

Del Mesa Carmel Community Association
Finance Committee (FinCom) Meeting
Minutes of Special Meeting
November 9, 2021

CALL TO ORDER: Committee Chair, Nancy Jones, called the meeting to order at 1:00pm. The meeting was held in person in the Redwood Room for the sole purpose of reviewing the proposed draft of the 2022 DMC budget. Handouts were provided to all attendees, including goals and assumptions for budget preparation, a summary of the Operating Fund budget for 2022, a Reserves funding summary for 2022, the consolidated 2022 draft dues and assessment summary, and a 2022 draft allocation of dues pie chart.

Committee Members Present

Nancy Jones, Susan Franks, Natalie Kaufman, David Lamm, and Marty Rubin. Maryellen Eisenberg and Mark Vanlerberghe were absent.

Others Participating:

Anthony Lombardi, Finance Director, and approximately 50 other participants.

BUDGET REVIEW PROCESS DESCRIPTION: Nancy explained that annual DMC budgets are first proposed by the General Manager, working with his staff.

Budget goals: The staff prepared the current draft with the following goals in mind:

- Existing services and amenities are unchanged,
- Del Mesa continues to be a desirable, well-maintained place to live, and
- HOA assessments will be increased only to the level of inflation.

Budget goals: They, then, made certain assumptions as to how to best meet these goals, reviewed these with the Finance Committee and discussed them with the Board of Directors. The assumptions are:

1. General inflation will be 6.0%
2. The base pay increase is 6%. Note the difficulty in hiring now and the disparity that resulted from minimum wages going up and new hires making more than existing employees.
3. Food and Beverage revenue goes up 21.7% as we get closer to moving away from COVID.
4. Utilities: PG&E up 15%, waste disposal up 6%, water up 10% (more, but we're saving quantity). Comcast revenue is unchanged, but expenses go up 3.7%.
5. We increase the rate at the guest room to \$150/night and eliminate the breakfasts.
6. As for property insurance, this is obviously a difficult one to estimate. This budget assumes that we are able to purchase another masterplan at the same level of coverage we have now, for 20% more than our current masterplan, starting in May 2022, and that members agree to this policy.
7. No new member-suggested projects are undertaken for 2022 (e.g., the bar/bistro, site survey, lawn bowling surface replacement), unless funding is found.

8. We will not increase the HOA assessment contributions to Reserves, but will still maintain a 41% reserve level.
9. No funding for Defensible Space law, but \$200K is added for landscaping in Reserves.
10. No funding to conduct SB326 EEE inspections this year (not required until 1/1/2025), but we will spend the \$50K in Reserves for inspecting foundations and piers.
11. We do not see a COVID resurgence.
12. That there is no unexpected impact (e.g., economic changes, continued drought, and other emergencies).

CURRENT 2022 DRAFT BUDGET REVIEW PROCESS DESCRIPTION: Nancy noted that the budget being presented is a draft budget and is so marked. She admonished the group NOT consider this to be final or act on information in this draft. There will be additional review and the resultant budget will be presented for final approval at the 18 November meeting of the Board of Directors.

Operating Fund summary:

This chart shows the actual amount spent in 2020, the 2021 budget, the forecast of how the department or fund will end the year 2021, the projected 2022 budget and the difference between the 2021 budget and the 2022 budget for each department and fund. Notable increases in revenue were for dues and guest rooms. The biggest cost increases were for utilities and insurance premiums

Reserves:

The ARA Reserve Study funding summary recommended no special assessment for 2022, with a recommended monthly reserve contribution between \$80,000 and \$95,538. Our budget projects \$95,538. This gives us a 41% reserve funding status.

HOA Dues and assessment summary:

Putting this all together results in an increase in HOA assessments for 2022 at 8.5 % (somewhat down from the 9.4% projected at the last Board meeting). The components of this increase are shown on this chart, with the biggest increase in Insurance. The chart also shows the projected 2022 dues by unit type.

Allocation of Dues:

A pie chart that shows how dues are broken by expense was provided.

Nancy suggested that, to put this budget in some perspective, a thought experiment be considered. Let's say we increase our budgeted costs by \$100,000. That would result in \$28/month for an average unit. By extension, \$1,000,000 would be 10 times that, or \$280/month for an average unit. Another way to look at this is that for each \$60,000 in increased cost, we increase our HOA dues by an average of 1%. Take any item in the budget and move it by \$60K either way and you have a 1% change.

OPEN DISCUSSION

A member stated that, though nobody wants to raise HOA fees, this is a reality. He asks when we are going to spend money on electric vehicle charging and individual metering.

Another member suggested using our dining room for outside lunch meetings of trusted organizations. Anthony cautioned that allowing outside organizations to use the facility may result in costs to report as taxes.

A member asked how many supervised employees we have as opposed to administrative and supervisory staff. Staff job descriptions were requested. Anthony pointed such questions to the General Manager.

Using the 2021 government reimbursement for Healthy Forest work to help fund the Healthy Forest efforts for 2022 was questioned. Mick Connolly explained that we are planning to fund Healthy Forest with \$150K in 2022, that the source of those funds was not specified.

The meeting was adjourned at about 2:50pm.
Respectfully submitted by
Nancy Jones

The next (regular) FinCom meeting will be Tuesday, November 16 at 9:30am in the Coastal Room.