

**MINUTES OF MEETING
VILLAGE COMMUNITY
DEVELOPMENT DISTRICT NO. 5**

A Budget Workshop of the Board of Supervisors of Village Community Development District No. 5 was held on Tuesday, May 18, 2021 at 8:00 a.m. in the Ashley Wilkes Room at the Savannah Center, 1545 N. Buena Vista Blvd., The Villages, Florida 32162.

Board members present and constituting a quorum:

Gary Kadow	Chairman
Walter Martin	Vice Chairman
Jerry Knoll	Supervisor
Jerry Ferlisi	Supervisor
Reed Panos	Supervisor

Staff Present:

Richard Baier	District Manager
Kenny Blocker	Deputy District Manager
Bruce Brown	District Property Management Director
Barbara Kays	Budget Director
Anne Hochsprung	Finance Director
Candice Harris	Deputy District Clerk

FIRST ORDER OF BUSINESS: Call to Order

A. Roll Call

Chairman Kadow called the workshop to order at 8:00 a.m. and stated for the record that all Board 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 for those who served their Country and community.

D. Welcome Meeting Attendees

The Board welcomed all those in attendance at the Village Community Development District (VCDD) No. 5 Budget Workshop.

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

Chairman Kadow read an opening statement in which he shared his thoughts about the past year and the financial struggles residents have had to overcome due to COVID-1. Chairman Kadow requested that Staff prepare three (3) budget scenarios for the Board's consideration which would provide a reduction in the District's maintenance assessment levels by 10%, 15% and 20% for Fiscal Year 2021/2022, and would not have an adverse effect on the District's financial standing. Chairman Kadow stated for the record that he would recommend the Board proceed with a 20% decrease.

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.

Fiscal Year 2021/2022 Revenues

- Maintenance Assessment levels have been kept at the same rate as the current fiscal year.
- An increase to the Interest/Miscellaneous revenue line of \$206,919, which is a result in the change to the budget process and providing a budget for unrealized gains.
- Total Operating Revenue has an increase of 7%, due to the unrealized gains in interest income.
- Usage of Working Capital has a decrease of \$71,963, which is due to transferring funds into the Reserves Funds.

- Usage of restricted Capital Project Phase I funds in the amount of \$76,744 and Capital Project Phase II funds in the amount of \$134,587 transferring into reserves.
- The District's total budgeted revenues are \$2,907,916.

Fiscal Year 2021/2022 Expenditures

- Project Wide Fees account for \$1,816,006 or 50% of the total budget.
- Transfers account for \$750,000 or 21% of the total budget.
- Personnel & Operating expenditures account for \$38,524 or 1% of the total budget
- Professional Services account for \$363,313 or 10% of the total budget.
- Utility Services account for \$239,176 or 6.5% of the total budget.
- Repair and Maintenance accounts for \$420,720 or 11.5% of the total budget.
- FY 2021/2022 recommended budget for appropriations is approximately a \$190,481 or a 5% increase. This is due to the transfer of \$750,000 which is an increase of \$250,000.

Fiscal Year 2021/2022 Expenditure Variances

- A 5% placeholder (\$9,591) has been budgeted for Management Fees and Tech Services.
- An increase of \$4,852 to the District's Deed Compliance Services allocation has been budgeted due to an increase in the number of Deed Restriction Complaints and Architectural Review Committee (ARC) applications submitted.
- A decrease of \$78,023 has been budgeted in Building/Structure Maintenance Services, due to the completion of wall and entry painting completed during the current year.
- An increase of \$28,022 has been budgeted for Landscape Maintenance-Recurring to address potential increases in current contracts expiring September 30, 2021.
- The transfer to the Other Roads Reserve Fund has been increased \$250,000, per board direction, utilizing surplus funds.
- Recommended Fiscal Year 2021/2022 Project Wide cost allocation is \$1,816,006, which is a decrease of .2% or \$3,695. The District 5 assessable acreage is 1,297.59 acres or 12.49% of the overall assessable acreage within the Project Wide Fund (PWF). The Project Wide Fund spreads the cost and risk of the operation and maintenance of the infrastructure and facilities that benefit all residents in the community and the cost allocations are based on assessable acreage.

Restricted Capital Funds

- Restricted funds must be spent on capital projects within the specific phase covered by the bond refunding. The restricted funds can be utilized for funding District 5 capital projects budgeted in PWF.
- The PWF cost allocation amount will remain at the same level of \$1,816,006, however, the funding sources for the PWF cost allocation amount will be adjusted.
- District 5 fence projects in the amount of \$233,838 are budgeted in the Fiscal Year 2021/2022 PWF, and are located in Phase I and Phase II. District 5 restricted funds will be utilized to pay for those projects in the PWF, reducing the overall amount utilized from the District's operating fund. \$186,723 will be utilized from the Phase I Restricted Funds and \$47,115 will be utilized from the Phase II Restricted Funds.

Five Year Capital Improvement Plan

- Fiscal Year 2021/2022 - \$440 for villa wall & entry painting.
- Fiscal Year 2022/2023 - \$90,743: \$23,622 for villa wall & entry painting and \$67,121 for road rejuvenator.
- Fiscal Year 2023/2024 - \$65,017: \$2,418 for villa wall & entry painting and \$62,600 for road rejuvenator.
- Fiscal Year 2024/2025 - \$17,215: the amount is \$17,215 for villa wall & entry painting.
- For FY 24/25, the amount is \$66,172 for villa wall & entry painting.

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. The direction provided by the District 5 Board is to maintain approximately \$2.5 million balance in Working Capital. Surplus funds up to \$350,000 would then be transferred to the General R & R Fund, and any remaining surplus funds into the Road Reserve.

Ms. Kays advised that per review of 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 a transfer of \$350,000 is budgeted to the General R&R and a transfer of \$400,000 is budgeted for the Road R&R Reserve. 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 as of September 30, 2022 is \$4,189,229 which exceeds the recommended four (4) months of operating revenues. The General R & R Reserve Fund estimated ending balance as of September 30, 2022 is \$7.3 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 and it places the District in better standing with Bond Rating agencies as they look at reserve levels when rating current and future debt. The Road R & R estimated ending balances as of September 30, 2022 is \$3.6 million. The Road R & R Reserves are utilized for mill and overlay of villa road capital projects. The District 5 Board approved completing mill and overlay of all villa roads (prior to the 20 year plan) using available restricted funds and road reserve funds over two fiscal years (2015/2016). 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 \$1.2 million/District 5 Owned and Project Wide Maintained \$12.9 million; 10% of Net Asset Value is \$121,000/Total Combined \$1.4 million, 15% of Net Asset

Value is \$181,000/Total Combined \$2.1 million and 20% of Net Asset Value is \$241,000/\$2.8 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: \$3.3 million; an annual transfer of 50% would be \$1.65 million, an annual transfer of 75% would be \$2.5 million and an annual transfer of 100% would be \$3.3 million.

Supervisor Ferlisi inquired why the District would utilize Restricted Funds when the maintenance for these items are addressed through the PWF. Ms. Kays advised that that the Restricted Funds can only be utilized for capital projects within those specific Phases. Utilizing the Restrict Funds for those capital project within the PWF will then reduce the cost allocation from the District's Operating budget. Richard Baier, District Manager, advised that District 5 is ultimately responsible for the maintenance of the infrastructure within the District. Ms. Kays reiterated that each Board directed that the reserves for PWF related projects would be maintained within the individual Districts; therefore if funding of an unforeseen PWF project became necessary, each District would be responsible for providing their proportionate share.

Ms. Kays reviewed the Working Capital & Reserve Assumptions which is based on keeping the maintenance assessments at the same rate. At the end of five (5) years there would be an ending balance of \$2.5 million in the Working Capital, an ending balance of \$8.7 million in General R & R and an ending balance of \$4.9 million in the Villa Road R & R. The Phase I Restricted Fund estimated ending balance would be \$917,118 and the Phase II Restricted Fund estimated ending balance would be \$1.7 million.

Supervisor Panos inquired if the reserve fund balances are adequate or if they should be re-evaluated.

Chairman Kadow stated that he believes the reserve fund balances are appropriate.

Supervisor Knoll inquired if consideration has been given to the potential increase in funding that might be necessary to address future projects, and requested clarification that the savings realized from the bond refundings are maintained in the Restricted Funds. Ms. Kays confirmed that the Restricted Funds are the savings realized from the bond refundings, and stated that while costs are always changing, Staff budgets conservatively and includes a 2% annual increase for expenditures.

Supervisor Ferlisi inquired when funding for the villa roads was previously reviewed. Ms. Kays advised that this Board made the decision to complete the mill and overlay of all villa road in Fiscal Year 2015/2016, which would mean that Fiscal Year 2035/2036 would be the timeframe for the future mill and overlay. Ms. Kays advised that information is prepared based on guidance, but in estimating costs, and including inflationary factors, Staff utilized the current contract and included a 7% increase every five (5) years, and after the first three (3) years of the contract assumed there is a 3% increase for the fourth and fifth years, in Fiscal Year 3035/3036 there would be Restricted Funds available to address future mill and overlay.

Maintenance Assessment Rates

Ms. Kays provided a historical overview of the District's maintenance assessment levels and advised that for each 1% decrease there is a \$29,076 of maintenance assessment revenue, a 20% decrease would result is an annual decrease of \$581,523.

Following discussion, the Board directed Staff to proceed with preparation of the Fiscal Year 2021/2022 Proposed Budget with a 20% decrease to the maintenance assessment level.

Ms. Kays stated that if the Board does not have any changes to the proposed Fiscal Year 2021/2022 budget or the proposed maintenance assessment rate as presented today, the Board will be asked to approve the Proposed Budget at the meeting held on June 4, 2021. The Proposed Budget meeting was moved to Monday, June 14, 2021 at 8 a.m. A Public Hearing will then be held on September 8, 2021 at which time the Board will formally adopt the final budget and final maintenance assessment rate.

THIRD ORDER OF BUSINESS: District Manager Reports

There were no District Manager Report.

FOURTH ORDER OF BUSINESS: District Counsel Reports

There were no District Counsel Reports.

FIFTH ORDER OF BUSINESS: Supervisor Comments:

Wayne Lock, Village of Sunset Ridge, inquired about the management of the \$14 million in the Reserve Funds.

Chairman Kadow advised that the District has an adopted Investment Policy and the funds are invested in both short and long term investments.

SIXTH ORDER OF BUSINESS: Adjourn

The meeting was adjourned at 9:31 a.m.

On MOTION by Walter Martin, seconded by Jerry Knoll, with all in favor, the Meeting was adjourned
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Richard J. Baier
Secretary

Gary Kadow
Chairman