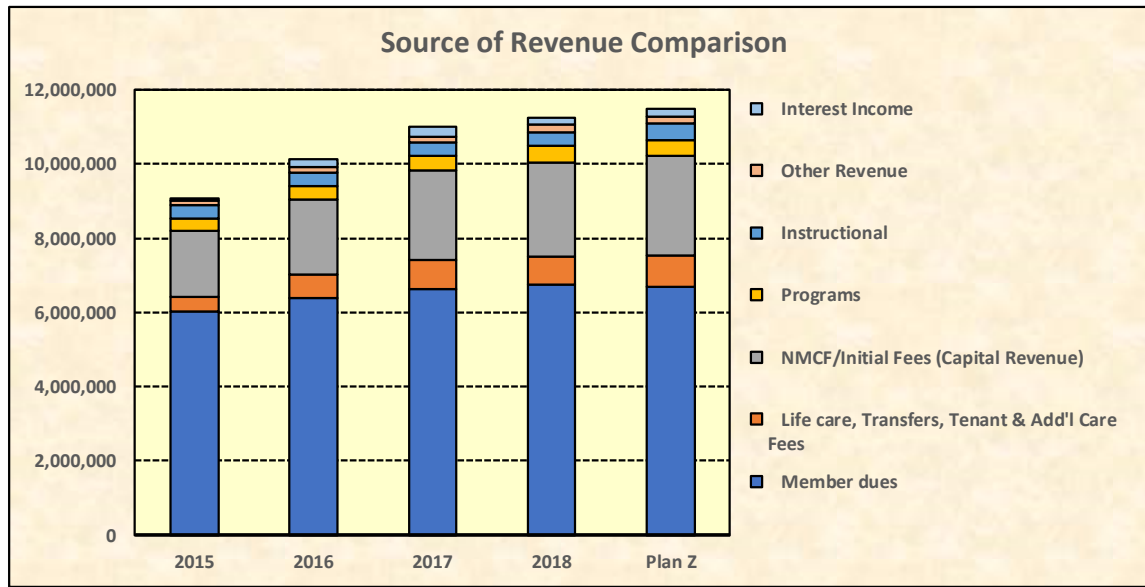
	2016 / 2015	2017 / 2016	2018 / 2017	Plan Z / 2018
Member dues	6.0%	3.5%	1.7%	-0.6%
Life care, Transfers, Tenant & Add'l Care Fees	65.9%	24.2%	-1.3%	7.2%
NMCF/Initial Fees (Capital Revenue)	12.5%	21.5%	4.1%	6.1%
Programs	7.5%	2.0%	18.1%	1.7%
Instructional	4.9%	-2.5%	-2.6%	16.9%
Other Revenue	31.6%	13.3%	38.7%	-18.3%
Interest Income	184.9%	19.3%	-32.9%	9.5%



Revenue

Sources of Revenue	2015	2016	2017	2018	Plan Z
Member dues	6,037,806	6,402,286	6,627,415	6,739,812	6,701,349
Life care, Transfers, Tenant & Add'l Care Fees	377,293	626,047	777,582	767,345	822,640
NMCF/Initial Fees (Capital Revenue)	1,783,992	2,007,135	2,439,129	2,538,966	2,693,151
Programs	335,802	361,053	368,192	434,683	442,000
Instructional	370,671	388,904	379,167	369,142	441,450
Other Revenue	102,033	134,321	152,216	211,194	178,500
Interest Income	79,983	227,910	271,889	182,572	200,000
Total	9,087,580	10,147,656	11,015,590	11,243,714	11,479,090

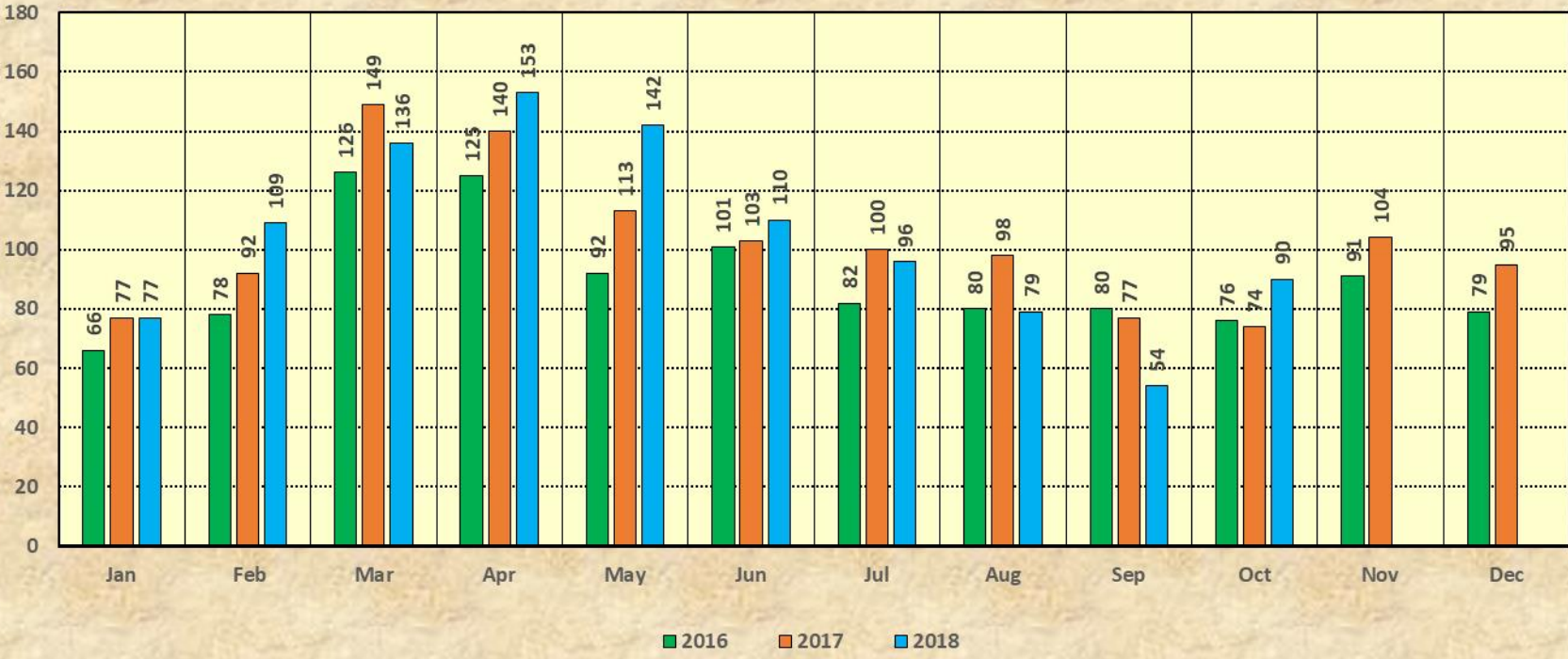
Sources of Revenue	2015	2016	2017	2018	Plan Z
Member dues	66.4%	63.1%	60.2%	59.9%	58.4%
Life care, Transfers, Tenant & Add'l Care Fees	4.2%	6.2%	7.1%	6.8%	7.2%
NMCF/Initial Fees (Capital Revenue)	19.6%	19.8%	22.1%	22.6%	23.5%
Programs	3.7%	3.6%	3.3%	3.9%	3.9%
Instructional	4.1%	3.8%	3.4%	3.3%	3.8%
Other Revenue	1.1%	1.3%	1.4%	1.9%	1.6%
Interest Income	0.9%	2.2%	2.5%	1.6%	1.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



Linear Historical GVR House Sales



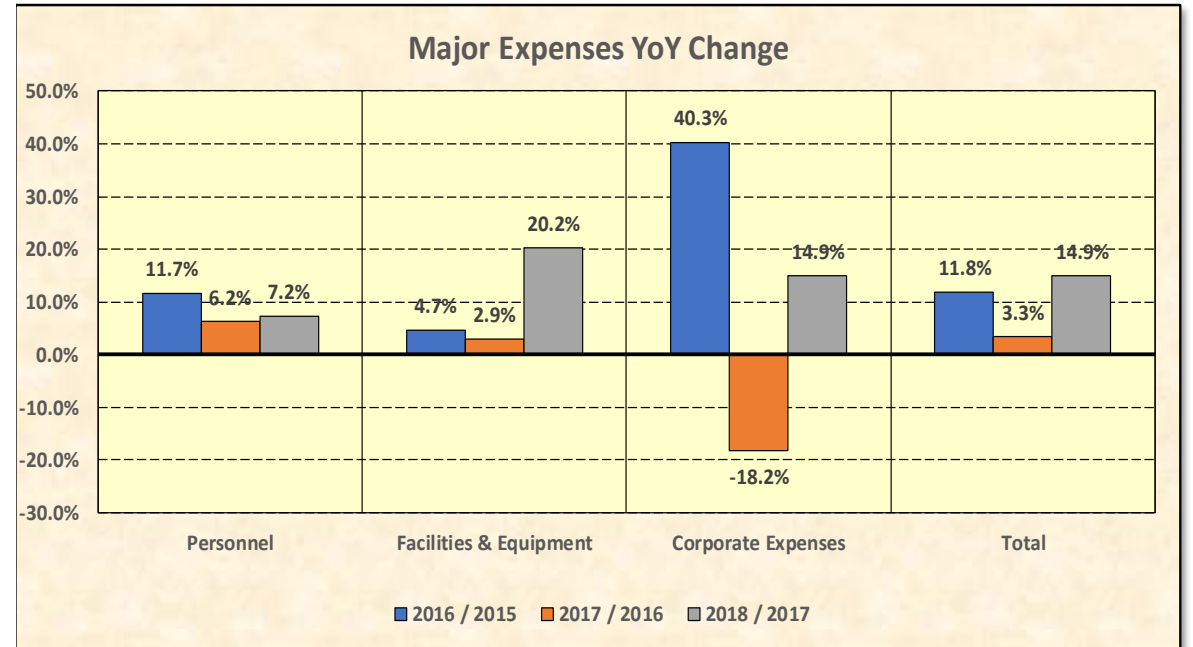
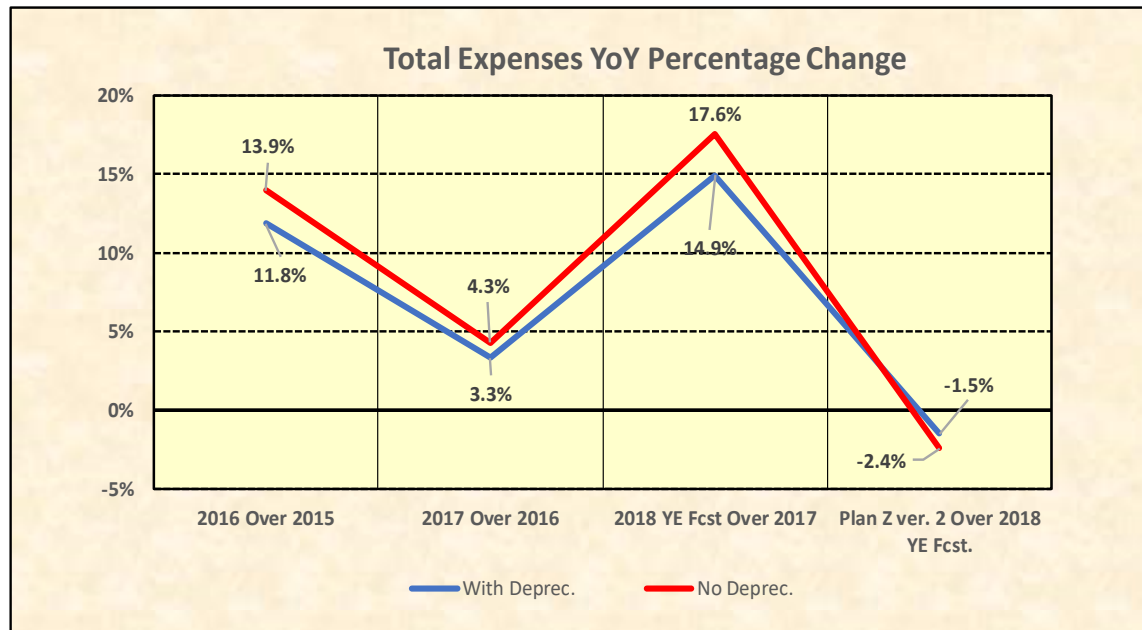
Historical GVR Home Sales by Month/Year



Operating Expenses

Expense Growth	With Deprec.	No Deprec.
2016 Over 2015	11.8%	13.9%
2017 Over 2016	3.3%	4.3%
2018 YE Fcst Over 2017	14.9%	17.6%
Plan Z ver. 2 Over 2018 YE Fcst.	-1.5%	-2.4%

Major Expense YoY Growth	2016 / 2015	2017 / 2016	2018 / 2017	Plan Z / 2018
Personnel	11.7%	6.2%	7.2%	N/A
Facilities & Equipment	4.7%	2.9%	20.2%	N/A
Corporate Expenses	40.3%	-18.2%	14.9%	N/A
Total	11.8%	3.3%	14.9%	N/A



EXHIBIT

Board Resolution 2019 Budget Plan Z ver. 2

Board of Directors Meeting
December 4, 2018

Whereas, as of October 30, 2018 the Board of Director failed two times to pass a 2019 Budget.

Whereas, Green Valley Recreation Inc. Bylaws require a budget by December 10 of the current calendar for the succeeding fiscal year starting January – Article III, Section 4.

Whereas, on October 30, 2018 the Board of Director formed the Ad Hoc 2019 Budget Reconciliation Committee (the “Ad Hoc Committee”) with the following members: Director Denise Nichols as chairperson; Director Roger Myers; Director Tom Sadowski, Director Charles Sieck and Kent Blumenthal, CEO, as liaison GVR staff person, to formula a compromise 2019 budget.

Now, therefore, resolved to approve and adopt the 2019 Operating and Capital Budgets known as Plan Z ver. 2 as presented below and in the attached 2019 Fee Schedule, 2019 Club Requests Expenditures, 2019 MRR Reserve Expenditures, 2019 Non-Reserve Capital Expenditures, 3-Year Capital Plan.



Next page.....

Resolution continued

Total Revenue of \$11,479,090 with 2019 annual dues and Life Care member dues at \$493.

Subtract: Total Expenses of \$10,550,000

Subtract: Estimated Unrealized Investment Loss of \$150,000 loss.

Change in Net Assets:

Total Revenue	\$ 11,479,090
Subtract: Total Expenses	(\$ 10,535,462)
Subtract: Investment Unrealized Loss	(\$ 150,000)
Change in Net Assets	\$ 793,628

Add-back non-cash Depreciation Expense from Operating Budget of \$1,309,109

Subtract: Reserve Funding:

Maint., Repair, Replace Reserve from Reserve Study	\$ 966,323
Initiatives Reserve by CPM formula	\$ 542,488
Emergency Reserve	\$ 0
Total	\$ 1,508,811

Subtract: Capital Budget Projects:

Non-reserve Capital Projects funded from operations	\$ 513,926
Club Requests funded from operations	\$ 80,000
Total	\$ 593,926

Surplus/(Deficit): \$0

Change in Net Assets	\$ 793,628
Add: Non-cash Depreciation Expense	\$ 1,309,109
Less: Reserve Funding	(\$ 1,508,811)
Less: Capital Budget Projects	(\$ 593,926)
Surplus/(Deficit)	<u><u>\$ 0</u></u>

Next page.....



2019 Budget Plan Z ver. 2 Highlights:

General Agreements:

One-time no member dues and no Life Care dues increase over 2018 dues of \$493.00. The 2020 budget may increase member dues and Life Care dues.

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Resolution continued

The 2019 budget Plan Z ver. 2 adds \$105,926 over the original 2019 to non-reserve capital budget for a total \$513,926. GVR has deferred and delay many maintenance and repair projects evidenced by the original non-reserve capital budget being cut by \$348,000 from \$756,000 to \$408,000.

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Next page.....



Resolution continued



FY 2019 Plan Z Version 2

		Difference 2018-2019
ANNUAL DUES	\$493	(+\$0)
Annual assessment		
LIFE CARE MEMBER Annual Fee	\$493	(+\$0)
Annual assessment for former GVR members residing in a residential care facility in the greater Green Valley area.		
INITIAL FEE	\$2,427	(+\$55)
CPI-U All Items 2.3% =\$2,426.56 rounded up =\$2,427 Charged when a voluntary GVR deed restriction is placed on a property or when a developer sells a property in a mandatory GVR deed-restricted subdivision.		
NEW MEMBER CAPITAL FEE (NMCF)	\$2,616	(+\$142)
Charged when there is a change in title of a GVR property. 5.7% increase = \$2,616. If after the change in title, more than 50% of the new owners are currently or have been GVR members in the last 365 days, the New Member Capital Fee will not apply.		

Next page.....



Resolution continued

TRANSFER FEES

Charged whenever title to a GVR property is changed in addition to the Initial Fee or the NMCF.

- **With NMCF or Initial Fee** \$350 (+\$ 0)
- **Estate Planning** \$100 (+\$ 0)

TENANT FEES (per person)

Charged when an individual leases and pays rent to a GVR member for use of a GVR property.

- 1-7 day tenant card \$20 (+\$5)
- 2 week tenant card \$30 (+\$5)
- 1 month tenant card \$40 (+\$5)
- 2 month tenant card \$75 (+\$5)
- 3 month tenant card \$115 (+\$10)
- 4-12 month tenant card \$150 (+\$15)

Next page.....



Resolution continued

GUEST FEES (under 18 years old no card required)

Charged for temporary visitors of a member, assigned member, Continuing Residential Care Facility member or tenant, who lives more than 20 miles outside GVR's corporate jurisdiction. Tenants may only purchase the daily guest pass.

- Annual card for the year with unlimited guests and unlimited visits \$65 (+\$5)
- Guest card-unlimited guests per day \$10 (+\$5)

ADDITIONAL CARDHOLDER CARD \$100 (+\$15)

Charged to an individual who shares a common household with a GVR member to have the right to use GVR's facilities. Proof of residency is required.

Next page.....



Resolution continued

GVR
Club Expenditures
FY 2019

<u>CLUB</u>	<u>Description</u>	<u>BUDGET</u>
Woodworkers	ADA Ramps	
Woodworkers	Patio Improvements	\$ 11,000.00
Clay	HEP filters	\$ 15,000.00
Camera	Theatre Projector DH	\$ 6,000.00
Glass	Kiln and storage WC	\$ 4,500.00
Metal	Workspace buildout	\$ 9,000.00
SA Art League	Vido camera DeAnza room	\$ 1,500.00
SA Art League	Computer projector	\$ 1,300.00
Swim	Pace clocks (2) WC	\$ 4,290.00
Tennis	Shade structure court 3	\$ 27,000.00
	contingent	\$ 410.00
TOTAL		<u>\$ 80,000</u>

Next page.....



FY2019 Non-MRR Reserve Capital Projects

Deferred from approved 2018 non-MRR Reserve Capital

Abrego South	Shade for Volleyball courts	\$22,000
AO	Fire Suppression – IT Server RM	\$15,000
AO	TI Vacated FM area	\$30,000
AO	Electrical Upgrade for Metal Shop	\$34,213
Casa Paloma 1	Shuffleboard courts	\$70,000
East Center	Deck Drains	\$13,000
West Center	Auditorium Lighting	\$23,000
West Center	Electrical/Mechanical Glass	\$27,713
West Center	Woodshop ceiling tile	\$8,000
TOTAL		\$242,926

Deferred from approved 2018 Club Requests

Abrego South	Convert grass to sand volleyball	\$20,000
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Deferred from 2017 Center Assessments

Las Campanas	Shade structure – pool Equip.	\$17,000
Madera Vista	Parking lot lights	\$30,000
Continental Vistas	Shade – pool deck	\$20,000
TOTAL		\$67,000

New non-MRR Reserve

Madera Vista	Tennis court to post-tension	\$64,000
FMB	Fleet Vehicle – Court Maintenance	\$36,000
FMB	New Pavement	\$25,000
FMB	Dump Trailer	\$8,000
West Center	HEPA - Woodshop	\$15,000
West Center	Tie-in Lapidary drain to sewer	\$20,000
West Center & LC pools & spas	Clear Comfort – Pools and spas	\$16,000
TOTAL		\$184,000

2019 Non-MRR Reserve Capital Total	\$513,926
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