



**HEATHER GARDENS METROPOLITAN DISTRICT
SPECIAL MEETING WITH JOINT BUDGET & FINANCE COMMITTEE
Wednesday, September 27, 2023, at 9:00 a.m.**

The special meeting of the Board of Directors of the Heather Gardens Metropolitan District was held in the boardroom and via Zoom/Telephone in the Heather Gardens Clubhouse at 2888 S. Heather Gardens Way, Aurora, Arapahoe County, Colorado, on Wednesday, September 27, 2023, at 9:00 a.m. with the Joint Budget & Finance committee for the purpose of reviewing the 2024 Manager's Budget.

PLEDGE OF ALLEGIANCE: The Board recited the Pledge of Allegiance.

CALL TO ORDER: President Daniel Taylor called the meeting to order at approximately 9:40 a.m. A quorum was present.

BOARD MEMBERS PRESENT: President Daniel Taylor, Vice President Eloise Laubach, Secretary Robin O'Meara, Treasurer Rita Effler, and Director Craig Baldwin.

BOARD MEMBERS ABSENT: None.

GUESTS PRESENT: Member of the Joint Budget & Finance Committee and residents in the boardroom and on Zoom.

PRESIDENT'S REPORT: President Taylor made a statement regarding the preparation of the Manager's Budget which is attached.

NEW BUSINESS:

President Taylor moved to direct HGA CEO Jon Rea to amend the Manager's Budget to include Restaurant Model 1, add an additional \$200,000 to capital expenditures, and increase line items to a minimum of the 2023 funding amounts.

The motion was seconded by Rita Effler. During public discussion, it was agreed that the committee and District Board would review the Manager's Budget by line item.

A secondary motion was made by Eloise Laubach to suspend the vote on the primary motion until after the line item review was complete. The secondary motion was seconded by Rita Effler, and passed by unanimous vote.

DISCUSSION OF COST CENTER LINE ITEMS OF HGMD BUDGET: Line item changes were made to the Manager's Budget. "Model 1" of the restaurant options was selected by the HGMD Board and additional changes were made to the restaurant marketing and for Colorado restaurant Association dues. Significant time was also spent on the clubhouse funding as well as the golf course funding.

DISCUSSION OF HGMD CAPITAL RESERVE EXPENDITURES: The Joint Budget and Finance Committee Members and HGMD Directors discussed the 2024 HGMD capital expenditures plan in the Manager's Budget. The Manager's Budget only allowed accounted for 12 projects for the year, excluding significant projects including changes to the restaurant kitchen and the fenced run off pond on the golf course. Funds for these projects was added. During these discussions HGA CFO Jerry Counts stated that he had little confidence in the scheduling for replacement of components on the HGMD Capital Reserve Reports. This schedule had not been updated in several years when it was being initially created. For example, the committee removed from the budget a piano that was scheduled for replacement in 2024, that was well maintained and had many more useful years. It was agreed that this would be an area for future work toward the end of the year.

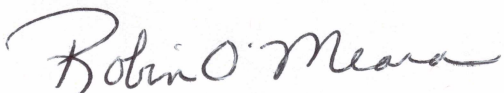
PUBLIC COMMENTS: Questions were asked by participants in person and via video-conference as each line item was discussed, and on more general topics at intervals.

RECESS: At 4:10 p.m. a motion to recess until 10:00 a.m. on Thursday, September 28, 2023, was made by Vice President Eloise Laubach, which was seconded by Director Craig Baldwin, and was unanimously passed.

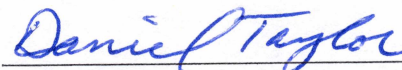
RECONVENED: The meeting reconvened at 10:00 a.m. on September 28, 2023, with a recap by HGA CEO Jerry Counts of the changes made the previous day, and incorporated by him overnight. The amendments to the Manager's Budget were confirmed by the committee and HGMD Directors.

JOINT BUDGET & FINANCE COMMITTEE MOVED TO RECOMMEND: The Joint Budget & Finance Committee moved to recommend the amended 2024 budget to each board.

ADJOURNMENT: A motion to adjourn was made by, and seconded by Director Balwin, and passed unanimously, the meeting adjourned at 4:42 P.M.



Robin O'Meara, Secretary



Daniel Taylor, President



**President's Statement September 27, 2023,
Rationale for Motion 1-9-27-2023**

On August 15th and August 16th, the full HGMD Board met with Jon Rea and Jerry Counts to discuss the 2024 budget. During those meetings, we agreed that HGMD would fully fund the restaurant for 2024 to be open 7 days a week, from 7 am to 9 pm serving breakfast, lunch and dinner, with food service stopping at 8 pm.

Jerry made many of the changes to his spreadsheet during the meeting. Several days later, Jon Rea sent me an email to confirm that agreement. There was some confusion when the Restaurant Committee discussed staggering the full opening. They were concerned that historically, if an idea was tried that wasn't successful in 2 or 3 months, the funding was pulled. We committed as a Board to fully funding the restaurant for 2024. After that commitment, they plan to meet and discuss a soft opening to iron out the kinks and get new staff trained vs. a staggered opening, increasing the hours gradually.

So, this email with Jon Rea confirmed this plan. This changed. The manager's budget does not reflect our agreement. Not only was the District Board not consulted about this change, we weren't even notified.

I heard a rumor that the manager's budget would reflect the restaurant's current level of funding. I confirmed that with Jon Rea. Jon said that he and Jerry agreed to fund the restaurant at the current level, and prepare two separate scenarios for your committee to consider.

First, as Mike Pula stated Monday, your committee only makes recommendation to the Board. It was disingenuous for management to include budget levels in the manager's budget that it clearly knew the District Board would not adopt.

Second, the manager's budget does not even fund the restaurant at the current level as stated. It reduces the part-time hours by 871. That is the equivalent of one part-time server position. And, despite our commitment to support the restaurant to increase revenue, the manager's budget anticipates that our restaurant sales will go down by 5.69%.

Fully funding the restaurant to be a true amenity to the community will cost about \$6 a month. Reducing the restaurant budget below its current funding is throwing good money after bad. It will cost money, and no one will be satisfied.

If the community wants to spend less on the restaurant than the current funding, we'd be better off to just close it, and lease it out to a contractor with specific terms to meet the community's requirements. But, the District Board believes that we owe it to our employees and the restaurant manager to give them a chance to make a go of it.

We have committed to fund the restaurant for a full year. If that doesn't work, we can deal with it then, but we have put together an impressive restaurant committee, so I think the odds are in our favor.

Third, Monday, Jon Rea said that he was able to meet with Montrell before he left and get the numbers for the budget. He also said that Montrell was able to save money on supplies by changing vendors and combining purchases.

I'd like you to turn to Tab 12, page 40, Pool Care Supplies were cut by 37% down the line. I don't believe that changing vendors would result in a cost reduction of exactly 37% in all categories. Or do we think residents will swim 37% less next year.

Turn the page to page 41. Outside Contractors. All except Trash Removal must have agreed to cut their fees by exactly 39%. Backflow testing is usually just done once a year. Did the contractor really agree to reduce the bill from \$249 to \$152? What about the Fitness Equipment Service Contract? The benefit of a service contract is a set fee. Elevator Maintenance - after our conversations yesterday, does that seem like a good one to cut - also by exactly 39%. Let's test the fire alarms 39% less.

Under Maintenance Charge Out - now that's only reduced by 25%, so despite yesterday's discussion about aging building, maintenance will only do 25% less work on the clubhouse in 2024.

Page 42 - Supplies - Cut across the board by 29%

Special Event Supplies - Cut across the board by 27%

Let's look at golf, page 42, Unleaded and Diesel Gas cut by 37%. Maybe we had a price decrease of 37%?

Page 48, Outside Contractors - those were only cut by 1% but, for every single contractor.

Now the big one, page 49, SUPPLIES -across the board a 43% cut.

Greens fertilizer - we don't really need to fertilize the greens I guess? Fungicides? Will just use 57% of what we used this year.

Ice Melt? We'll cut that 43% because I guess since we're paying more for insurance, management thinks we can accept the risk. Every one of these cuts, were 43% across the board.

The fourth significant issue that we have involves our Capital Expenditures. We have two sets of reports that don't reconcile. So we can go through that when we get there. But,



there are only 12 projects budgeted, so I think we've underestimated capital expenditures by around \$200,000.

I've listened to two days of justification for increased HGA expenses like "we're just giving employees a 3% raise this year" and "we're just bumping this amount or that amount by the 3.5% inflation rate."

HGMD will not allow HGA to slash its budget and services to offset increases in the HGA budget. I think with this budget plan, the District can't afford to let HGA maintain the golf course.

Since we were elected, every time we've made a request of HGA or management, I get an email from their attorney asking if the request was by a formal Board action. So, I don't want any surprises on Oct. 12th when HGMD meets to discuss the budget.