

Joint Budget & Finance Committee Meeting 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 forth 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.