

# A G E N D A

## FINANCE COMMITTEE

REGULAR MEETING  
TUESDAY, MAY 24, 2016, AT 9:00 AM  
BOARD ROOM – GATEWAY COMPLEX

1. MEETING CALLED TO ORDER: Christopher Yahng, Chairman
2. ROLL CALL: Yahng, Autrey, Dorband, Haley, Neff, Rosenzweig, and Smith
3. APPROVAL OF REPORT OF APRIL 26, 2016 (Attachment)
4. RESIDENTS' FORUM
5. CHAIRMAN'S REPORT – ANNOUNCEMENTS
6. STAFF REPORTS
  - a. CEO – General Comments
  - b. CFO – Monthly GRF Financials (copy in GRF Board Office Finance Committee mailbox)
  - c. Director of Mutual and Trust Operations – Trust Facilities and Property Maintenance, Projects, and Machinery/Equipment Acquisition Reports (Attachments)
7. UNFINISHED BUSINESS
  - a. Discuss definition of Trust vs. Operating expenditures. (Copy of Policy 102.3 and comments from Committee members attached)
  - b. Consider need for contingency reserve in Trust Estate.
8. NEW BUSINESS
  - a. Consider whether traffic study should be paid by Trust of Operating Fund.
  - b. Review draft 2017 budget calendar. (Attachment)
9. ADJOURNMENT
10. NEXT MEETING: Tuesday, June 28, 2016, at 9:00 a.m. in the Board Room at Gateway Complex

RSC/kv  
cc: GRF Board

## FINANCE COMMITTEE REPORT

REGULAR MEETING  
TUESDAY, APRIL 26, 2016, AT 9:00 A.M.

A regular meeting of the Finance Committee was convened by the Vice Chairman, Jean A. Autrey, at 9:00 a.m. on Tuesday, April 26, 2016, in the Board Room at Gateway Complex.

Present, in addition to the Vice Chairman, were F. William Dorband, Kenneth W. Haley, Mary K. Neff, and Paul Rosenzweig. David H. Smith and Christopher T. Yahng were excused. Also attending were Leslie Birdsall, President, Mary Lou Delpech, Secretary, and Sue DiMaggio Adams and Geraldine Pyle, Directors, GRF; Richard S. Chakoff, CFO; Paul J. Donner, Director of Mutual and Trust Operations; Jeffrey P. Matheson, Resident Services Director; and four residents.

There being no corrections, the report of the Committee's meeting held on March 29, 2016, was approved, as written, by unanimous consent. Report Approved

Mr. Chakoff reviewed the monthly GRF and the quarterly MOD financial reports. The Committee discussed several line items in the reports. Staff Reports

Mr. Donner delivered the Trust Facilities and Property Maintenance, Projects, and Machinery/Equipment Acquisition Reports. Discussion followed.

A motion was made and seconded to recommend that the Board approve a refund of operating surplus from the MOD in the amount of \$200,000 to be distributed on a per manor basis to the Mutuels managed by the MOD. Following discussion, the vote on the motion was taken, and the motion CARRIED, with Mr. Rosenzweig abstaining. Refund of Operating Surplus Recommended

The Committee discussed Policy 102.3, Allocation of Revenue and Expenses, and agreed to continue the discussion at next month's meeting with comments and possible suggestions for revision. It was suggested that Anthony W. Grafals, General Counsel, should be briefed on today's discussion. Policy 102.3

The Committee discussed the need for a contingency reserve in the Trust Estate. Further discussion on this was deferred to next month's meeting of the Committee. Contingency Reserve

There being no further business to come before the Committee, the meeting was adjourned at 10:40 a.m. Adjournment

The next meeting of the Finance Committee will be held on Tuesday, May 24, 2016, at 9:00 a.m. in the Board Room at Gateway Complex. Next Mtg. 5/24/16



Jean A. Autrey, Vice Chairman  
Finance Committee



**CAPITAL PROJECTS  
BUDGET AND EXPENDITURE REPORT**  
Reporting Period: APRIL 2016

Project	Approved Budget	Reporting Period Expenditures	Incurred To-Date	Forecast To-Complete	Est. Final Expenditure	Under/(Over) Budget
Gateway HVAC Replacement Phase 1	180,000		156,351	23,649	180,000	0
Gateway HVAC Replacement Phase 2	160,000		123,508	36,492	160,000	0
Gateway Multi-Purpose Rooms Improvements	185,000	60,956	73,316	111,684	185,000	0
Gateway Clubhouse Electrical Improvements	40,000		5,131	34,869	40,000	0
Gateway Studios Space Study	10,000	6,770	6,770	3,230	10,000	0
Drop Creek Structure Construction	550,000	2,322	16,407	533,593	550,000	0
Del Valle Fitness Complex Study	157,421		157,380	0	157,380	41
Broadband Study Phase 1 Design	67,620		67,620	(0)	67,620	0
Broadband Study Phase 2 Design	91,875	7,324	82,402	9,473	91,875	0
Hillside Clubhouse Atrium Roof Design	12,000		8,150	3,850	12,000	0
Hillside Clubhouse Atrium Roof Construction	110,000			110,000	110,000	0
Hillside Shady Glen Park Concrete Pads	20,000			20,000	20,000	0
Solar Energy Consultant Phase 1	10,000		8,449	1,551	10,000	0
Solar Energy Consultant Phase 2	75,000	4,020	15,789	59,211	75,000	0
Vehicle Maintenance Shop Roll Up Doors	18,000		13,936	4,064	18,000	0
Del Valle Renovation Project	965,000	63,826	108,452	856,548	965,000	0
<b>TOTAL</b>	<b>2,651,916</b>	<b>145,219</b>	<b>843,660</b>	<b>1,808,215</b>	<b>2,651,875</b>	<b>41</b>

Major Projects	Total Contingency	Contingency Reserved	Contingency Expended
Drop Creek Structure	70,000	0	0

**MACHINERY & EQUIPMENT  
BUDGET AND EXPENDITURE REPORT**

Reporting Period: APRIL 2016

Project	Approved Budget	Incurred To-Date	Forecast To-Complete	Est. Final Expenditure	Under/(Over) Budget
MOD Vehicles	189,000		189,000	189,000	0
Del Valle Pools Ultra-Violet System	120,000		120,000	120,000	0
Mowers	111,100	76,189	34,911	111,100	0
GRF Pick-up Trucks	96,000		96,000	96,000	0
Data Storage System	92,000	91,889	111	92,000	0
Grinders	51,500	49,997	0	49,997	1,503
Peacock Hall Digital Projector	30,000		30,000	30,000	0
Dollar Clubhouse AV Upgrade	30,000	4,117	25,883	30,000	0
Gateway Clubhouse Automatic Doors	27,000		27,000	27,000	0
Digital Video Surveillance System	24,800		24,800	24,800	0
Dog Park Patio	20,000		20,000	20,000	0
Sand Dresser	17,350		17,350	17,350	0
Dollar Clubhouse Boiler	15,000		15,000	15,000	0
Las Trampas Room Tiered Risers	15,000	12,652	0	12,652	2,348
MOD Scaffolding	12,000	10,646	1,354	12,000	0
Rossmoor Gardens Chain Link Fence	10,000		10,000	10,000	0
Counseling Services Automatic Doors	6,500		6,500	6,500	0
Dollar Clubhouse Pool Heater	6,000		6,000	6,000	0
Event Center Acoustic Shell (1)	4,087	4,087	(0)	4,087	0
<b>(2) TOTAL</b>	<b>877,337</b>	<b>249,577</b>	<b>623,909</b>	<b>873,486</b>	<b>3,851</b>

(1) Total Expenditure 18,895  
Less Donation -14,808  
Net Expenditure 4,087

(2) Total Incurred to Date 249,577  
Plus Donation 14,808  
Total Expenditure to Date 264,385

Subject: Allocation of Revenue and Expenses

Purpose: To Establish a Policy to Differentiate Trust Revenues and Expenses From Operating Revenues and Expenses

The categories shown on the following two pages describe the types of revenues and expenses that are classified as trust or operations and list some examples in each category. These lists should not be considered exhaustive but are merely illustrative.

For purposes of this Policy, a capital expenditure is defined as a purchase of tangible property costing over \$5,000 per item wherein the property will not be consumed or converted to cash in one year. Capital assets may be purchased with Trust funds or funds from the operating budget.

**I. Trust Revenues** include:

- membership transfer fees;
- earnings on Trust assets held for investment, including interest and Medical Center rent;
- fees for capital equipment purchased for MOD; and
- gifts to the Trust (either for construction of a specific Trust asset or for general Trust activities).

**II. Trust Expenditures** include:

- construction of new facilities or major renovations to existing facilities;
- fees for work done by non-GRF employees in anticipation of a capital project, including architect fees, engineering studies and consultant fees;
- any cost of temporary facilities required due to construction; and repair of changes that occurred due to construction;
- acquisition or replacement of capital assets, including vehicles, landscape and Golf Course maintenance equipment, large computer systems, major software purchases, and major equipment items such as Fitness Center machines and video projector systems; and
- bank charges, loan fees and debt service (principal and interest) for loans associated with Trust operations.
- Tangible property costing \$5,000 or less per item comprising a set or system, with an aggregate cost of \$80,000 or greater and a useful life in excess of one year, at the discretion of the GRF Board of Directors upon approval of the annual GRF budget.

**III. Operating Revenues** include:

- monthly fees collected from each manor for the operation of Rossmoor;
- fees collected for normal operation of Trust properties, e.g., all golf course related revenue; room rental charges; sales of advertising; Creekside restaurant, catering and bar rents and revenues; and sales of Vehicle Access Devices.
- charges for programs and activities sponsored by GRF, e.g., Recreation Department concerts or excursions.
- earnings on operating fund assets held for investment, including interest; and
- miscellaneous items such as handyman income, personal training income, RV rental fees and contractual business income from the Waterford and from vehicle maintenance.

**IV. Operating Expenditures** include:

- normal costs of operating GRF assets, including utilities, taxes, insurance, as well as labor and materials for functions such as custodial and landscape maintenance of GRF facilities and land, including temporary facilities;
- labor and materials for programs/services such as aquatics, bus transportation, counseling, communications, fitness and public safety;
- labor and materials for administrative services such as human resources, accounting, legal and executive services;
- purchase of tangible property costing \$5,000 or less per item;
- repairs;
- maintenance of Trust assets, in accordance with the terms of the Trust; and
- banking and financial expenses related to the operating budget.

Authority: Policy

12/1/11  
5/29/14

**Comments from Ken Haley:**

At yesterday's Finance Committee meeting, we discussed changes in Policy 102.3 that might be needed. My suggestions are as follows:

In the second paragraph, the sentence "Capital assets may be purchased with Trust funds or funds from the operating budget." seems irrelevant and not helpful. I'd be interested to know if Tony has a different concern.

In the fifth bullet under Trust Expenditures, modify as follows: "bank charges, loan fees, ~~and~~ debt service (principle and interest) for loans associated with Trust operations, and taxes triggered by the sale of Trust assets.

In the sixth bullet under Trust Expenditures, delete the entire item.

In the second bullet under Operating Revenues, modify as follows: "...sales of advertising; all funds received from the operator of the Creekside restaurant ~~catering and bar rents and revenues;~~ and sales of Vehicle Access Devices."

In the fifth bullet under Operating Revenues, modify as follows: "...personal training income, RV parking space rental fees and contractual business income. ~~from the Waterford and from vehicle maintenance.~~

**Comments from Paul Rosenzweig:**

Additions to and or questions re Ken's list (below):

Trust Revenues, second bullet: hasn't Tony ordained that the RV lot fees belong in the Trust?

Trust Expenditures, third bullet, after the semi-colon: should that read "and repair of" or should it be "repair or"?

Operating Revenues, fifth bullet: at its April 28th meeting, the GRF Board voted to institute a one-time (???) golf cart registration fee effective July 1, 2016. It would appear that this nuisance tax/revenue belongs in Operating Revenues.



## **2017 Budget Calendar DRAFT**

<b><u>Date</u></b>	<b><u>Task</u></b>
June 8	Compensation Committee begins development of compensation recommendations
June 23	Distribute draft budget principles to Finance Committee and GRF Board
June 28	Discussion of budget principles with Finance Committee
July 13	Compensation Committee finalizes compensation recommendations
July 26	Finance Committee recommends budget principles to GRF Board
July 28	GRF Board considers/acts on Compensation Committee recommendations, and adopts final budget principles
September 6	Staff delivers draft budget package to Finance Committee and GRF Board
September 6	Post draft budget info to the Rossmoor web site and provide hard copy to library
September 13	Draft budget presentation workshop with GRF Board and Finance Committee
September 14	Second Workshop
September 27	Regular Finance Committee meeting - final budget recommendations
September 29	Regular GRF Board meeting - budget approved