

**MINUTES OF MEETING
VILLAGE COMMUNITY
DEVELOPMENT DISTRICT NO. 2**

A Budget Workshop of the Board of Supervisors of Village Community Development District No. 2 was held on Tuesday, May 25, 2021 at 9:30 a.m. in the Ashley Wilkes Room at the Savannah Recreation Center, 1545 Buena Vista Blvd., The Villages Florida, 32162.

Board members present and constituting a quorum:

Bill Schikora	Chairman
Bart Zoellner	Vice Chairman
Bryan Lifsey	Supervisor
Jim Cipollone	Supervisor
Candy Ginns	Supervisor

Staff Present:

Richard Baier	District Manager
Kenny Blocker	Assistant 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 Schikora called the workshop to order at 9:30 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 a Moment of Silence

The Board and residents observed a moment of silence for those who have served our Country and community.

D. Welcome Meeting Attendees.

The Chairman welcomed the meeting attendees.

E. Audience Comments

There were no audience comments.

SECOND ORDER OF BUSINESS: Budget Review: FY 21-22 Recommended Budget

Supervisor Zoellner stated that he would like the Board to review the upcoming fiscal year's budget and identify line items where the District can save money, but not reduce the services provided to the residents. Richard Baier, District Manager, stated that in April the Board received a copy of the District's Balanced Scorecard, which contained information about how the District is achieving savings, such as instituting the lease program for District vehicles and the purchase of the fuel station for those vehicles.

Chairman Schikora inquired how some Districts have achieved a higher percentage of reserves than other Districts. Mr. Baier referred to District 9 and stated that the construction of the District began in 2010, with the majority of the construction completing in 2013. When the maintenance assessment levels were established for the District they were established conservatively, but it was not until 2020 when the District 9 Board was presented with its Capital Improvement Plan (CIP), and as a part of that review, it was determined that the District had more funds held in its reserves than the amount of infrastructure it needed to maintain, due to the size of the District, and will be reducing the maintenance assessment levels. In comparison, District 10 is a much larger District with a greater amount of infrastructure, and is proposing an 8% increase to the maintenance assessment levels for Fiscal Year 2021/2022, to address the needs of its CIP. Mr. Baier responded to additional Supervisor inquiries.

Barbara Kays, Budget Director, presented a PowerPoint presentation overview of the Proposed Budget for Fiscal Year 2021/2022 and highlighted the following:

Economic Forecast

Ms. Kays advised that the Consumer Price Index (CPI) in March 2021 was 2.62% and in April it was 4.16%, which could impact the cost of some items. Additional considerations of the economy include interest rate fluctuations, COVID-19 related impacts, the potential impact the minimum wage

increase may have on the contractors and vendors, supply chain disruptions, price increases for raw materials and the shortage of supplies, as well as the continued growth of The Villages.

Fiscal Year 2021/2022 Revenues

- Maintenance Assessments levels have been budgeted at the same rate as the current fiscal year.
- Under the Interest/Miscellaneous revenue line item identifies an increase of \$38,186, which is a result of providing a budget for unrealized gains.
- The total Operating Revenue shows an increase of 3.4% due to the interest income.
- A correction to the slide included in the presentation identifies that the Working Capital budget will be reduced to \$141,771, due to the identification of a project that will result in the utilization of General R & R funds of \$101,992 and the utilization of Roads R & R funds in the amount of \$64,145.
- The District's total budgeted revenues are \$1,156,583.

Fiscal Year 2021/2022 Expenditure Comparison

- Repair and Maintenance accounts is \$818,070 or 53.5% of the total budget.
- Capital accounts is \$227,865 or 15% of the total budget.
- Transfers account is \$80,000 or 5% of the total budget.
- Professional Services account is \$322,783 or 21% of the total budget.

Supervisor Zoellner requested clarification of the services included within the Professional Services line item. Ms. Kays advised that the line item addresses the management fees, engineering services, legal services, tax collector fees and deed compliance costs.

- Utility Services account is \$39,148 or 3% of the total budget.
- Personnel & Operating accounts is \$38,353 or 2.5% of the total budget.
- The Fiscal Year 2021/2022 recommended budget for appropriations is a \$139,683 or a 10.1% increase. This is tied to the repair and maintenance category.

Fiscal Year 2021/2022 Expenditure Variances

- A 5% or \$9,215 placeholder has been budgeted for the Management Fees and Tech Services line item.

- An increase of \$1,450 has been budgeted for the Deed Compliance Services line item, due to an increase in the number of Deed Restrictions complaints/Architectural Review Committee (ARC) applications.
- An increase of \$53,829 has been budgeted to the Building/Structure Maintenance Services to address the Alhambra Pump House building repairs and painting, wall and fence painting (per the CIP) and road rejuvenator (per in the CIP).
- An increase to the Landscape Maintenance-Recurring line item has been budgeted in the amount of \$88,558 due to the expiration of existing landscape and pine straw contracts.

Supervisor Zoellner inquired what cost savings could be achieved if the Board chose to decrease the number of annual plantings by 5% or 10%. Mr. Baier advised that the District historically has maintained the original design plan for each area, and stated the majority of the District's landscape contract address mowing and trimming of shrubs and not the quarterly replacement of the annuals.

- An increase to the Landscape Maintenance-Non-Recurring has been budgeted in the amount of \$18,200 to address tree maintenance costs that have been removed from the Other Maintenance line item.
- An increase to the Irrigation Repair line item in the amount of \$8,187 has been budgeted to address Maxicom irrigation repairs. This number has been based on historical activity.
- A decrease to the Infrastructure line item in the amount of \$52,404 has been budgeted to address CIP related projects.

Five Year Capital Improvement Plan

- For Fiscal Year 2021/2022 the CIP includes \$270,908 of projects: \$101,992 for fence replacement along El Camino Real (from General R & R), \$125,873 for mill and overlay of Villa Ver Cruz (\$61,145 from Road R & R and \$61,728 from Restricted Phase I), \$16,473 for fence painting, \$9,586 for villa wall painting and \$17,020 for multi-modal path rejuvenator along El Camino Real.
- For Fiscal Year 2022/2023 the CIP includes \$134,080 of projects: \$79,479 for mill and overlay of Villa de la Ramona (Road R & R), \$5,580 fence painting, \$29,721 for villa wall painting and \$19,300 for road rejuvenator.

- For Fiscal Year 2023/2024 the CIP includes \$34,953 of projects: \$24,372 for fence painting, \$2,326 for villa wall painting and \$8,255 for road rejuvenator.
- For Fiscal Year 2024/2025 the CIP includes \$166,652 of projects: \$154,884 for fence replacement (General R & R), \$6,810 for fence painting and \$4,958 for road rejuvenator.
- For Fiscal Year 2025/2026 the CIP includes \$50,086 of projects: \$15,168 for fence painting, \$5,072 for tunnel repair and \$29,846 for road rejuvenator.

Supervisor Lifsey inquired if the budget reflects the large increase that has occurred to the cost of wood for the fencing replacement project. Ms. Kays advised that the budget is based on the District's current costs for fencing based on the existing contract.

Chairman Schikora inquired how the price spikes are determined. Ms. Kays advised that balances are maintained in Working Capital, the General R & R and the Road R & R to address rate stabilization.

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 that 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 from the previous bond refundings are restricted for capital improvements only.

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. The Fiscal Year 2021/2022 Budget includes a transfer of \$80,000 to the Roads 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 as of September 30, 2022 is \$640,000 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 \$660,000, 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 Renewal and Replacement (R & R) Reserve balances are reviewed during the annual budget process. The Road R & R Reserve includes a transfer of \$80,000 in FY 21/22 and the estimated ending balances as of September 30, 2022 is \$177,000. The Road R & R Reserves are utilized for mill and overlay of villa road capital projects and will be completed in Fiscal Year 2022/2023. The Restricted Capital Phase I and Phase II funds can only be utilized for capital projects within that specific phase and are utilized first for budgeting purposes. 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 \$6.5 million; 10% of Net Asset Value is \$650,000, 15% of Net Asset Value is \$975,000 and 20% of Net Asset Value is \$1.3 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: \$400,000; an annual transfer of 50% would be \$200,000, an annual transfer of 75% would be \$300,000 and an annual transfer of 100% would be \$400,000.

Ms. Kays reviewed the Working Capital & Reserve assumptions which are based at maintaining the existing maintenance assessments level, and stated at the end of five (5) years there would be an

ending balance of \$917,057 in the Working Capital, an ending balance of \$504,905 in General R & R and an ending balance of \$237,397 in Road R & R.

Maintenance Assessments

The District 2 maintenance assessments were increased by 4% in Fiscal Year 2012/2013, 10% in Fiscal Year 2015/2016 and by 12% in Fiscal Year 2018/2019. While Staff did not budget an increase to the maintenance assessment level for Fiscal Year 2021/2022, consideration will need to be given to increasing the maintenance assessment levels to begin rebuilding the Working Capital and Reserve Funds balances. Maintenance assessments increases would add additional revenue: 1% increase equals \$11,096, 5% increase equals \$55,479 and 10% increase equals \$110,959.

Following discussion among the Board and Staff pertaining to the needed level of increased maintenance assessments, whether to proceed with one 8% increase or a 5% one year and a 4% increase the next year and the required notification and advertisement costs related to issuing a maintenance assessment increase, the Board directed Staff to include an 8% increase to the maintenance assessment levels in the Fiscal Year 2021/2022 Proposed Budget, but also provide an example of the costs related if the Board chose to proceed with issuing a 5% increase one year and a 4% increase the following year.

Ms. Kays stated that if the Board does not have any additional changes to the proposed Fiscal Year 2021/2022 budget presented, or the 8% maintenance assessment rate increase, the Board will be asked to approve the Proposed Budget at the meeting held on June 11, 2021. A Public Hearing will then be held on September 10, 2021 at which time the Board will formally adopt the final budget and final maintenance assessment rate.

THIRD ORDER OF BUSINESS: District Manager Reports

Mr. Baier reminded the Board that the Ground Breaking for the First Responders Recreation Center will be held on May 26, 2021 at 9:30 a.m.

Mr. Baier advised the Board that the Sumter County Board of County Commissioners (SCBOCC) is holding a meeting on May 25, 2021 at 7 pm at the Everglades Recreation Center to consider Fire and Emergency Management Services (EMS) in Sumter County.

FOURTH ORDER OF BUSINESS: District Counsel Reports

There were no District Counsel Reports.

FIFTH ORDER OF BUSINESS: Supervisor Comments

There were no additional Supervisor Comments.

SIXTH ORDER OF BUSINESS: Adjourn

The workshop was adjourned at 11:08 a.m.

On MOTION by Bryan Lifsey, seconded by Bart Zoellner, with all in favor, the Workshop was adjourned.

Richard J. Baier
Secretary

Bill Schikora
Chairman