

Cottonwood Palo Verde
Audit & Finance Committee Meeting
Date: May 4, 2023

Board Liaison Present: Frank Gould

Management Present: Steve Hardesty, Brian Sage

Committee Members Present: Denise Orthen, Pat Duncan, LaVerne Johnson, Gary Alexander, Bob Neuer

Committee Members Absent: None

Guests: Leonard Horst

Call to Order: 1:59 pm

Approve Agenda: Approved

Approve Minutes: Gary corrected his comments to reflect the Pro Shops were not short of any people in February. Minutes of April 6, 2023 approved.

Comments:

• **HOA Treasurer Frank Gould:**

- At the April Board Meeting, the Board changed the name of ACC Guidelines to ACC Rules and made recommended changes to election guidelines to reflect our switch to electronic voting.
- Frank went over the timeline for the 2024 Budget Process. This includes mid-May through mid-August for managers, A&F Committee liaisons, and Board liaisons to work on the department budgets. The Golf Subcommittee, managers, and Board are working on the golf fee proposal which is to be discussed and voted on in September.

- **General Manager Steve Hardesty:** There will be a lot of equipment purchased in the next two to three months. Palo Verde road work will continue till mid-May. Cottonwood roads will be repaved in the near future.

• **Homeowner Comments:** None

• **HOA Controller Brian Sage:**

- The first quarter of the year is always the highest. We were only 1.3% over budget. Revenue up 7.7% and expenses up 6.7% over 2022 actuals.
- Admin is over budget for Consulting and Payroll Processing Costs.
- 401K Program being used by more employees. Steve Hardesty noted that he felt this improves employee retention and he would be considering making the program more available to newer employees.
- Pat Duncan commented he would like to see a note on the monthly financials showing how many homes have sold YTD compared to the same time in the previous year.
- Pat Duncan stated that he would like to see a line item added after Income on the monthly financial statements for Depreciation to address a clearer reflection of monthly operating revenue. He also questioned if enough funds were put into the Capital Improvement and Capital Reserve accounts to offset the noted depreciation of structures and equipment. It was noted that the HOA's Operating Funds have been decreasing annually over the past few years due to the ageing of our assets. There was a lengthy discussion and Brian will consider these recommendations.

Old Business: see Depreciation comments above

New Business:

Committee Member Cost Center Comments

- **Food/Beverage:** Pat Duncan- Year-to-Date Food and Beverage combined operations are \$153,000. Cottonwood's profit was \$148,000 and Palo Verde was \$5,000. Last year's comparatives through March were Combined profit of \$98,000, with CW reporting a profit of \$93,000 and PV reporting a profit of \$5,000. CW's YTD profit is up 58% over last year. PV's changes have made improvement to the Cost of Sales percentages, reducing them from 41% in 2022 to 37% YTD in 2023.
- **Administration/PV Gate:** LaVerne Johnson- Admin cost center had \$4,071 of overtime costs for the payroll audit in the first quarter, which was not in this 2023 budget. Employee meals continue to be more than budgeted and is being reviewed. Consulting Fees are over budget due to Board directed expenses. May will also be high. Office Supplies expenses are half of its annual budget in the first quarter. The new copier should bring costs down. Payroll Admin Fees continue over budget, but planned transition to new payroll service in July should bring them in line with monthly budget. Recreation Group Insurance was over billed in January and February. Adjustments will be made for the April closing.
- **Facilities/Maintenance:** Bob Neuer- The three departments of Facilities, Pools, and Custodial Year-to-Date (YTD) are over budget by \$1,076. Salaries, Vacation, and Sick Time are running higher than budget. They are now nearly fully staffed. Fifty percent of the Facilities Annual Paint Budget has been spent due to the perimeter wall painting. Lighting supplies for the ongoing LED light conversion has used two thirds of its budget. The Pool Department's natural gas usage is high but will even out over the summer and fall. The Custodial Department is \$724 under budget despite YTD Wages, Vacation, and Sick Pay being over budget. Paper Supplies are on budget and Cleaning Supplies are under budget.
- **Golf/Landscaping:** Gary Alexander- Through March YTD, All Golf, Pro-Shop, Golf Maintenance, and Landscape were all running better than budget. Gary has created 35 graphs tracking line-item performance from the income statements and are now in use by the managers. March was a good month for guest fees with all the Winter visitors. However, some poor weather cut into the number of rounds for March. There was good revenue from the two Demo Days and the St. Patrick's Day sale. Invoices coming due from Fall restocking purchases will balance out over the rest of the year. Waste Removal is high YTD due to an increase in Landfill Fees. Maintenance Fees appear low, but Tree Trimming, Fertilizer, and Topdressing Sand invoices will be received in April. Due to March rains, Irrigation Water was low. Landscape Operations had several missed days due to flu and other personal matters. Their Labor is running a little high.
- **2024 Budget Process:** covered by Frank Gould above
- **Committee Member Term Status:** Two committee members, Pat Duncan and LaVerne Johnson, terms will be up in the Fall. Both can reapply for a second term and wish to.

Recommendations to Board:

- None

Recommendations to Management:

- None

Time Adjourned: 3:01 pm

Next Meeting: September 7, 2023, in CLC Meeting Room 1, 2:00 PM

Submitted by:

Robert Neuer, Secretary

Denise Orthen, Chair