

Finance Committee Report to the Board

February 16, 2017

Committee Members

Veronica Montano-Pilch (NP Treasurer, Board Member), Gary Clark, Marty Pilch (Committee Chair), Heidi Ruffner (note taker), Eric Schindwolf

Dates and Attendance of Committee Meetings

No scheduled meetings since last Board meeting

Narrative

ITEM 1: Wedding Sales

- We have settled on two metrics for the wedding business.
- Backward looking PnL (see attachment 1). This looks at a detailed profit and loss statement for both OSUG and Corporate events.
 - Income based on number of events conducted, contract price including cancelation fees, and add-ons sold. (Total inc/event +3.2%)
 - Actual expenses are included. Expenses include: planner (Jessica), manager (Rishar), event workers, supplies, advertising, permits, bookkeeping, Sup/Mediation/Legal, and Federal/State income taxes. (Total exp/event +70.2% w/o taxes dominated by true cost of staffing following mediation)
 - Net profit w/o taxes is approximately \$3300/event
- Forward looking based on month-to-date contract sales (see Attachment 2). Event can occur in 2017 or future years.
 - Contract sales made in Jan 2017 approximately double compared to sales in Jan 2015 and Jan 2016.

ITEM 2: Presentation on NP Business model to the Board and the Community

- Presentation given in the clubhouse on 1/29/17. Presentation posted in the members-only area of the web site under financials
- Key messages:
 - Weddings are needed to meet the near term and long term financial needs of the community
 - Near term: Current HOA dues alone are insufficient to meet operational expenses and annual maintenance expenses until the community is built out
 - Long term: HOA dues will never be sufficient to cover reserve expenses even when the community is built out
 - \$833,000 in special assessments are predicted over the next 30 years unless something is done (baseline)
 - Concrete and practical suggestions made to manage expenses and income. If adopted, NP can attain a sustainable financial-future with a fully funded reserve balance and essentially zero chance of special assessments (see

Attachment 3). Note that Board-approved budget for 2017 addresses many of the recommendations!

- HOA dues *MUST* be inflation adjusted on a periodic basis to avoid \$213,000 in special assessments in the future, even if all the other recommendations are adopted. Heads up 2018
- HOA Board should consider a HOA management company in order to achieve operational sustainability

ITEM 3: Nature Pointe Budget for 2017

- With input from the FC, the Board met (1/31/17), discussed, and approved a 2017 budget. The approved budget is provided as a supplemental document to this report.
- The 2017 budget shows a net loss of approximately \$31,000, with funds to drawn from the reserve account as appropriate. The need to address critical repairs and to address maintenance that was previously deferred is the driver for this year's net loss. Key contributors are: repair clubhouse stucco, seal coat the roads, replace the snow plow and truck, repair playground (or initiate replacement), security upgrades, and replacement of key wedding business items (photo booth, glassware, and some china)

ITEM 4: Progress on critical reserve study concerns:

- Dedication of Avenida Alegre to County:
 - County has agreed to accept the road subject only to completion of crack filling, which has already been done
 - All required landowners along Avenida Alegre have agreed to dedicate the road to the county
 - A survey leading to plate modification has been initiated
 - Dedication is going to happen! The NP community should be relieved that it will not be called upon for expensive maintenance and repairs of Avenida Alegre in the future
 - Alex Leonard and Karen Leach deserve our appreciation for keeping this moving along

Planned activities:

1. Run NP Business Model using approved FY2017 budget as a starting point with results available for the annual meeting

Issues

None

Formal Motions to the Board

None

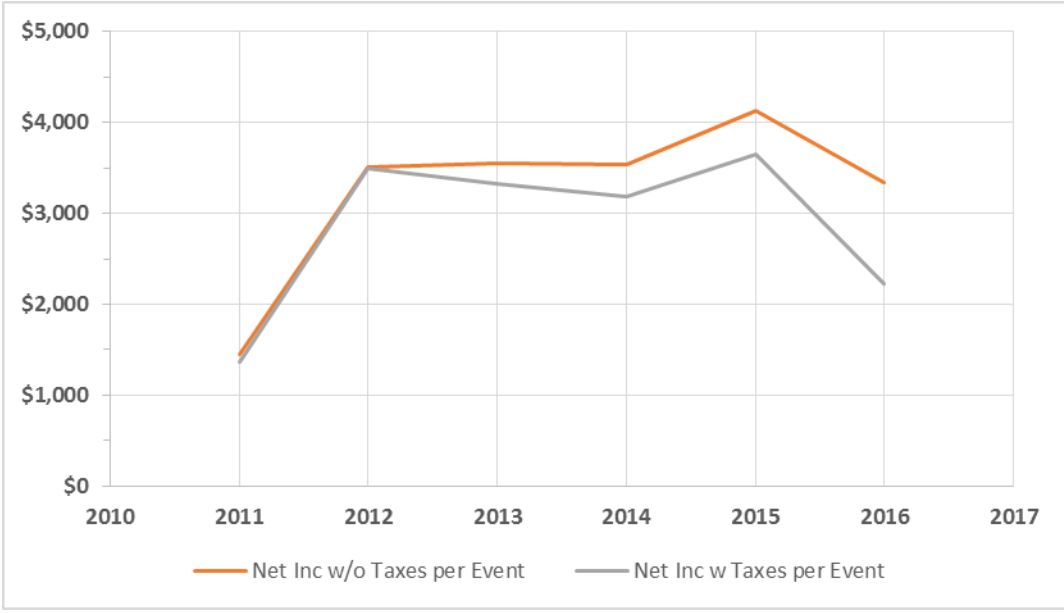
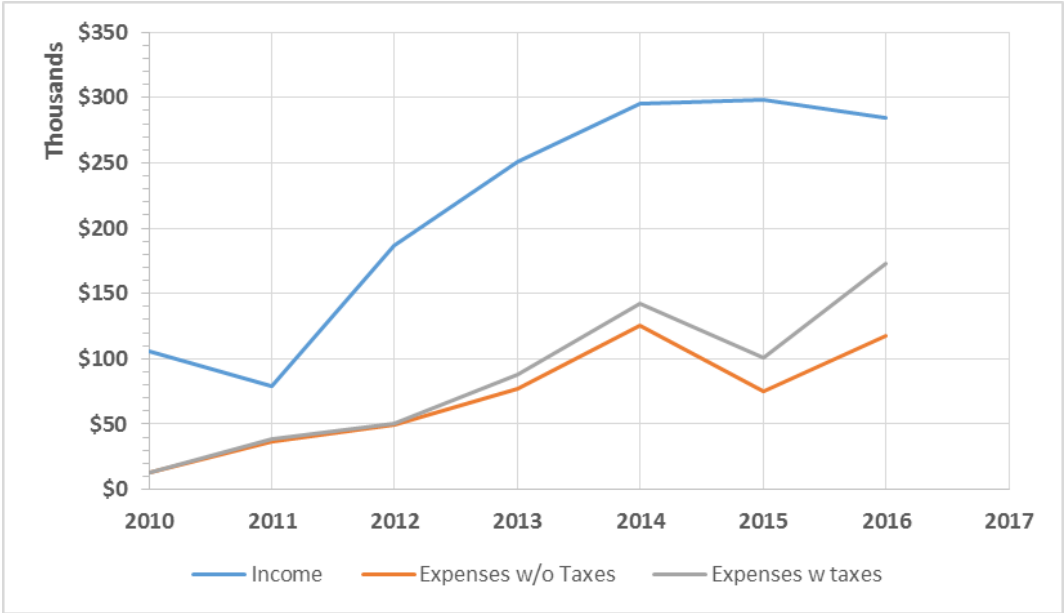
Informal Recommendation(s)

Research HOA management companies with the goal of achieving operational sustainability without dependence on herculean voluntarism.

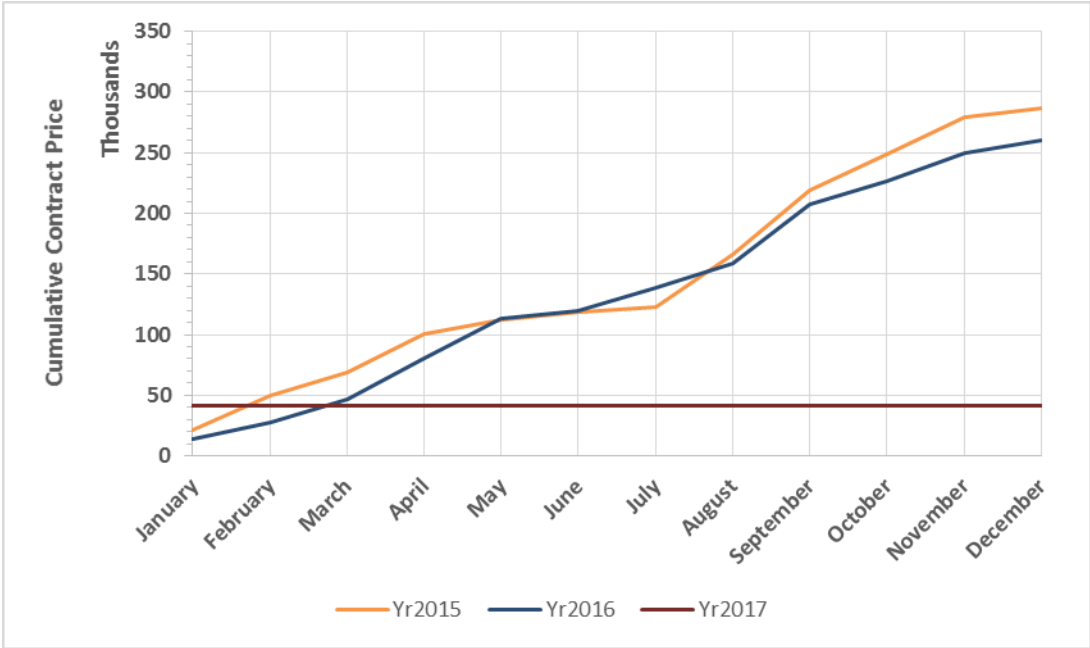
Respectfully Submitted,

Veronica Montaña-Pilch, Treasurer

Attachment 1: Backward wedding metrics focus on historical PnL's



Attachment 2: Forward looking wedding metric focused on contract sales only



Attachment 3: NP can achieve a fully funded reserve balance and essentially zero risk of special assessments in the future if recommendations for managing expenses and income are adopted



NP *can* achieve a fully funded reserve balance....

