

anthem

community council

Meeting of the Board of Directors
January 25, 2017
Work Session at 5:20 p.m.
Anthem Civic Building
3701 W. Anthem Way
Room #2

MEETING MINUTES

Members Present:

Ryan Halleran-President
Roger Willis – Vice President
John Balzer – Secretary
Bob McKenzie – Treasurer
Rick Kesselman - Director
Terry Mullarkey- Director
Tim Fyke – Director

Members Absent:

None

Others Present:

Jenna Kohl, Community Executive Officer
Neal Shearer, Community Operations Officer
Doug Greenstein, Community Finance Officer
Mark Sahl, Legal Counsel
Jonathan Ebertshauser, Legal Counsel
Kristi Northcutt, Communications Director
Kevin Shaffer, Community Center Director
Kim Bodary, Recording Secretary

CALL TO ORDER

President Halleran called the Work Session to order at 5:51 p.m. and recognized those in attendance.

ESTABLISH QUORUM

President Halleran established a quorum with seven Board members present.

ADOPT AGENDA

Director Fyke made a motion to adopt the agenda as presented. Vice President Willis seconded. Voting took place; the motion passed unanimously.

NEW BUSINESS

A. Recap of Financial Structure and Funding Mechanisms

Ms. Kohl stated we would like to continue the dialogue which was started in November of 2016 which included discussions on immediate, future and long term projects using Enhancement Funds. Mr. Greenstein gave an overview of the Enhancement Fund, Operating Fund, and Reserve Fund, including their current balances, projections, and how those funds can be used per the governing documents.

Because the Reserve Fund is a transfer from the Operating Budget that is funded primarily by assessments, using “renewable” Enhancement Funds to supplement their funding sources for structural improvements to existing recreational facilities will lessen the funding burden on the Operating Budget which will impact the annual assessments paid by Anthem property owners.

Community demographics and recreational needs will continue to evolve and some large scale recreational projects may require multi-year savings to adequately fund, thus setting aside a percentage of Enhancement Funds for future recreational needs would provide the Board with additional funding flexibility to improve/update existing amenities or save for more expensive projects over a longer time horizon.

At some point in the future, the lack of available land for new recreational projects and increasing pressures on the Operating Budget will make it even more critical to allocate non-assessment revenue streams, such as Enhancement Funds, to enhance and refresh existing recreational amenities and facilities.

The FaRM Committee has consistently proposed that maintaining sufficient funding levels within the Operating Fund also provides the added benefit of “loaning” short term funding to the Enhancement Fund for approved major projects. This methodology allows for existing investments within the Enhancement Fund to remain intact until maturity and also eliminates the need to incur any level of short-term structured debt. As a renewable resource, the Enhancement Fund can then reimburse the Operating Fund for any advanced funding without the need to break an existing investment, even though all investments in the Enhancement Fund are laddered. Further, the FaRM Committee supports the concept of the Enhancement Fund remaining the primary vehicle for funding new projects and assisting in the funding of remodeled or enhanced existing amenities, subject to potential contributions from the Reserve Fund for identified assets. In all situations, the FaRM Committee position is to carefully analyze all potentially approved projects to determine their future impact on operating costs and thus assessment requirements.

Treasurer McKenzie inquired what is recommended to keep in the Operating Fund and Mr. Greenstein stated that 2-3 times the monthly outflows from accounts payable which is about \$600,000 - \$800,000 a month. Mr. Greenstein stated that the ACC historically utilizes operating savings as additional funding into the Reserves and this practice should be continued into the future in order to provide some reduction in pressure against future assessment levels needed to fund Operating cost requirements. .

Ms. Kohl stated we anticipate our excess cash will diminish in the operating fund until assessments are increased. We have experienced increases due to new Department of Labor laws and Prop 206 both of which were unbudgeted for 2017 and we have to fund these salary and tax costs out of the Operating Fund. Mr. Greenstein stated that the ACC historically has successfully controlled personnel costs but the recent Arizona and Federal initiatives were outside of the direct control of ACC management. The ACC management has consistently utilized funds as judiciously as possible so that Anthem property owners continue to get significant value for their quarterly assessment dollars.

Director Balzer inquired if there were legal issues on spending and Ms. Kohl stated the Governing documents speak to how you use your funding and state statute regulates how enhancement funds are to be used and enhancement dollars must be used on projects that support recreation.

B. Discuss Use of Enhancement Funds and Set Asides for Current and Future Master Plan Projects as well as Other Special Projects

Mr. Shearer stated as the community ages, existing recreational amenities will likely require facility enhancements above what is accounted for in the Reserve Fund budget for base replacement costs. Additionally, a space needs analysis is underway at the Community Center to assess options and potential costs for more efficiently utilizing space and improving crowded conditions in the fitness and administrative areas. Recommendations from this space needs analysis may involve replacement of assets that could be funded by the Reserve Fund and upgrades and expansion to the Community Center that could be funded by Enhancement Funds, if authorized by the Board.

Mr. Shearer stated that three Master Plan project proposals have been submitted with potentially two more that may be turned in before the January 31 deadline. The Board will receive Master Plan project recommendations from staff and the Community Planning and Development Committee (CPDC) in May.

Mr. Shearer stated that over time, the pendulum will shift from building new projects to enhancing existing amenities. As such, it is reasonable to consider setting aside enhancement funds to renovate and improve existing recreational facilities, such as the Community Center renovation project.

Mike Spinelli, CPDC Chair stated we don't want the Enhancement Fund depleted but if we have a set aside amount pulling in some interest, it would be a cushion. Ed Varney, CPDC member stated he was also in favor of setting aside Enhancement Funds for existing amenities but did not want to be in competition with community project requests. Mr. Greenstein stated there is room for new and remodeled projects based on the financial projections through the

enhancement fund. These projects are compatible and not competitive and can be done in a very constructive way with no debt to the community.

President Halleran asked if another work session is needed and Mr. Shearer stated that would be helpful at some point.

C. Discuss Proposed Community Center Renovation Project

Mr. Shearer stated the copy of the packet the Board received that outlines the proposed changes to the administrative and fitness areas of the Community Center is a draft and the cost numbers are not ready for the distribution but will be brought forward at a future meeting. The Board asked staff to present the proposed Community Center renovation project, with initial cost estimates, at the February open session meeting.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 6:30 p.m.

Respectfully Submitted,
Kimberly Bodary
On Behalf of the Anthem Community Council Board of Directors