



GVR Mission Statement: *"To provide recreational, social and leisure education opportunities that enhance the quality of our members' lives."*

MINUTES

Fiscal Affairs Committee Regular Meeting

Monday, June 14, 2021
1:30pm MST – Annex/Zoom

Committee Approved – July 20, 2021

Attendees: Donna Coon (Chair), Steve Gilbert, Randy Howard, Nellie Johnson, Steve Reynolds, Chuck Soukup, Eric Sullwold, Larry Wolfe, Mike Zelenak (ex officio), Scott Somers (CEO), David Webster (Liaison/Director of Finance), Cheryl Moose (CFO), Marie Seixas (Meeting Scribe)

Absent: Greg Wright

Visitors: 4

1. Call to Order/Roll Call/Quorum – Chair Coon called the meeting to order at 1:30pm MST. Roll was called and a quorum established.

2. Review/Accept Minutes from Meeting of May 18, 2021

MOTION: E. Sullwold/2nd. Accept the minutes from the meeting of May 18, 2021 as written.

Passed: unanimously

3. Chair Comments – Chair Coon reviewed some of the items approved by the Board of Directors at their meeting on May 26, 2021 – to adopt the formula for calculating annual surpluses recommended by Susan Vos; to create a Major Asset Replacement Fund; to solicit bids on a replacement for the East Center pool.

4. Old Business

a. Financial Report May 2021 – D. Webster

- **Housing Report – 2020 and 2021 thru May 30, 2021**
- **2021 Cash Requirements Report through May 31, 2021**
- **2021 Capital Expenditure Report through May 2021**

D. Webster presented an overview of the May 2021 Financial Report. The Housing Sales Report and Capital Expenditure Report were also presented.

S. Gilbert suggested changing on Page 1 the last two column headings, that instead of using "over/under" to use "favorable/unfavorable". The committee agreed. Discussion followed on the financials.

MOTION: E. Sullwold/2nd. Accept the May 2021 Financial Report as presented by GVR staff.

Passed: unanimously

5. New Business

a. Calculation of 2019 Surplus/Deficit – D. Webster

D. Webster stated that Susan Vos has been asked to apply her surplus/deficit calculation to the 2019 numbers. She hasn't finalized the numbers yet. He will call Ms. Vos this week to check on her progress.

b. CPM Changes for Approved Operating Surplus/Deficit Calculation – Chair Coon

Chair Coon explained some recommended changes to the CPM Section V – Fiscal/Accounting as presented in the attached exhibit. If approved, these changes will go to the Board Affairs Committee for their approval to update the CPM. It is expected that there will be additional changes to this section in the future due to the addition of the Major Asset Replacement Fund.

MOTION: N. Johnson/2nd. Approve changes to CPM Section V as presented.

Passed: unanimously

c. Status of Major Asset Replacement Fund

Chair Coon commented, giving the background of when this went to the Board of Directors for approval. C. Moose said that Browning can work with the numbers provided by GVR staff. They need to know a plan and will need some direction on funding the account. Discussion followed.

d. FAC Goals for 2021-2022 – D. Coon (Originally Item e on agenda)

Chair Coon commented:

- 1.** Review and assist in presenting the annual budget to the Board. This includes establishment of fees, membership dues, initial fees, etc.
- 2.** Review the financial statement monthly and report to the Board.
- 3.** Based on staff input and discussion, recommend the financial options to be used for specific capital projects. This year that includes

- East Center pool funding
- creating a Major Asset Replacement Fund
- possible use of loan financing for major capital projects

Discussion followed.

e. Presentation on Project Financing – C. Soukup, E. Sullwold

C. Soukup and E. Sullwold presented their report "Projects, Finances and the Current Economic Conditions – The Case for Moving GVR Forward Now."

Discussion followed.

MOTION: E. Sullwold/2nd.

Whereas, GVR has a CEO whose main job is to manage the operation of the corporation so as to meet the needs of the membership;

Whereas, the Planning & Evaluation Committee has two major projects on their agenda for GVR, which are the East Center Pool and the Canoa Hills Clubhouse;

Whereas, both projects will require substantial funds to complete;

Whereas, all potential sources of funding should be evaluated;

Therefore, the Fiscal Affairs Committee recommends the GVR Board of Directors authorize the CEO to use any financing method the CEO chooses to complete both projects with a target amount not to exceed \$3 million dollars.

*N. Johnson left the meeting at 3:15pm.

Lengthy discussion followed. It was determined that the report was very good but the motion was too strong. Amendment of the motion was considered but not made.

MOTION withdrawn by E. Sullwold. Further discussion followed.

6. Member Comments – reviewed and responded to.

7. Adjourn

MOTION: R. Howard/2nd. Adjourn the meeting at 3:22pm MST.

Passed: unanimously

ATTACHMENT

2. Reserve Contributions and the Annual Budget:

Reserve Contributions to the Reserve Accounts shall be an integral part of the annual budget.

-- remove the following paragraph:

~~The annual operating budget shall generate sufficient Excess Revenue Over Expenses to make the Reserve Contribution to the Maintenance, Repair and Replacement Reserve Fund called for in the **Annual Reserve Study** unless such Reserve Contribution generates a Percent Funded greater than 100% in which case the Reserve Contribution may be reduced to achieve a Percent Funded not less than 85%.~~

--- continue with the following paragraphs:

The annual operating budget shall generate sufficient Excess Revenue-Over-Expenses to make the Reserve Contribution to the Maintenance, Repair and Replacement Fund called for in the Annual Reserve Study.

Reserve Contributions to the Initiatives Reserve Fund shall be funded from a portion of the Property Acquisition Capital Fee and/or from the Initial Fee based on the applicable fee when a GVR member property is sold.

Contributions to the Emergency Reserve Fund shall be recommended by the Chief Financial Officer (CFO) to the Board for consideration and approval.

--- insert new #3 and renumber existing 3, 4, 5 to 4, 5, 6 -----

3. Calculation of Operating Surplus or Deficit

At the end of the fiscal year, the Board of Directors shall determine the amount, if any, to contribute from operational surpluses. Operating surplus or deficit is calculated as follows:

a. Begin with the Change in Net Assets from the Audited Financial Statements.

b. Deduct gain/losses on operating accounts

c. Deduct net investment income on reserve accounts/investments

d. Add depreciation expense

e. Deduct current year purchases of Capital Assets (cost basis, before

accumulated depreciation)

f. Add reserve cash amounts that were used to purchase Capital Assets

g. Add expenses that were paid using reserve cash (i.e. repairs and maintenance expenses paid for using MMR funds)

h. Deduct funding cash transfers to reserve funds during the year (i.e. required MRR funding)

i. Add or deduct any other non-cash items (i.e. in-kind capital donations)

The intent of the calculation is to determine if there is a surplus of operating revenue over operating expenses each year that can be transferred to a reserve fund. The calculation is to remove non-cash items such as depreciation and unrealized gains/losses. Additionally, adjustments are to be made to take into consideration operating cash used for Capital Asset purchases. Reserve fund cash used to pay for Capital Asset purchases and operating expenses should not be included in the operating cash surplus.

--- Renumber following to 4, 5, 6.

4. Paying from reserve accounts or reimbursing operating cash account for reserve expenditures:

Within sixty (60) days after adoption of this policy by the Board of Directors, GVR shall establish a written accounting and internal control policy and procedure based on Generally Accepted Accounting Policies (GAAP) to track and document all withdrawals by check or electronic means and Board approved transfers, electronic or otherwise, between Reserve Funds, pay Board authorized reserve expenditures or transfers to reimburse operating cash for such expenditures. Such policy and procedure shall require written instructions and supporting documentation signed by the Chief Financial officer (CFO) and approved by the Chief Executive officer (CEO) or, in the CEO's absence, the Chief Operating officer (COO).

5. Priority of making contributions to Reserve Accounts:

GVR shall make contributions to Reserve Accounts in this order of priority:

- a. Maintenance, Repair and Replacement Reserve Fund
- b. Initiatives Reserve Fund
- c. Emergency Reserve Fund

6. Rebalancing Reserve Accounts:

A Reserve Account(s) may have a balance greater than the Board's target minimum balance due to a number of factors including returns on investments. The Board may consider rebalancing a Reserve Account(s) by: (1) transferring money between Reserve Accounts, (2) reducing Reserve Contributions or (3) transferring money from a Reserve Account(s) to operating cash.

All rebalancing actions shall be authorized by Board resolution(s).

D. Emergency Reserve Fund (previously the Operating Reserve Fund)

1. Definitions:

Major Event(s) is an event causing damage to a facility and/or infrastructure or an emergency safety event costing \$25,000 or more in repairs, renovations or replacements.

2. Purpose:

The Emergency Reserve Fund serves these purposes:

- a. An emergency fund to pay for major, unanticipated repairs to, renovation of or replacement of a GVR facility or facilities or infrastructure caused by a **Major Event** or **Events**.
- b. An emergency safety-net should a severe economic downturn or unanticipated event threaten GVR's financial well-being.

3. Target Balance:

This fund shall be of sufficient size as determined by the Board of Directors to protect GVR from the following:

- a. Long-term or permanent loss of use of a GVR facility or facilities or infrastructure caused by a **Major Event** or **Events** due to GVR's inability to pay for repairs, renovations or replacement of damaged facility or facilities or infrastructure.
- b. Guarantee payment of the legal obligations of the Corporation for one year.

--- Remove item 4, it has been replaced by C.3. above ---

~~C. Funding Source:~~

~~At the close of each fiscal year, the Board of Directors shall determine the amount, if any, to contribute from operational surpluses. Operational Surplus or Deficit is calculated as follows: using the Audit Report (GAAP) as Net Changes in Net Assets without donor restrictions less unrealized gains/losses, plus Depreciation expense, less Purchases of Capital Assets before accumulated Depreciation, plus transfers from Reserves to Operation, less realized investment income relating to Reserve Accounts, and less Reserve Accounts (MRR, IR, ER) Funding~~

during the year.

~~Withdrawals from this reserve shall be repaid from operations as determined by the Board of Directors but not to exceed five (5) fiscal years.~~

Insert 'Withdrawals: between 5 and 6. Renumber to 4, 5, 6.

4. Authorization:

The Chief Executive officer (CEO) is authorized to access this fund to address critical needs as they arise with written notification within ten (10) business days to the President of the Board of Directors with a copy to the Board. Email is an acceptable form of written communication to the President.

5. Withdrawals:

Withdrawals from this reserve shall be repaid from operations as determined by the Board of Directors but not to exceed five (5) fiscal years.

6. Investment Parameters: Monies contributed to this fund shall be invested in accordance with GVR's Investment Policy Statement. See Appendix I – Board Policies, Subsection 3 – GVR Investment Policy.

E. Maintenance, Repair & Replacement Reserve Fund (previously the Capital Reserve Fund) (updated 5/22/2019)

1. Purpose:

This fund shall be used only to maintain, repair or replace existing equipment and facilities as listed in the Component List of the Annual Reserve Study.

2. Target Balance:

This reserve shall maintain a sufficient balance based on Annual Reserve Contributions calculated within the Annual Reserve Study.

3. Funding Source:

- a. Annually, GVR shall transfer the full year's annual Reserve Contribution as determined by the Annual Reserve Study for the

current fiscal year from operations to this reserve within 30 days of the end of the dues collection period (normally January 31, so the full MR&R funding should be transferred by the end of February).

'b' is no longer accurate:

~~b. Reimbursement Policy: Quarterly (or monthly if necessary), after review by the Fiscal Affairs Committee and approval of the board, the MR&R Reserve Fund will reimburse operating cash account the full project cost of completed MR&R projects. Evidence of required reimbursement will include a brief description of the project, timeframe of projected replacement, actual project completion date, forecasted cost and actual cost. If actual cost is substantially different from forecasted cost, a detailed justification will be provided.~~

Replace 'b' with:

b. Reimbursement Policy:

- Projects paid directly from MRR – no reimbursement necessary.

- Projects paid from the Operating Reserve –

Quarterly (or monthly if necessary), after review by the Fiscal Affairs Committee and approval of the board, the MR&R Reserve Fund will reimburse operating cash account the full project cost of completed MR&R projects. Evidence of required reimbursement will include a brief description of the project, timeframe of projected replacement, actual project completed date, forecasted cost and actual cost. If actual cost is substantially different from forecasted cost, a detailed justification will be provided.