

Highlights from September 19, 2019 FAC meeting

Carol Crothers kicked off the meeting with a review of Trends in Expenses and Revenue from 2014 through 2018. A copy of the charts is posted.

David Webster reviewed the August YTD Financial Statements. Revenues continue to be about 1% under budget and 1% under 2018 actuals primarily due to reductions in capital fees and in program revenue.

Total expenses are 7% over 2018 year to date and 1% under budget. Facilities continue to be well over 2018 (16%) and 2019 budget (25%). Administration reported that they expect to be 3% (\$300K) over the expense budget at year end. This would put our expenses 5.3% higher than in 2018. No explanation was given for the overage nor any plans for reducing costs to get back on budget.

Because of increased costs and increases in the number of items covered, our MR&R reserve is projected to fall to only 68% funded vs our target of 85% funded. Excess operational funds were identified to transfer to MR&R this year to move our funding level up over 70%. However, CEO Blumenthal suggested that there was no need to get to 85%. Bob Browning from our reserves accounting firm agrees that we are adequately funded but we should expect at least 4% increases in funding levels going forward when starting at this level. The board will have to decide whether we want to change our MR&R target. FAC believes the shortfall could be funded over the next three years, starting this year, if the board decides to keep the present target.

The 2020 budget development process was discussed. Because of the change in New Member Capital Fees, now called Property Acquisition Capital Fees or PACF that requires members to pay the PACF fee for any additional properties beyond their primary home, capital revenue is expected to go up an additional \$216K in 2020. No evidence or detailed assumptions were given for the projected \$221K reduction in fees in 2020.

No additional data or assumptions were provided for the increases projected in 2020 for Facilities, Operations, Corporate and Bank/Credit Card fees. Information on using electronic transfers to pay dues was requested at the June BOD meeting but the information wasn't available.

CEO Blumenthal brought forward a proposal to use the Initiative Reserve rather than operations to fund what has traditionally been called non-reserve capital and club requests. This was discussed briefly but would require a policy change by the board to broaden the rationale behind the Initiatives Reserve.