



AGENDA

Executive Session – WC Room 2 – 1pm – Closed

BOARD OF DIRECTORS MEETING

Wednesday, May 25, 2022 - 2pm

West Center Auditorium / Zoom

Directors: Kathi Bachelor (President), Donna Coon (Vice President), Bart Hillyer (Secretary), Carol Crothers (Treasurer), Laurel Dean (Assistant Secretary), Jim Carden (Assistant Treasurer), Nancy Austin, Barbara Blake, Ted Boyett, Beth Dingman, Steve Gilbert, Bev Lawless, Scott Somers (non-voting)

AGENDA TOPIC

1. Executive Session – Closed

Bylaws of Green Valley Recreation, Inc. (Amended by GVR Membership – March 25, 2020) states: ARTICLE IV-BOARD OF DIRECTORS, Section 5: Open Meetings: “All meetings of the Board at which official business of The Corporation is transacted, with the exception of meetings limited to personnel and/or legal matters, shall be open to all members of The Corporation. The time and place of all such meetings shall be made available to the membership of The Corporation.”

A. Approve Executive Session Minutes of May 18, 2022

B. Business: Personnel

2. Regular Meeting - Call to Order / Roll Call – Establish Quorum

3. Amend/Adopt Agenda

4. President’s Report

5. CEO Report

6. Member Comments – regarding Consent Agenda and/or Non-Agenda Items – Speakers are asked to provide their name and GVR member number. Please limit comments to two (2) minutes.

7. Consent Agenda – Consent Agenda items are routine items of business that are collectively presented for approval through a single motion. A Board member may request that an item be pulled from the Consent Agenda and placed under Action Items for separate discussion and action.

A. Minutes:

1) BOD Regular Meeting Minutes: April 27, 2022

2) BOD Work Session Minutes: May 18, 2022

B. Financial Statements:

1) April Financials

8. Action Items

- A. Review Insurance Deductibles and Approve Policy for Emergency Fund and Transfer from Emergency Fund to Initiative Fund (Webster)
- B. Forego Board Meetings in July and August 2022 (Dean)
- C. Final Naming of Canoa Hills Clubhouse be added to 2023 Election (Hillyer)
- D. Request for Board Members to be Considered Panelist for Committee Meeting (Boyett)
- E. Approve Amended CEO Employment Agreement (Somers)

9. Committee Reports

- A. Audit (Austin)
- B. Board Affairs (Coon)
- C. Fiscal Affairs (Crothers)
- D. Investments (Lawless)
- E. Nominations & Elections (Dingman)
- F. Planning & Evaluation (Hillyer)

10. Member Comments - Please limit comments to two (2) minutes.

11. Adjournment



MINUTES

BOARD OF DIRECTORS MEETING

Wednesday, April 27, 2022 - 2pm

West Center Auditorium / Zoom

*Code of Conduct

Directors: Kathi Bachelor (President), Donna Coon (Vice President), Bart Hillyer (Secretary), Carol Crothers (Treasurer), Laurel Dean (Assistant Secretary), Jim Carden (Assistant Treasurer), Nancy Austin, Barbara Blake, Ted Boyett, Beth Dingman, Steve Gilbert, Bev Lawless, Scott Somers (non-voting)

Staff Present: David Jund (Facilities Director), Nanci Moyo (Administrative Supervisor), David Webster (CFO), Natalie Whitman (Communications Manager), Kris Zubicki (Recreation Services Director)

Visitors: Including support staff 25

AGENDA TOPIC

1. Call to Order / Roll Call – Establish Quorum

The President being in the chair and the Secretary being present.

President Bachelor called the meeting to order at 2:02pm MST. Secretary Hillyer called the roll; quorum established.

2. Amend/Adopt Agenda

MOTION: Director Boyett moved, seconded to adopt the Agenda.

Passed: unanimous

3. President Report – No Report.

4. CEO Report

- East Center - gas line work currently being done.
- Canoa Hills Clubhouse – submitting proposals for flooring options, final duct work completed for the replacement of the HVAC.
- West Center – work continues on the Native Garden.
- Canoa Hills - remodeling on the locker rooms and restrooms is scheduled for this summer.
- West Center Tennis - conversion of court lights to fluorescent will happen this summer.
- The Pickleball Center – the monument sign stucco is ready to be primed and painted, and then logo and lettering will be installed around May 9.

5. Member's Comments - 1 member

6. Consent Agenda

MOTION: Director Ted Boyett moved, seconded to approve Consent Agenda.

Passed: unanimous

A. Minutes:

- 1) BOD Regular Meeting Minutes: March 23, 2022
- 2) BOD Special Meeting Minutes: March 30, 2022
- 3) BOD Special Meeting Minutes: April 20, 2022
- 4) BOD Work Session Minutes: April 20, 2022

B. Financial Statements:

- | | |
|------------------|------------------|
| 1) December 2021 | 3) February 2022 |
| 2) January 2022 | 4) March 2022 |

The Fiscal Affairs met and recommended the Board approve the financial statements.

7. Action Items

- A. Presentation of Audit and Acceptance (Webster/Laura Randol, CPA, HBL CPAs, P.C.)
David Webster, CFO, said the Audit committee recommends the Board accept the audit after listening to Laura Randol's presentation on the audit.

MOTION: Director Gilbert moved, seconded to accept the audit.

Passed: unanimous

- B. CPM Section II Subsection 3.G.1.a: Change Disclosure Fee to Transfer Fee (Zubicki)

MOTION: Director Crothers moved, seconded to amend a change to the CPM verbiage located in Section II Subsection 3 which will return the name of the Disclosure Fee to Transfer Fee and amend the definition by defining "Transfer Fee" as follows: Transfer Fees: There shall be a charge for the processing of the documents upon a change in the title of a membership property.

Passed: unanimous

8. Committee Reports

- A. Audit – Committee Chair Bachelor (last year Chair) reported (received and placed on file).
- B. Board Affairs – Chair Coon reported (received and placed on file).
- C. Fiscal Affairs – Chair Crothers reported (received and placed on file).
- D. Investments – Chair Lawless reported (received and placed on file).
- E. Nominations & Elections – Chair Dingman reported (received and placed on file).
- F. Planning & Evaluation – Chair Hillyer reported (received and placed on file).

9. Member Comments - There were none.

10. Executive Session – Closed

MOTION: Director Crothers moved, seconded to adjourn into executive session.

Passed: unanimous

11. Adjournment – Meeting adjourned after the Executive Session.



MINUTES

BOARD OF DIRECTORS WORK SESSION

Wednesday, May 18, 2022, 2pm

WC Auditorium / Zoom

Directors Present: Kathi Bachelor (President), Donna Coon (Vice President), Bart Hillyer (Secretary), Carol Crothers (Treasurer), Laurel Dean (Assistant Secretary), Jim Carden (Assistant Treasurer), Nancy Austin, Barbara Blake, Ted Boyett, Beth Dingman, Steve Gilbert, Bev Lawless, Scott Somers (non-voting)

Staff Present: David Jund (Facilities Director), Nanci Moyo (Administrative Supervisor), David Webster (CFO), Kris Zubicki (Recreation Services Director)

Visitors: 18

Work Session Called to Order at 2:02pm by President Bachelor. Secretary Hillyer called the role and established a quorum.

Adopt Agenda

MOTION: Director Boyett moved, seconded to approve the Agenda.

Passed: unanimous

AGENDA TOPIC

1. Update on Facility Efficiency Improvements and Discussion on Potential Art Center (Somers)

CEO Somers presented on Club movements:

 - Arts and Crafts Clubs: Current space at Desert Hills will move to Santa Rita Springs in the Santa Cruz room.
 - Ceramics Club: Current space at Desert Hills. Arts and Crafts Clubs moving will allow the Ceramics Club to expand into that space. Lapidary goal is one location and when that happens will allow for Ceramics Club to expand into that space.
 - Lapidary: Consolidate into one space.
 - Desert Hills Fitness: Expansion project is continuing with WSM Architects finalizing the construction drawings. These drawings will be put into a Request for Proposals (RFP) in May and hoping for good bids in June to bring to the Board at the Regular Meeting of June 22, 2022, to recommend an award of contract.
 - Billiards Club: Need to find space for the Billiards Club since the Fitness Studio, part of the Fitness Center, currently houses 5 billiard tables and Snooker table. Currently the Billiards Club is considering the Canoa Hills Clubhouse, Pro Shop. This billiard area would be available to all GVR members; along with the Billiards Club.
 - Canoa Hills Clubhouse basement is still in discussions, and want it appealing to the members and their desires. Possibility of a game room.

- Computer Club: Currently at Santa Rita Springs in a 4200 square foot room and have agreed to move to the Kino room at Santa Rita Springs. This is adjacent to the Camera Club. These two clubs could work together within their spaces.
- Glass Arts Club: With the Computer Club moving it has freed up the 4200 square feet space for possibly the Glass Arts Club moving to this space.
- Classes that were held in the Santa Rita Springs Kino room will possibly move to Desert Hills Fitness Center for these classes.
- Desert Hills discussions for expanding the locker rooms and maybe including a steam room.
- The Art Center at West Center: two options: 1) single story building around 9,900 square feet with the cost estimates at \$3 million; and 2) two-story building around 15,000 square feet at a cost estimate between \$4.3 and \$5 million.
- The Art Center could hold Lapidary Club at a consolidated space, possibility for the Artisan Shop, and Metal Shop. These are all in discussion and no final decisions made.
- Clubs will need to meet individually and collectively with a space designer to layout the plans.

Board thoughts included:

- The 9,900 square foot room is enough space for Lapidary and Metal Arts.
- Glass Arts could go to the basement of the Canoa Hills Clubhouse with a cost estimate to renovate the space at \$1.6 million. The renovation at Santa Rita Springs renovation would be \$500,000.
- Good synergy at the West Center with all the different arts working together and utilizing the space cooperatively.
- Allow the clubs and staff to work on the placements and bring back to the Board for approval.

2. Board Participation on Committees: Attendee or Panelist (Boyett)

Director Boyett read the Corporation Policy Manual (CPM) Part 3: Committees – Section 1 3.1.2.H: “Directors may attend any GVR committee meeting, whether open or closed. To attend a meeting from a remote site, a request shall be made by email to the committee chairperson at least three business days prior to the meeting. Directors will be provided with all materials otherwise provided to committee members.” He asked to be a panelist vs. an attendee on the Zoom calls on any of the committees.

This will be moved to the May 25, 2022, Regular Meeting for a vote.

3. **Information Only:** Employee Vehicle Usage Vs. Fleet (Jund/Webster)

Adjournment:

MOTION: Director Crothers moved, seconded to adjourn 3:52pm.

Passed: unanimous



Green Valley Recreation, Inc.
Statement of Financial Position
 As of Date: April 30, 2022 and Dec 31, 2021

	April 30, 2022	Dec 31, 2021
	Total	Total
ASSETS		
Current Assets		
Cash/Cash Equivalents	910,925	3,759,784
Accounts Receivable	443,080	237,269
Prepaid Expenses	85,796	310,603
Maintenance Inventory	23,044	-
Designated Investments (Charles S./SBH)		
Emergency - Fund	1,004,087 (1)	1,170,653 (18)
MRR - Fund	8,128,521 (2)	8,025,718 (19)
Initiatives - Fund	2,222,407 (3)	2,166,737 (20)
Pools & Spas - Fund	1,075,470 (4)	1,083,705 (21)
Total Designated Investments (CS/SBH)	12,430,484 (5)	12,446,813 (22)
Undesignated Invest. (JP Morgan Long Term)	1,492,923 (6)	- (23)
Undesignated Invest. (JP Morgan)	3,423,798 (7)	2,809,726 (24)
Investments	17,347,205 (8)	15,256,539 (25)
Total Current Assets	18,810,050	19,564,194
Fixed Assets		
Contributed Fixed Assets	18,017,085	18,017,085
Purchased fixed Assets	25,877,123	25,169,228
Sub-Total	43,894,208	43,186,312
Less - Accumulated Depreciation	(25,736,330)	(25,196,228)
Net Fixed Assets	18,157,878 (9)	17,990,084 (26)
Total Assets	36,967,928	37,554,278
LIABILITIES		
Current Liabilities		
Accounts Payable	401,897	436,962
Deferred Dues Fees & Programs	4,676,176	4,673,666
Accrued Payroll	83,671	169,633
Compensation Liability	-	30,471
Notes Payable	99,000	99,000
MCF Refund Liability	261,888	293,328
Total Current Liabilities	5,522,632	5,703,060
TOTAL NET ASSETS	31,445,296 (10)	31,851,218 (27)
NET ASSETS		
Temporarily Designated:		
Board Designated:		
Emergency	1,004,087 (11)	1,170,653 (28)
Maint - Repair - Replacement	8,128,521 (12)	8,025,718 (29)
Initiatives	2,222,407 (13)	2,166,737 (30)
Pools & Spas	1,075,470 (14)	1,083,705 (31)
Sub-Total	12,430,484 (15)	12,446,813
Unrestricted Net Assets	19,420,734	19,404,405
Net change Year-to-Date	(405,922) (16)	-
Unrestricted Net Assets	19,014,812 (17)	19,404,405
TOTAL NET ASSETS	31,445,296	31,851,218



GREEN VALLEY RECREATION, INC.

Green Valley Recreation, Inc. Summary Statement of Activities

YTD Period: 4 month period ending April 30, 2022

FY Budget Period: Jan 1, 2022 - Dec 31, 2022

	PRIOR YEAR COMPARISON				BUDGET COMPARISON				Fiscal Year Budget	Remaining FY Budget
	2021 YTD Actual	2022 YTD Actual	Year to Year Variance	%	YTD Actual	YTD Budget	YTD Variance	%		
Revenue										
Member Dues	2,315,694	2,325,976	10,282	0%	2,325,976	2,315,593	10,383	0.4%	6,946,780	4,620,804
LC, Trans., Crd Fees.	247,679	372,730	125,051	50%	372,730	254,928	117,802	46%	725,215	352,485
Capital Revenue	1,030,382	1,381,919	351,537	34%	1,381,919	1,090,818	291,101	27%	3,094,570	1,712,651
Programs	2,164	64,464	62,300	2,879%	64,464	127,895	(63,431)	(50%)	203,246	138,782
Instructional	63,946	164,773	100,827	158%	164,773	208,937	(44,164)	(21%)	340,329	175,556
Recreational Revenue	66,110	229,237	163,127	247%	229,237	336,832	(107,595)	(31.94%)	543,575	314,338
Investment Income	94,277	121,283	27,006	29%	121,283	94,438	26,846	28%	279,432	158,149
Advertising Income	20,765	-	(20,765)	(100%)	-	-	-	0%	-	-
Cell Tower Lease Inc.	14,983	11,792	(3,191)	(21%)	11,792	14,306	(2,514)	(18%)	41,368	29,576
Comm. Revenue	35,748	11,792	(23,956)	(67%)	11,792	14,306	(2,514)	(18%)	41,368	29,576
Other Income	32,214	58,113	25,899	80%	58,113	31,951	26,162	82%	55,573	(2,540)
Facility Rent	160	5,920	5,760	3,600%	5,920	2,564	3,356	131%	6,000	80
Marketing Events	-	-	-	0%	-	-	-	0%	-	-
In-Kind Contributions	-	1,333	1,333	0%	1,333	-	1,333	0%	-	(1,333)
Contributed Income	-	-	-	0%	-	-	-	0%	-	-
Other Revenue	32,374	65,366	32,992	102%	65,366	34,515	30,851	89%	61,573	(3,793)
Total Revenue	3,822,265	4,508,304	686,039	18%	4,508,304	4,141,430	366,874	8.9%	11,692,513	7,184,209
Expenses										
Major Proj.-Rep. & Maint.	147,302	60,992	86,310	59%	60,992	218,607	157,616	72%	542,035	481,043
Facility Maintenance	67,012	64,977	2,035	3%	64,977	62,620	(2,357)	(4%)	170,994	106,017
Fees & Assessments	12,947	5,071	7,876	61%	5,071	15,727	10,655	68%	38,134	33,063
Utilities	238,999	356,349	(117,350)	(49%)	356,349	348,043	(8,306)	(2%)	871,224	514,875
Depreciation	555,689	540,102	15,587	3%	540,102	584,631	44,529	8%	1,706,610	1,166,508
Furniture & Equipment	52,012	86,909	(34,898)	(67%)	86,909	75,925	(10,985)	(14%)	248,684	161,775
Vehicles	25,345	26,138	(793)	(3%)	26,138	28,376	2,238	8%	76,620	50,482
Facilities & Equipment	1,099,306	1,140,539	(41,233)	(4%)	1,140,539	1,333,928	193,389	14%	3,654,301	2,513,762
Wages	1,332,037	1,260,699	71,338	5%	1,260,699	1,375,407	114,709	8%	4,210,760	2,950,062
Payroll Taxes	108,978	103,364	5,614	5%	103,364	113,405	10,041	9%	337,618	234,255
Benefits	322,528	332,927	(10,398)	(3%)	332,927	337,642	4,716	1%	993,020	660,094
Personnel	1,763,543	1,696,989	66,555	4%	1,696,989	1,826,454	129,465	7.1%	5,541,399	3,844,411
Food & Catering	4,577	10,599	(6,022)	(132%)	10,599	16,675	6,076	36%	40,319	29,720
Recreation Contracts	61,788	225,099	(163,311)	(264%)	225,099	189,272	(35,828)	(19%)	422,853	197,754
Bank & Credit Card Fees	38,680	49,749	(11,068)	(29%)	49,749	56,849	7,101	12%	73,900	24,151
Program	105,045	285,447	(180,402)	(172%)	285,447	262,796	(22,651)	(9%)	537,072	251,625
Communications	34,404	37,842	(3,438)	(10%)	37,842	38,134	292	1%	114,045	76,203
Printing	19,719	33,876	(14,157)	(72%)	33,876	33,915	39	0%	82,200	48,324
Advertising	-	7,150	(7,150)	0%	7,150	13,000	5,850	45%	33,500	26,350
Communications	54,123	78,868	(24,745)	(46%)	78,868	85,049	6,181	7%	229,745	150,877
Supplies	75,915	122,311	(46,396)	(61%)	122,311	97,750	(24,561)	(25%)	289,808	167,497
Postage	2,442	7,991	(5,549)	(227%)	7,991	8,642	651	8%	15,087	7,096
Dues & Subscriptions	2,590	5,820	(3,230)	(125%)	5,820	5,249	(571)	(11%)	12,045	6,225
Travel & Entertainment	-	185	(185)	0%	185	2,000	1,815	91%	11,320	11,135
Other Operating Expense	57,071	30,136	26,935	47%	30,136	79,250	49,115	62%	152,944	122,808
Operations	138,017	166,442	(28,425)	(21%)	166,442	192,891	26,449	14%	481,204	314,762
Information Technology	7,709	6,211	1,497	19%	6,211	34,439	28,228	82%	123,798	117,587
Professional Fees	97,356	70,652	26,704	27%	70,652	129,220	58,568	45%	304,200	233,548
Commercial Insurance	104,066	109,856	(5,790)	(6%)	109,856	115,945	6,089	5%	329,075	219,219
Taxes	9,826	-	9,826	100%	-	3,699	3,699	100%	18,566	18,566
Conferences & Training	4,485	6,998	(2,513)	(56%)	6,998	8,087	1,089	13%	43,100	36,102
Employee Recognition	(599)	524	(1,123)	187%	524	6,667	6,143	92%	20,000	19,476
Provision for Bad Debt	49	-	49	100%	-	-	-	0%	-	-
Corporate Expenses	222,891	194,242	28,650	13%	194,242	298,058	103,816	34.8%	838,739	644,497
Expenses	3,382,926	3,562,526	(179,600)	(5%)	3,562,526	3,999,176	436,650	11%	11,282,460	7,719,934
Gross surplus(Rev-Exp)	439,339	945,778	506,439	115%	945,778	142,255	803,523	565%	410,053	(535,725)
Net. Gain/Loss on Invest.	170,326	(1,351,700)	(1,522,026)		(1,351,700)	-	(1,351,700)		-	1,351,700
Net from Operations	609,665	(405,922)	(1,015,587)	(167%)	(405,922)	142,255	(548,177)		410,053	815,975



Green Valley Recreation, Inc.
Statement of Changes in Net Assets
As of Date: April 30, 2022 and Dec 31, 2021

	Totals	Unrestricted		Emergency Reserve Fund	Maint - Repair - Replacement Reserve Fund	Initiatives Reserve Fund	Pools & Spas Reserve Fund
		Unrestricted	Fixed Assets				
Net change in net assets-GVR	(405,922) ⁽¹⁶⁾	(405,922)	-	-	-	-	-
Transfers between unrestricted and reserves:							
Reserve Study Allocation	-	-	-	-	-	-	-
Principal Transfers	-	(1,657,255)	-	-	1,132,047	254,736	270,472
Depreciation	-	540,102	(540,102)	-	-	-	-
Disposal of Fixed Assets	-	-	-	-	-	-	-
Purchase & Contributed Fixed Assets	-	(122,511)	707,896	-	(258,770)	109,752	(436,368)
Withdrawals	-	(47,756)	-	-	22,353	(147,138)	172,541
-	-	-	-	-	-	-	-
Allocations of Net Change components:							
Investment income	-	(89,696)	-	3,843	65,820	19,129	904
Investment Expenses	-	43,032	-	(2,939)	(29,199)	(6,693)	(4,202)
Net Gains (Losses) in Investments	-	1,182,618	-	(167,471)	(829,448)	(174,117)	(11,583)
Net Change to April 30, 2022	(405,922) ⁽¹⁶⁾	(557,387)	167,794	(166,567)	102,804	55,670	(8,236)
Net Assets at, Dec 31, 2021	31,851,218 ⁽²⁷⁾	1,414,321	17,990,084 ⁽²⁶⁾	1,170,653 ⁽²⁸⁾	8,025,718 ⁽²⁹⁾	2,166,737 ⁽³⁰⁾	1,083,705 ⁽³¹⁾
Net Assets as at, April 30, 2022	31,445,296 ⁽¹⁰⁾	856,934	18,157,878 ⁽⁹⁾	1,004,087 ⁽¹¹⁾	8,128,521 ⁽¹²⁾	2,222,407 ⁽¹³⁾	1,075,470 ⁽¹⁴⁾

Footnotes refer to Statement of Financial Position and Statement of Activities

19,014,812 ⁽¹⁷⁾

12,430,484 ⁽¹⁵⁾



Green Valley Recreation, Inc.
Investment Portfolios
Changes and Market Values
Beginning of Year and Curent Month End

	Totals	Unrestricted	Emergency Reserve Fund	Maint - Repair - Replace Reserve Fund	Initiatives Reserve Fund	Pools & Spas Reserve Fund
Balance Dec 31, 2021 (at Market)	15,256,539 ⁽²⁵⁾	2,809,726 ⁽²⁴⁾	1,170,653 ⁽¹⁸⁾	8,025,718 ⁽¹⁹⁾	2,166,737 ⁽²⁰⁾	1,083,705 ⁽²¹⁾
Changes since Jan 1, 2021:						
Principal additions	5,257,255	3,600,000	-	1,132,047	254,736	270,472
Investment income	105,772	16,076	3,843	65,820	19,129	904
Withdrawals	(1,877,629)	(1,340,000)	-	(236,417)	(37,386)	(263,826)
Investment Expenses	(43,032)	-	(2,939)	(29,199)	(6,693)	(4,202)
Net Change for 4 Months	3,442,366	2,276,076	904	932,251	229,787	3,348
Balance before Market Change at April 30, 2022	18,698,905	5,085,802	1,171,557	8,957,969	2,396,523	1,087,053
4 Months Net Change in Investments Gain/(Loss)	(1,351,700)	(169,081)	(167,471)	(829,448)	(174,117)	(11,583)
Balance at April 30, 2022 (at Market)	\$ 17,347,205 ⁽⁸⁾	4,916,721 ⁽⁶⁾ ⁽⁷⁾	1,004,086.74 ⁽¹⁾	8,128,521 ⁽²⁾	2,222,407 ⁽³⁾	1,075,470 ⁽⁴⁾

12,430,484 ⁽¹⁵⁾

Footnotes refer to Statement of Financial Position and Statement of Activities

Green Valley Recreation, Inc.



Board of Directors Regular Meeting

Emergency Fund into Initiative Fund

Prepared By: David Webster, CFO

Meeting Date: May 25, 2022

Presented By: Carol Crothers, Treasurer

Consent Agenda: No

Originating Committee / Department:

Fiscal Affairs Committee

Action Requested:

Approve a policy whereby GVR may Approve a transfer out of the Emergency Fund Designated Account of Green Valley Recreation, Incorporated (GVR) into the Initiative Fund Designated Account of Green Valley Recreation, Incorporated after the annual financial records of GVR are closed and audited each year.

Strategic Plan Goal:

Goal 4: Cultivate and maintain a sound financial base that generates good value for our members.

Background Justification:

The Corporate Policy Manual (CPM) states that Contributions to the Emergency Reserve Fund shall be recommended by the Chief Financial Officer (CFO) to the Board for consideration and approval. The March 11, 2022, Emergency Fund memo describes the determination of \$500,000.00 as a reasonable funding level for the Emergency Fund. Staff recommends transferring the current Emergency Fund balance that is greater than \$500,000 into the Initiatives account in a time frame and manner that is in the best interest of GVR with consultation of GVR’s financial investment advisor.

Fiscal Impact:

The general intent of the Emergency Fund Designated Account is described in the March 11, 2021, memo. By right sizing the Emergency Fund and transferring amounts greater than \$500,000.00 annually, funds will be made available for Capital Projects in the 5-year Plan that are to be funded by the Initiatives Fund Designated Account of GVR.

Board Options:

1. Authorize GVR staff transfer amounts in excess of \$500,000.00 out of the Emergency Fund Designated Account into the Initiatives Fund Designated Account of Green Valley Recreation, Inc. and establish a policy in the CPM that staff may transfer realized cash amounts in excess of \$500,000.00 annually after the audit is accepted.
2. Do not authorize any transfer out of Emergency Fund and do not create any policy regarding the size of the Emergency Fund.
3. Authorize GVR staff to transfer an amount that is in excess of an amount different than \$500,000.00 and establish a policy that matches that amount in the CPM.
4. Table this decision at this time.

Staff Recommendation:

Option #1

Attachments:

March 11, 2021, Emergency Fund memo with deductible addendum.



P.O. Box 586 Green Valley AZ 85622

520.625.3440

MEMO

TO: Scott Somers
FROM: David Webster
DATE: March 11, 2022
RE: Appropriate Balance for Emergency Reserve

Scott, the FAC has requested that we bring forward the topics we have been discussing and researching regarding the appropriate level of funds for the GVR Emergency Fund. Back in 2014, this account had \$540,000. After spending only a small amount out of this account in the past 7 years the investment earnings have grown this fund to \$1,072,496 as of February 28, 2022. The CPM states that Contributions to the Emergency Reserve Fund shall be recommended by the Chief Financial Officer (CFO) to the Board for consideration and approval. At a minimum, we should transfer annual earnings out of the Emergency Fund, I believe we should also transfer the cumulative total of earnings into the Initiatives account to be used to help with the projects we have planned in our Long-Term Capital Funding Projection. The current low balance point of the Initiatives Fund balance in this projection is \$745,596 in 2023 if we move forward with all the capital projects we currently have listed.. A \$600,000 transfer from Emergency to Initiatives will help with this Long-Term plan and would not compromise the investment earnings potential of this cash and would leave us with a very healthy Emergency reserve of around \$500,000. I spoke with our insurance advisors about the relevance of \$500,000 in an Emergency Fund and we could not determine a need for more than this amount in terms of risk management. Furthermore, I do not believe a Reserve greater than \$500,000 is necessary for the requirements as prescribed by the CPM. For your information, the Industry benchmark of 3% of Gross Revenue would require only \$340,000 of Emergency Reserve for GVR.

Items that GVR may need this Fund for include the following:

- Insurance deductibles - \$1,000 to \$10,000 depending on the event. Operating cash could easily accommodate this need. Even if we were to decide to increase

the deductibles significantly, it would take several large claims to deplete \$500,000 Emergency Reserve. (see attached Deductible analysis)

- Economic Downturns – GVR has proven to have relatively stable income streams from Dues and Capital Fees through the Pandemic period. These two items make up about 85% of the annual revenue. However, with Capital Revenue budget of \$2,500,000 which comprise 23% of GVR’s total revenue, this is the most “at risk” income category. While this revenue category remains stable or growing, GVR could conceivably see a sudden decline in this revenue source. In 2016 when GVR had lower transaction rates and different policies that resulted in lower revenues, the total income was a recent low point of \$2,007,000. The 2022 work plan includes the following task: “As part of annual budget development process with staff, develop contingency plans, such as decreasing expenditures by 10%, 20%, etc.” I believe that a sudden unexpected decline of Capital Revenue greater than \$500,000 to GVR is very unlikely.
- Unforeseen uninsured expenses – after discussing this with two insurance advisors, we have determined that this is a very limited risk. GVR has sufficient insurance. In recent years, the only expenditure of Emergency Funds has been a \$15,000 disbursement at the East Center.
- Major failure of Property, Plant and Equipment – GVR’s Maintenance Repair and Replacement Fund and MRR – B Fund for Pools and Spas sufficiently provide for pools, equipment, parking lots, recreation facilities, and mechanical property. The risk to GVR may be if a building were to require replacement or remediation. This is extremely unlikely due to our proactive maintenance plan. Furthermore, the event may be covered by insurance dependent on the circumstances.
- Theft, Fraud, and Embezzlement – GVR has insurance and control policies in place that makes this a very low risk. With the recent additional data security investments, the risk from ransomware is mitigated as well.

- Other – there are always other unforeseen risks. However, looking at GVR’s Statement of Financial Condition supports the position that GVR is well positioned to sustain unexpected financial setbacks. Evidence of this position includes the fact that as of December 31, 2021, GVR has over \$19 million in Current Assets and all but \$460,000 is in cash or near cash deposits. GVR’s Fixed Assets have a Book Value of \$18 million and a market value of approximately \$40 million and no debt. Current Liabilities are \$5.6 million leaving GVR with a very strong balance of book value Net Assets of almost \$32 million with zero debt. Furthermore, the \$15 million in investments included in Current Assets have appropriate Investment Policy Statements that reflect the risk and time horizon of the funds and are generally conservative. The Balance Sheet strength and reliability of GVR’s revenue streams make GVR a very financially strong organization.

When GVR is examined holistically with the 90-day Operating Cash Policy, GVR Surplus Policy, Funding Policies for the MRR Fund, MRR-B Pool and Spa Fund, and Initiatives Fund, along with the general prudent monthly review of Operating Revenue and Expenses and Budget that is conducted, the need for an Emergency Fund that is greater than \$500,000 is not warranted.

Staff recommends transferring the Emergency Fund balance that is greater than \$500,000 into the Initiatives account. Annually, after the fiscal year has ended and the GVR books are closed, any earnings that cause the Emergency Fund balance to grow in excess of \$500,000 should be transferred into Initiatives.

The following is an addendum to the March 11, 2021 Emergency Fund Memo and is based on subsequent information provided by GVR’s Commercial Property and Liability Insurance Broker.

GVR
Insurance Deductible Analysis

The following estimates are provided by GVR's insurance broker to estimate the premium savings to GVR if the deductibles are increased

Commercial, Property, and Casualty Insurance

Line of Coverage	Current Deductible	Increased Deductible	Estimated Premium Savings
Property	\$ 10,000	\$ 100,000	\$ 14,550
Inland Marine	\$ 1,000	\$ 10,000	\$ 6,450
General Liability	\$ 1,000	\$ 10,000	
Automobile	\$ 1,000	\$ 10,000	
Umbrella Liability	\$ 1,000	\$ 10,000	
Management Liability	\$ 1,000	\$ 10,000	
Crime	\$ 1,000	\$ 10,000	
Cyber Liability	\$ 1,000	\$ 10,000	
Difference in Conditions	\$ 2,500	\$ 10,000	
Pollution Liability	\$ 10,000	\$ 10,000	
Flood	\$ 1,000	\$ 10,000	
total (11 lines of insurance)	\$ 30,500	\$ 200,000	
Total estimated annual savings in Insurance Premiums			<u><u>\$ 21,000</u></u>

NOTE> The above deductible amounts are for each occurrence per year on each policy line of coverage