Budget Advisory Committee Meeting – January 15, 2024 - Called to order at 4:01 p.m.
Attendees: Management - Ron Beard
Committee Members – Mark Canfield, Dave Spinney, Rob Diefenbach, Denise Bujalski, Bill Mitchell (Zoom)
Zoom Guests: Nancy Seward

The meeting was called to order at 4:01 and Ms. Bujalski was appointed minute taker. It was decided to waive reading of the minutes of 1/8/24 as there were no changes noted. A motion to accept the minutes was made by Mr. Canfield, seconded by Mr. Diefenbach and all members agreed.

Mr. Mitchell presented a Power Point that he had prepared showing the total cost of ownership in Waterville Estates and how it had increased in the last 7 years particularly for water. He also had put together an organization chart and felt the rec department could use a manager to help streamline expenses. Mr. Canfield pointed out that our job on the BAC is to try to control WEVD expenses as best as possible, but other entities are involved (HOA and two towns). Discussion was held on trying to turn over more WEVD roads to the two towns. It was felt more residents should be active in each of the town meetings to represent WEVD interests.

The latest budget was handed out and the 2023 budget actuals equaled the 2023 budget very well (although there are still a few outstanding bills). The budget was and is built to get things done in the district and department leaders are for the most part accomplishing this. If the district can manage the budget and meet goals established, we hope to add even more needed projects in future budgets. It was noted that department heads have greatly improved understanding of their individual budgets and how to use them appropriately for planning purposes.

The committee moved onto the written opinion. Mr. Spinney asked for clarification of one of the bullet points and it was edited for clarity. No other changes were suggested. A motion to adopt was made by Ms. Bujalski, seconded by Mr. Diefenbach, and all accepted the opinion. All members present signed the document (Mr. Mitchell gave his permission to sign for him with notation as such). This document will be sent to the commissioners and will also be attached to these minutes.

Mr. Canfield thanked all the committee members for their work on the 2024 budget. He also thanked Ms. Seward, Mr. Cahill and Ms. Ivers for their participation in the meetings. The meeting was open to public comment and Ms. Seward noted it was very helpful to the HOA to be involved in the process.

A motion to adjourn was made by Mr. Diefenbach, seconded by Mr. Spinney, and all agreed. The meeting was adjourned at 4:50.

Respectfully submitted,
Denise Bujalski

Attachment:
2024 Budget Advisory Committee Opinion

Budget Advisory Committee

2024 Proposed Budget Recommendation and Opinion

The Budget Advisory Committee unanimously recommends the 2024 budget as it stands on 1/8/2024 but reserves the right to highlight areas of concern, both budget expense-wise as well as current management procedures.

<u>The Proposed Budget is a mixture of good and bad this season.</u>

- The plan is very favorable to the 2023 approved budget. (-11.7%)
- The plan is favorable to 2023 actual expenditures when removing the planned CIF funded expenditures, coming in at only +1.3% (caution to be exercised with the latter as not all expenses have been recorded).
- The plan is unfavorable to 2023 actuals when warrant article and planned CIF funded expenditures are removed from the Plan Year budget (+20.7%).
- The increasing base salary expenses present a long-term embedded problem for future efforts to rein in or control the bottom-line budget. Salary increases appear to be on automatic pilot. This is on top of meaningful salary increases in 2022. Salary should be based on competitive pressures. Bonuses, when tied to clear goals of performance and merit based, are nonrecurring salary adjustments. Important to note is that salaries are tied to significant benefit expenses, ranging from 37.2% to 48% of total salary (figure varies based on the department). ***Are we managing our compensation program adequately?*** The value of benefits must be part of how the district looks at paying employees. Bonuses are not currently tied to plans of specific individual performance and should be considered a management weakness.
- The budget only includes expected 2024 operating expenses, no capital improvement plans are in place and no funds are set aside for this liability. There is great need for a Capital Improvement Plan program and monies from the unreserved fund balance should be allocated to future projects and liabilities involving Road Paving, vehicle and equipment replacement, recreational facility repairs including swimming pools, building siding and painting, and interior repairs and long-term pension funding. At a minimum, considerations should be given to funding 1) covering annual depreciation, or 2) setting aside a set percentage of the estimated value of capital investments' replacement costs, subject to a full thorough asset analysis.
- We recommend using unreserved fund balance monies of $450,000 to be placed into a capital reserve fund to address the needs of our facilities and the eventual improvements of our roads.
- The budget committee wants to express its appreciation of the Board of Directors' contribution to assisting the Village District by designating an increase in funds to defray operating expenses ($600,000, +200,000 over 2023) and to fund facilities' needed projects ($110,000).
- The budget should be presented with appropriate notes explaining those expense amounts that are significant or require detail not apparent in the numbers themselves.

General Government Executive

- The plan is projecting a 7.5% increase over the 2023 approved budget.

- Even though no longer paying for an Assistant GM, the planned budget is adversely impacted by two expense categories; one to address possible future legal expense and the other, consulting, to continue the process of bringing our financial discipline up to date. Both expense categories could realize less of an impact if the legal process works out to our favor, or our employees quickly demonstrate proficiency from the financial tutoring and assistance received. Goals are needed for the latter.

Highway and Streets

- The plan projects expenses to be less than those approved in the 2023 budget but are significantly more than YTD actuals. 2023 planned work fell short due to human resource changes experienced during the period. Currently the department is fully staffed, and the employees are stable. The prospect for completing future work is better than ever.
- The district should be concerned that the planned budget does not include funds to achieve any longer-term improvement projects, projects that are needed to move the community forward. Road improvements are closely tied to water infrastructure improvements and moving the two forward in a coordinated fashion is reliant on a plan which to date has not been put in place.

Buildings and Grounds

- Clearly the focus is on our facilities. Long ignored, the efforts in 2023 resulted in many improvements. The plan year budget continues this emphasis with planned expenses up 8.9% compared to 2023's approved budget and +17.5% compared to YTD actuals. The planned budget only funds efforts to address immediate needs and not longer-term needs, many of which could be substantial.
- To address major projects associated with district facilities, further CIF funding and warrant article set asides must be secured. At present, there are no specific recommendations from management. Management does recognize that the 2019 engineering study forms the basis for future direction. Distilling a plan is a big job and management can use assistance. A sense of urgency is needed and necessary discussions with the Board of Directors and Commissioners must take place. Shortfalls, which can be expected due to funding limitations, may need to be supplemented by the taxpayers. See comment in opening remarks regarding other means to establish a capital reserve.

Parks and Recreation

- This is the area where expenditures are most closely tied to delivery of recreation services. Other areas include Front Desk, Ski Area, Pool, and Food and Beverage. These other areas will be separately addressed.
- Projected expenses are less than the 2023 approved budget, but the important comparison is to YTD actuals. Plan year expenses represent an 11% increase, attributable somewhat to many expenses that were buried in other areas having limited if any engagement in delivering recreation services. <u>Funding of true recreational expenses should come from the end users and not from taxpayers.</u>
- It is important to have a single lead to oversee all the Parks and Recreation expenses.
- Maintaining full-time opportunities for the staff is important, but equally important is the need to improve facility utilization and maximize our employee service.

Front Desk

- The cost to staff our point of entry is projected to be $162,560. Is this an effective use of money or should alternatives to controlling entry and exit be explored? Would investment in an automated system be effective and a long-term prudent approach? Could the use of access cards along with turnstiles be instrumental in controlling our guests' use of the facilities?
- Do the Mountain View Lounge receipts support managing the front desk in its current form?
- This area of expense appears to need redesign and a different approach.

Ski Area

- Expenditures are expected to be over 30% higher than YTD actuals but below the 2023 planned budget.
- The planned expenses do not address the long-term needs of this facility and are considered little more than a band aid to keep the facility open. This skiing operation is heavily dependent upon mother nature. Without natural snow, due to warming winter weather trends, the money spent could be better invested in our community center, a major year-round use facility.
- It is recommended that any future CIF contributions be directed to the Rec Center Facilities.
- With the lodge open less than 6 months, is this a good deployment of the assets? Do we need to reinvent the planned uses of the ski lodge and mountain?

Pools

- The increasing need for more funds is evident as these assets age. Keeping them open and usable requires more effort, more labor, and materials which are becoming more costly.
- The planned budget does not address the long-term needs of these important community features. These must be included in the management's work in developing a capital plan.

Food and Beverage

- Planned expenses are clearly on the increase. They are higher than planned in 2023 and as experienced YTD.
- What are the income trends resulting from the increase in these expenses?

Water Department

Water Distribution and Treatment: Administration

- The plan year budget is up almost 8% to the approved 2023 budget and an increase of $94,507 or +22% compared to YTD actuals (caution to be exercised with the latter as not all expenses have been recorded). Some of the increase can be attributed to the work our consultant has done to properly assign expenses. The most notable projected expense increases are from Salaries, Retirement, Electric, Engineering, and Chemicals which total $93,353. Also, included this year but not in past budgets are Annual Audit expenses of $4000.
- The Water Department lacks a formal business plan which is considered a weakness of management. Without a plan, increasing expenses are hard to justify when they are greater than normal inflation.

- Any Surpluses generated by the Water Department should be dedicated to projects improving the future needs of the system.

Debt Service: Principal – other debt

- No comment

Long-Term Bonds and notes

- No comment

Buildings

- Planned expenses are 82% below 2023 approved budget and 37.5% below YTD actual expenditures. Projects not completed, completed at far less than expected cost, or in the middle of the project include Water Mains, Water Meter Upgrades, and Computer Software Updates that were budgeted for $427,000 but incurred $109,379 in expenses.

Submitted 1/15/2024

Budget Advisory Committee

Denise Bujalski

Mark Canfield

Rob Diefenbach

Bill Mitchel

Dave Spinney