



Vistoso Community Association
Board of Directors General Session – Tuesday, September 7, 2021

Board Members Present: Sarah Nelson, President; Joe Affinati, Vice President; Matt Wood, Treasurer; Sheryl Forte, Secretary; Gayle Lopez, Director and Ellen Hong, Director

Absent: Theodore Dann, Director

Finance Committee: David Light, Bob Mariani and Paige Shockley

First Service Residential: Barbara Daoust, General Manager; Trenais Bryant, Assistant Community Manager; Glennon Gray, Vice President; John Kemper, President and Veronica Alvarez, Team Lead Accounting

The meeting was called to order by Board President Sarah Nelson at 5:00 p.m.

Adopt Agenda

A motion was made by Matt Wood and seconded by Joe Affinati to adopt the agenda. Motion was approved unanimously.

Finance Committee Chair Comments – Matt Wood

Matt Wood welcome the board and finance committee members. He reported that the finance committee will be working on a three- year income/expense forecast for the association. He introduced David Light to present the new budget approach to avoid unnecessary inflated operating fund balance.

➤ **Discussion of Alternative Approach to the Budget – David Light**

The board reviewed and discussed the materials produced by David Light. Mr. Light pointed out the purpose of the new approach is to control unnecessary growth of funds. The expense budget process is the same; however, the difference is how the assessment is determined. As stated in Mr. Light's background information provided to the board and the community, he explained that "while determining the assessment, the annual net income is constraint by the 2X multiple of the average monthly expenses of the operating fund. If the balance is greatly above the 2X multiple, the assessment should not be increased but it should not be lowered. If the projected balance would be lowered to a level below the 2X multiple by a static assessment, then the assessment should be increased to raise the level of the projected year-end operating fund balance to the 2X multiple of average monthly expenses or slightly higher. "

Vistoso Community By-Laws states that the association shall consider any deficit or excess of funds during the budget process.

Most community associations utilize the balance budget approach. FirstService Residential does not know of any boards that adopted this new budget approach.

Since having the reserves funded at 75%, it was recommended that the reserves be funded at 100% before taking on this new approach. The association has a variety of unknowns in dealing with correcting drainage issues which potential can be between \$300,000 - \$700,000. The committee believes there is an excessive of \$800,000 in the operating fund, this would not be sufficient to fund

APPROVED

the reserves to 100% and pay for the drainage issues. If the excessive funds were not in the operating the board would be faced in increasing assessments or consider a special assessment to cover the drainage issues.

The board could use the excess towards next year's budget, but the budget is drafted and approved months in advance and the year-end surplus or deficit would be an estimate. It was suggested by Glennon Gray of FirstService that a more practical approach would use the surplus to fund the reserves.

The Finance Committee will discuss a reserve component for drainage and a recommended amount to be transferred to reserves for board consideration at their next meeting.

Meeting adjourned at 5:52 p.m.

Accepted by:  _____

Date: 6 Oct 2021