

**MINUTES OF MEETING
VILLAGE COMMUNITY
DEVELOPMENT DISTRICT NO. 10**

A Budget Workshop of the Board of Supervisors of Village Community Development District 10 was held on Monday, May 17, 2021 at 9:30 a.m.in the Ashley Wilkes Room at the Savannah Center, 1545 N. Buena Vista Boulevard., The Villages, Florida 32162.

Board members present and constituting a quorum:

Don Wiley	Chairman
Ken Lieberman	Vice Chairman
Steve Bova	Supervisor
Christine Bradshaw	Supervisor
Jim Boyd	Supervisor

Staff Present:

Kenny Blocker	Deputy District Manager
Bruce Brown	District Property Management Director
Barbara Kays	Budget Director
Anne Hochsprung	Finance Director
Jennifer Farlow	District Clerk

FIRST ORDER OF BUSINESS: Call to Order

A. Roll Call

Chairman Wiley called the meeting to order at 9:32 a.m. and stated for the record that all Supervisors were present representing a quorum.

B. Pledge of Allegiance

The Chairman led the Pledge of Allegiance.

C. Observation of Moment of Silence

The Board observed a moment of silence to acknowledge those individuals who have served our Country and community.

D. Welcome Meeting Attendees

The Board welcomed all those residents in attendance.

E. Audience Comments

No audience comments were received.

SECOND ORDER OF BUSINESS: Budget Review: Fiscal Year 2021/2022 Recommended Budget

Barbara Kays, Budget Director, advised that a budget packet was provided to the Board. Ms. Kays presented a PowerPoint presentation overview of the Proposed Budget for Fiscal Year 2021/2022 and highlighted the following:

Economic Forecast

Ms. Kays advised that some considerations were taken when preparing the budgets. The Consumer Price Index (CPI) in March 2021 was 2.62% and in April it was 4.16%. The CPI can impact the cost of items. Considerations of the economy include interest rate fluctuations, COVID-19 impacts, supply chain disruptions, price increases for raw materials and the shortage of supplies, as well as the continued growth of The Villages. She advised another consideration is the minimum wage increase and how it affects the contractors and vendors.

Chairman Wiley expressed concern that the increase in costs could result in contractors coming back to the District and requesting additional money. Ms. Kays advised that the majority of District contracts pertain to landscaping, and the District's contractors are currently paying higher than the \$10 minimum wage. There is minimal impact to District staff.

Fiscal Year 2021/2022 Revenues

- The maintenance assessment levels have been kept at the same rate as the current fiscal year.
- An increase of \$45,252 has been budgeted to the Miscellaneous/Other revenue line item for unrealized gains. This is a change to the budgeting process.
- A transfer of \$167,944 has been budgeted from Working Capital to the Reserve Funds.

District 10 Expenditures

- The District's Project Wide Fund (PWF) cost allocation is \$2,084,998.
- Transfers to the Reserve Funds account for \$200,000 or 6% of the total budget.
- Professional Services account for \$385,741 or 11% of the total budget.

- Utility Services account for \$262,913 or 7.5% of the total budget.
- Repair and Maintenance expenditures account for \$525,814 or 15% of the total budget.
- Personnel & Operating services account for \$38,228 or 1% of the total budget.

Project Wide Allocation

- The PWF cost allocation is the largest line item of the District 10 budget. The purpose of the PWF is to spread the cost and risk of the common infrastructure and facilities that benefit all residents in the community. The allocation is based on assessable acreage which is the same methodology utilized for the annual maintenance assessment and bond assessment. The Fiscal Year 2021/2022 PWF cost allocation is \$2,084,998, which is a .2% (\$3,359). The District 10 assessable acreage is 1,489.04 acres which is 14.34% of the total PWF assessable acreage.

Fiscal Year 2020-2021 Expenditure Comparison

- The Repair and Maintenance line item has the largest increase of \$78,823 or 17.6% due to road rejuvenator and wall/sign painting projects, per the District's Capital Improvement Plan (CIP).
- A 5% or \$9,524 placeholder has been budgeted for Management Fees & Tech Services.
- An increase of \$8,478 has been budgeted for the District's cost allocation for Deed Compliance Services due to an increase in the number of deed restriction complaints and Architectural Review Committee (ARC) applications submitted.
- A decrease of \$37,000 has been budgeted for the Landscape Maintenance – Non-Recurring line item due to completion of the plan replacement project in the current fiscal year.

Five Year Capital Improvement Plan

- Fiscal Year 2021/2022 - \$134,382: \$98,480 for road rejuvenator and \$35,902 for villa wall & entry painting.
- Fiscal Year 2022/2023, - \$7,928 for road rejuvenator.
- Fiscal Year 2025/2026 - \$30,678 for villa wall & entry painting.
- There are currently no CIP projects scheduled for Fiscal Year 2023/2024 and Fiscal Year 2024/2025.

Working Capital and Reserve Balances

Ms. Kays advised that as part of the Fiscal Year 2021/2022 budget process, Staff is reviewing the District's Working Capital and Reserve Balances in preparation of the Board discussing the potential development of a formal policy or guidelines to establish appropriate minimum levels of Working Capital and Reserve Fund Balances. Ms. Kays advised the Governmental Accounting Standards Board (GASB) Statement 34 and 54 established and further defined fund balance categories to provide users with a better understanding of the purposes for the particular funds. Currently there are three (3) categories that are utilized:

- Unassigned: Relates to the Working Capital balance. These are funds that have not been assigned to other funds, and are not restricted, committed or assigned to a specific purpose within the General Fund, which are considered to be unrestricted funds.
- Committed: The General R & R Reserve Fund balance and Road R & R Reserve balances are considered committed, as they are to be used for specific purposes as identified by the Board, which are considered to be restricted funds.
- Restricted: The funds are restricted for capital improvements only within the specific phase (Bond Refunding).

Ms. Kays stated that each year the Working Capital and Reserve Fund balances are reviewed during the annual budget process, and advised that the initial beginning balance is based on the prior year-end audited financial statements. For Fiscal Year 2021/2022 the Working Capital estimated ending balance is \$1,256,147 and a transfer of \$200,000 has been budgeted to the General R&R. Ms. Kays reviewed the definition of Working Capital and its uses and advised that it equals the current assets less the current liabilities, which are unassigned and/or unrestricted. The Working Capital estimated ending balance exceeds the recommended four (4) months of operating revenues. The General R & R Reserve Fund estimated ending balance as of September 30, 2022 is \$3.2 million and are utilized to fund emergency/unforeseen expenditures i.e. hurricane/weather damages, depression repairs etc., to fund replacement and new capital projects for sustainability, aesthetics, technology and other criteria as identified by Board of Supervisors. It also places the District in better standing with Bond Rating agencies as they look at reserve levels when rating current and future debt.

In response to an inquiry pertaining to funding of depressions and sinkholes, Chairman Wiley advised that if a depression or sinkhole were to occur on property included on the Exhibit A, it would be repaired through the PWF; however, the decision of the numbered Districts was that reserves would not be built within the PWF, which, depending on the cost associated with the repair, a request for funds could be made from the Project Wide Advisory Committee (PWAC) to the participating Districts. Chairman Wiley stated it is the budgetary responsibility of each District to maintain its reserves at a level that can respond to a request from the PWAC, should a large expense occur.

Ms. Kays advised that a Road R & R Reserve has been created and an initial transfer of \$200,000 has been included in the Fiscal Year 2021/2022 Recommended Budget to begin building funds to address the draft Capital Improvement Plan (CIP) which includes the mill and overlay of villa roads beginning in years 11-13, with an estimated cost of \$1.7 million. Per the Pavement Management Plan costs have been identified for the rejuvenator application, which would be funded through operating revenues and/or Working Capital. Staff has reviewed Governmental Finance Officers Association best practices, and various policies for Reserves minimum levels, and provides the following options for the Board's consideration:

- Minimum reserves equal to a percentage of Net Asset Value on prior year audit: Fiscal Year 2019/2020 Net Asset Value \$5.5 million; 10% of Net Asset Value is \$550,000, 15% of Net Asset Value is \$825,000 and 20% of Net Asset Value is \$1.1 million.
- Annually transfer an amount based on a percentage of the prior year's depreciation costs of the District's assets. Fiscal Year 2019/2020 depreciation: \$3.4 million; an annual transfer of 50% would be \$1.7 million, an annual transfer of 75% would be \$2.6 million and an annual transfer of 100% would be \$3.4 million.

Ms. Kays reviewed the Working Capital & Reserve Assumptions which includes a 1.0% increase in operating expenditures and the revenues are addressed through the maintenance assessment revenue and interest income, redirection of the transfer to a new Roads R & R Reserve Fund, and includes an estimated 3% increase to the mill and overlay contract for the two (2) additional renewal periods and a 7% increase after every contract final expiration date. The 10-year CIP reflects mill and overlay costs in the following fiscal years: Fiscal Year 2031/2032 - \$169,000; Fiscal Year 2032/2033 - \$587,000 and Fiscal Year 2033/2034 - \$990,000. With the current level of maintenance assessment funding, there will

not be sufficient funds in the Road R&R Reserve to fund these projects. Additionally, budgeting the necessary transfers to the Road R&R will result in the Working Capital to fall below the four (4) month recommended balance in Fiscal Year 2030/2031.

Maintenance Assessments

At the Fiscal Year 20/21 May Budget Workshop, the Board provided direction to Staff to prepare a CIP for the Board's review as part of the Fiscal Year 2021/2022 Budget Process so that a discussion could occur pertaining to the maintenance assessment level. Ms. Kays provided a historical overview of the maintenance assessment levels and advised that a 1% increase to the maintenance assessments results in \$32,650 of additional revenue annually, a 5% increase would result in \$163,248 of additional revenue annually and a 10% increase would result in \$326,495 of additional revenue annually.

Following discussion, the Board directed Staff to include an 8% increase to the maintenance assessment level and a \$100,000 transfer into the Road R&R for the Proposed Fiscal Year 2021/2022 budget.

Debt Service Funds

Ms. Kays advised the Debt Service Fund has two phases and total expenditures.

- 2012 Assessment Bonds – Expenditure Total - \$5,632,733
- 2014 Assessment Bonds – Expenditure Total - \$5,574,294

Ms. Kays advised that Staff will request that if the Board does not have any further changes to the proposed Fiscal Year 2021/2022 budget, change in transfer amount and proposed maintenance assessment rate as presented, it will be approved at the June 3rd Board meeting. A public hearing will be held on September 2, 2021 and at that time the Board will adopt the final budget and final maintenance assessments.

Ms. Kays responded to various inquiries of the Board pertaining to the budget process.

THIRD ORDER OF BUSINESS: District Manager Reports

There were no District Manager Reports.

FOURTH ORDER OF BUSINESS: District Counsel Reports

There were no District Counsel Reports.

FIFTH ORDER OF BUSINESS: Supervisor Comments

There were no Supervisor Comments.

SIXTH ORDER OF BUSINESS: Adjourn

The meeting was adjourned at 11:13 a.m.

On MOTION by Ken Lieberman, seconded by Steve Bova, with all in favor, the Meeting was adjourned.
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Richard J. Baier
Secretary

Don Wiley
Chairman