Regency Budget and Finance Committee

APRIL 28, 2016 MINUTES

Committee Members Present:

Jack Kaye, Committee Chair, Alan Datz, Vincent DeSimone, Fred Gersten, Gerald Krzyzkowski, Mark Spinner

Committee Members Absent:

Richard Frank, Judy Russo

The meeting was called to order at 3 P.M.

The minutes of the March 24 meeting were approved without comment or modification.

The internal financials thru March 2016 were briefly discussed with nothing of significance that required discussion or clarification. Jack indicated that through March we were running a significant surplus principally due to lower than expected snow costs.

Jack Kaye briefed the committee on the status of the transition or phases 1-6.

There was discussion regarding the low return on the invested reserve funds of the association. All recognized the desirability of obtaining a better yield than the approx. 1.5%-2% currently achieved. There was, however, some disagreement regarding the restrictive and ultra conservative rules governing our investment options. A clarification needs to be pursued as to whether the rules governing investments are imposed by any state agency or simply a matter of the association by-laws which could conceivably be changed by the board. It was agreed by a majority of the members that the probability of the board agreeing to any change to a more aggressive investment strategy, even if they were able to make such a change, was remote. The majority of the committee would not support a change in our current investment policy even if it were possible.

There was considerable discussion on the analysis of Regency's ten-year operating budget growth compiled from the audited financials for each year (2006-2015) by Jerry Krzyzkowski and further refined by Jack Kaye. Excluding snow removal costs and a few "special items", the average growth rate in operating costs was 2.7%, excluding any charges for reserve funding. The analysis indicated that the growth in the number of new homes, which averaged approximately 10% per year since 2006, was consistent with the increased costs for single family homes. Golf revenues increased an average of 3.1% over the last 10 years while the number of new homes increased an average of 10%. The committee discussed the fact that golf revenues continue to decline and that most communities experience this as the community ages. The level of golf revenues in 2015 was approximately the same as it was in 2007 with significantly more residents. Jack indicated that the board is exploring ways of increasing golf related revenues.

It was recognized that approximately 67% of all operating budget costs incurred are the direct result of contract arrangements and therefore the competitive bidding process is fundamentally important. The committee discussed the need to do a cost benefit analysis of in-house vs. outsourcing some of our existing services.

Using the 2016 budget as a base year, Jack Kaye developed a model, which the committee believes is conservative, that can be used by the board for planning to estimate future monthly maintenance fees. The model includes various assumptions (which can easily be modified) for inflation, changes in reserve requirements at full build-out, and it can be further adjusted for issues which include, among others:

Comcast or no Comcast
Golf memberships for all residents
Use of budget surpluses
Increases in working capital charges for closed homes
Changes to the Reserve Funding from Full Funding to a Level Funding Methodology

Although it is clear from the analysis that the monthly HOA maintenance charges will approximate $425-$450 in 5 years, there are many things that the board can do to mitigate this level of increase.

There being no further business to be discussed, the meeting was adjourned at 4:30pm.

Respectfully submitted,

J. Krzyzkowski