

Finance Committee Report

Key Accomplishments

1. NP Roads: Cost/benefit study researched, documented, and recommendations presented to the Board
 - a. Key findings:
 - i. Life cycle costs are significantly higher if we continue to defer recommended seal coating of the roads i.e., maintenance pays
 - ii. There is no clear accountability for short term or long term maintenance of Aveneda Alegre - NP increasingly foots the bill for crack sealing
 - b. Recommendations:
 - i. Seal coat Phase 1&2 roads and the parking lot as soon as practical in 2017 – passed in 2017 budget
 - ii. Dedicate Aveneda Alegre to the county – Kudos to Alex Leonard and Karen Leach for successfully moving this along. County has agreed to accept the road. Petition signed by all necessary property owners along Aveneda Alegre. Surveying for re-plating the road initiated. This is going to happen!
2. NP Business Model: Formal presented to the Board and the community. Presentation and supporting spreadsheet posted on website
 - a. What is the business model?
 - i. Documented and transparent strategy to ensure long-term viability of NP HOA with the goal of avoiding special assessments
 - ii. Analyze cash flow and cash reserves with a 30 year planning horizon
 - iii. Analyze various scenarios (trade-offs, HOA dues, # of weddings, growth, inflation, capital improvements, strategies for dealing with expenses, uncertainties)
 - b. Key findings
 - i. Weddings are needed to meet the near term and the long term financial needs of the community – even when the community is fully built out
 - ii. Our cash reserves are only about 30% of what they should be to meet future reserve expenses – multiple special assessments are predicted if we continue business as usual
 - c. Recommendations:
 - i. We must critically review *all* operations, *all* sources of income, and *all* expenses – we are missing many necessary and needed opportunities if we focus solely on weddings
 - ii. Specific recommendations made, which if implemented, could possibly ensure financial sustainability. There are many more opportunities yet to be explored – 2017 budget adopted several of the key recommendations
 - d. Key Risks:
 - i. KiTex Plumbing Fixtures: Failure to fix faulty plumbing fixtures and piping could result in more leaks and damage to clubhouse and have negative impact on wedding business. We do not yet have a path forward on the KiTec issue
 - ii. Playground: Recent inspection identified many standards violations in addition to the expected issues resulting from deferred maintenance – formal report

- expected Monday but it is very unlikely that repairs will be cost effective. The path forward is uncertain and likely will involve significant unplanned for expenses and/or disappointment in the diminishment/loss of a key amenity
- iii. Bridge at Pond: Significant dry rot issues discovered. Options for a formal engineering inspection being researched – path forward and costs are uncertain
 - iv. Wood Weathering and Rotting: Rotting has been observed where posts are set in the ground for the sluice. All the exposed wood at the clubhouse and other assets showing weathering and are past due for Penofin treatments.
 - v. Lot sales are as important as weddings, but VDO did not sell any lots in 2016. Lot sales reduce the pressure on wedding sales (one less wedding for every three lots sold). Lot sales deserve the same scrutiny as wedding sales.
- e. Operational Sustainability as a 2017 Goal:
- i. The community has a history of heroic volunteerism to meet the needs of day-today operations. This is neither desirable nor sustainable. The community needs to consider a HOA management company and the FC must play a central role in making recommendations on how to pay for the management company.