



## FY2022 1st Draft Budget Highlights September 27, 2021

The enclosed FY2022 Budget is the 1<sup>st</sup> Preliminary Draft Budget for the fiscal year 2022. This budget is presented to provide FAC with the budgetary proposals developed with Department Managers to date. Staff has developed this Draft 2022 budget with 75% of the current year completed and openings and schedules that are not predictable. The goal is to present this budget to the Board of Directors in October with the most current housing trends and anticipated activity level in light of the situation with regard to the Pandemic. The 2021 projected income and expenses are included for comparison purposes and are GVR's best estimates at this time. We will be presenting a 3-year projection for the years 2023 through 2025 after the first draft budget of 2022 has been reviewed.

The 2022 Budget is being presented grouped by services as follows:

**GVR Administrative Services:** Information Technology, Finance, Membership, Board of Directors, Nominations and Elections, Administration, Human Resources, Communications.

**GVR Recreation Services:** Recreation, Concerts, Special Events, Movies, Tours, Classes, Volunteers, Sound and Lighting.

**GVR Facilities Services:** Maintenance, Aquatics, Landscaping, Custodial.

**GVR Summary:** All Services

### REVENUE

1. There are no changes in fee rates and dues rates that are reflected in the Dues and Fees Income Section in the Membership Revenue Section of the Revenue Budget. The rates are identified in the Fees Schedule found on page 5. The calculation of revenue is as follows:

- A. Member Dues budget is based on dues for 13,756 properties at the rate of \$505 / per member household. GVR currently has 13,751 Members. This rate does not reflect any increase in the annual dues rate. To bring the Annual Dues back into alignment with CPM guidelines, the 2022 annual rate would be \$577. A multi-year analysis and projection of Members Dues is included on page 6.

- B. New Member Capital Fees:
- The preliminary proposed Property Capital Acquisition Fee (PCAF) is not proposed to be increased from the current rate of \$2,716.
  - The 2022 PACF budget is based on estimated 1,050 total property transactions with no change in current policy. The average home sales for the three-year period between 2018 – 2020 was 1,146 annually. We estimate that there will be 1,200 sales for the current 2021 year and we have based the 2022 budget on a projected 1,050 homes being sold in 2022.
- C. There is no rate change for Initial Fees. The budget is based on 20 anticipated property transactions.
- D. Guest Card and Tenant Fees remain unchanged. However, the number of guest and tenant cards are somewhat conservative due to the existing pandemic situation.
2. There is no rate change proposed in Transfer Fees.
- A. The budget includes a projected 1,204 properties at the current rate of \$400 per transfer.
3. Recreational Income is \$395,782 more than 2021 projected and \$76,489 more than 2021 budgeted. This is offset by a \$282,330 increase in Recreation Expense contracts compared to 2021 projected and a \$30,941 increase compared to 2021 budget.

**Total Revenue increase from 2021 projected is \$488,637 (4.4%). Total Revenue increase from 2021 budget is \$319,216 (2.8%). The total anticipated Revenue is \$11,528,213**

## **EXPENSES**

1. The total Personnel cost increases are \$100,216 (2.0%) in the Total Wages Taxes & Benefits budget compared to 2021 projected costs. The 2022 proposed budget reflects a \$147,664 (2.7%) increase from the 2021 Budget. The 2022 Budget includes a total of 115 Personnel with a Full Time Equivalent Staff level of 96. The total increase from 2021 projected costs are as follows:
- A. 1.3% - Net increased wages.
  - B. 0.8% - Taxes on wages and prior CEO Buyout.
  - C. 5.3% - Benefits increase of 10% mid-year (Medical, Dental, Life, Disability, 401k, Workers Comp)
2. The Facilities & Equipment budget for 2022 reflects a \$199,784 (5.4%) increase from 2021 projections and a \$99,624 decrease (2.7%) from the 2021 budget.

- A. The increase in expense are spread throughout the Facilities and Equipment categories. However, one unique item is \$40,000 worth of new fitness equipment included in the budget that is not in the MRR.
  - B. Facilities Maintenance expenses includes \$269,920 of 2020 Maintenance Repair & Replace (MRR) expenses which is a \$10,000 increase from the prior year.
3. Communications:
  - A. The Communications budget includes \$33,500 of Advertising. \$20,000 of this is radio public messaging.
4. Corporate Expenses:
  - A. The Corporate Expenses budget includes a full year of TEI and Active Net software which manages our Member Database, billing, scheduling, and other member activities.
  - B. Conference and Training reflect a \$31,941 (34.1%) increase from projected 2021 expenses due to a commitment in staff professional training.
  - C. Commercial Insurance includes a \$31,941 (9.7%) increase to account for additional facilities and rising insurance costs.
  - D. GVR is not budgeting any additional allowance for bad debt. The current allowance is about \$175,000.
5. Program Expenses are \$299,862 (126.4%) more than projected 2021 and \$420 more than budgeted (0.1%) in 2021. This is directly offset with a \$395,782 increase in Recreation Income.
6. The Operations Expenses budget includes an increase of \$10,480 (2.1%) from projected 2021.
  - A. COVID Expenses budgeted for 2022 are nominal. GVR has some supplies in stock.
  - B. Investment Expenses account for \$88,740 of the Operations Expenses. These expenses are paid directly from the Reserve Accounts.
7. Capital Budget - page 7
  - A. Maintenance, Repair, and Replacement (MRR) Capital Budget is \$1,971,128 and is detailed on page 9. The prior 2021 MRR Capital budget was \$1,488,373.
  - B. A list of Non-Reserve Capital (NRC) activities listed on page 8 are included in the FY2022 budget for a total of \$218,000 Capital Projects.
  - C. The Initiatives Capital Projects on page 7 include the East Center Pool project that is split between fiscal years 2021 and 2022 and is still an estimate pending bids that are coming in now with the MRR portion deducted. Also, this budget includes a rough estimate of awarding some

contracts for the Canoa Hills Clubhouse in 2022. It is currently projected that the project will start in 2022 and be completed in 2023. Currently, based on revenue projections, the Initiatives reserve fund is anticipated to have enough cash to fund these two projects. This is illustrated on page 10. Staff has other projection scenarios dependent on different timing, funding and priorities for Initiatives related projects.

8. Maintenance Repair & Replacement Reserve (MRR) funding is budgeted at \$1,132,047 as presented by the Browning Reserve Group, and is \$83,855 more than 2021.
  - A. The 2021 Reserve Study report has calculated the MRR Reserve funding level to be 73.8%. The prior year funding level was 76.4%.
  - B. MRR Expense increase of \$6.16 to approximately \$83.18 per member property with no dues increase proposed (\$83,855 total aggregate additional contribution) for 2022 MRR Reserve Designated Account.
  - C. The MRR-B Replacement of Pools and Spas are budgeted at \$127,947 which is the calculated funding amount of \$297,500 less the December 2021 funding amount of 269,553.

**Total Expenditures increase from 2021 projections are \$772,139 (6.8%). Much of this increase is in Recreation Contracts which is offset with income. The increase in expenditures from 2021 budget is \$98,666 (0.9%) The total Expense Budget for 2022 is \$11,282,460.**

The 2022 Draft Budget is based on a Net Zero Surplus Approach. Adjustments to the Net Consolidated Accrual Basis Surplus are as follows:

1. Deduct Capital Purchases for Non-Reserve Capital Projects (\$218,000).
2. Deduct Investment Income from Reserve Funds (\$243,051).
3. Deducts Initiatives Funding required based on the CPM Formula(\$589,977).
4. Deduct any additional Reserve Funding such as MRR and MRR-B (\$1,259,994).
5. Add back Depreciation Non-Cash expenses (1,706,610).
6. Add back Reserve Fund expenses paid for by the reserve accounts (\$88,740).
7. Add back Operating Expenses that are paid directly out of the MRR Reserve Fund (\$269,920).

The adjusting amounts to determine the Zero Balance budget are listed at the bottom of page 1.

In summary, this 2022 Budget Proposal accomplishes the Bylaws requirement that GVR “shall be guided by the actual expense of operating the recreational facilities of The Corporation, including a reasonable reserve for Capital Replacements with the objective of operating the facilities on a self-sustaining basis”. Thank you for your time in reviewing this 2022 Budget.

PRELIMINARY