

SOUTH VILLAGE
COMMUNITY DEVELOPMENT DISTRICT
BUDGET and FINANCIALS WORKSHOP

The Board of Supervisors of the South Village Community Development District held a budget and financials workshop on Tuesday, February 5, 2019 at 5:05 p.m. at the Eagle Landing Residents Club, 3975 Eagle Landing Parkway, Orange Park, Florida

Present and constituting a quorum were:

Chris Payton	Chairman
Grant Krueger	Vice Chairman
Kelly Hermening	Supervisor
Randy Smith	Supervisor
Rick Smith	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel
Jim Hahn	General Manager, Honours Golf
Matt Biagetti	Director of Operations, Honours Golf

The following is a summary of the presentation and discussions at the February 5, 2019 budget workshop. A copy of the proceedings can be obtained by contacting the District Manager.

FIRST ORDER OF BUSINESS

Roll Call

Mr. Oliver called the budget and financials workshop to order at 5:05 p.m. and called the roll.

Mr. Oliver stated this workshop is an informal meeting. There will be no board decisions or votes to take place during this meeting. It is a well-timed meeting as we take a look at where we are with the transition of our financials and we are about three months away from the start of the fiscal year 2020 budget process. We will bring a draft proposed budget to the May 2019 meeting so we can approve a proposed budget in June and adopt a budget in the August.

I have provided you each with a copy of the FY19 budget that was adopted September 11, 2018. The Board approved a proposed budget for FY19 at its June 2018 meeting. At that time, we were in the midst of the RFP process to select on site management companies. In July 2018, the Board selected Honours Golf to manage all components of golf, recreation, food service and

operation. Honours Golf came on board August 18th, taking over on site management responsibilities from Century Golf Partners Management and Eagle Landing Amenities Management. We adopted the FY19 budget knowing that there would be changes once the new management company came on board and had the opportunity to assess current operations and suggest budget and staffing improvements. One of key impacts on the budget format and operational synergy is your contracting with one company to manage all district facilities.. It had not been done that way before and that really has impacted the way the recreation budget has been formatted versus the golf budget, responsibilities which were handled by two different companies. Also, with two different companies, cross-training or utilization of employees and other resources across the board was not common. Since acquisition of the golf course in June 2016, the CDD Board has discussed the expectation that we were going to change the budget and financials into a more user-friendly format to be better used as a management tool. Jim Hahn and his staff have already started that process and it could be that you have some opportunities to actually merge some of these budgets.

The budget you did adopt last September is made up of the general fund budget, the capital reserve fund, the recreation fund, , the golf operational fund and the golf capital reserve fund. The golf capital reserve fund is funded by the \$500 initiation fee each time a home is sold or resold, as well as any golf operations surpluses that are generated when you net and operational with assessment collections for the golf side of house.

Just a quick look at the budgets the general fund budget is typically the same for all CDDs, it is just the cost of doing business, the admin budget. The second half of that is the field budget or the community appearance budget. The key line item to focus on the budget in that section is where you have the maintenance line item of \$199,000. That amount was adopted this year knowing you were going to use those funds across all of your operational budgets for maintenance staffing and other maintenance costs. Although the funds are posted to the general fund budget under community appearance right now, the intent is to spread those funds to the other budgets. General Manager Jim Hahn will talk about this item in a few minutes.

The other budgets are the debt service budgets, based on servicing the principal and interest of the Series 2016A1/A2 (30 year fixed) bonds and interest payments for Series 2016A3 (interest only until 2036)

Also, later tonight at the CDD meeting, the Board will take final action to issue the series 2019 bonds to fund the Westbank/Phase 6 portion of the development. This new debt service budget will be included in the FY20 budget to be adopted in August.

Jim has been working with his Honours Golf team in Birmingham well as his leadership team here on the ground at Eagle Landing.

Mr. Hahn stated I have given you a breakdown of the general fund, capital reserve fund, rec fund and the golf fund. I tried to put as much information in there to help you to better understand how we compared our operating budget because these are all your adopted budgets.

If you look at the recreation budget, the only item I am going to discuss here is the \$199,408 portion of that budget that is placed towards personnel to be used for all maintenance upkeep and additional staffing required at the properties. Behind the general fund budget you will find a breakdown of the use of those dollars in the general fund that are earmarked personnel. We talked about \$72,000, which is the additional payroll we are going to be using for our maintenance staff for the entire property. We show that cost to be in the \$72,000 range for all staff members plus benefits and payroll costs. We knew we wanted to add some staff to the golf course and we budgeted two additional staff members, \$50,000 to cover payroll and expenses. We also had one additional staff member for the clubhouse for upkeep and maintenance. All of those costs are reflected in the email that was sent out but there has been no adjustment to the general fund. It has all been coming out of our operating fund until we came to a final decision of how we are going to use those dollars. I also have to make some adjustments to the budget and move things into the general fund.

Smaller projects will be paid from the maintenance line item in the general fund

A budget amendment will be brought back to a future board meeting to make sure the \$199,000 is allocated to the various budgets.

Capital reserve budget

Anything spent on capital items will come out of this budget.

Starter shack with storage space and room for ac and heat components of about \$14,000 could come out of the capital reserve.

Proceeds from the sale of equipment will go into the capital reserves.

At some point in time the golf capital reserve may be merged with the existing capital reserve fund but now it is two separate funds.

Recreational fund

Spreadsheet in Honours Golf format distributed.

Will incorporate tennis merchandise in the pro shop.

Plan to grow lessons and clinics.

Freshening up different areas such as kids club and cabana bar will generate revenue.

In preparing 2020 budget, focus on projections.

Expenses of each department

District budget did not reflect some payroll increases in tennis and director of golf operations, basically a \$20,000 variance between district budget and Honours Golf budget.

Improve service levels.

Increase in expenses reflect money spent to take care of deferred maintenance.

By improving the cart paths and bunkers – should be able to raise the rates and keep resident rates as close as they can.

Golf budget revenue and expenditures

Honours budget about \$40,000 higher than the district budget

Expect an increase in all areas, green fees, merchandise sales, membership increase, food and beverage increase.

Cost of goods – the district budget was 36% but was actually 40%, Honours budget was 39%

There will be an increase in payroll that reflects the way the budget is put together, \$50,000+ in golf maintenance that will come out of the general fund – that money will be moved out of general fund into golf maintenance in a budget amendment that will go to the board at a future meeting.

Golf expenses of \$1.501 million includes cost of goods, and payroll, net income projected to a negative \$336,756 for the year – you are projecting about \$250,000 about an \$87,000 difference but Honours budget reflects \$50,000 in golf course maintenance, \$20,000 clubhouse maintenance, \$14,000 clubhouse maintenance that will come out of the general fund and it washes out once adjustments are made to the general fund

The next budget will have good historical numbers to work off of and the 2020 budget is going to be a much cleaner budget month in and month out. Will change budget format for the fiscal year 2020 budget

P&L report

The summary breaks down each department by month and year to date and gives you a net income for each department. It is not showing payroll, not showing expenses it is not showing revenue it is showing net income of what is budgeted in each department. It is a simple way to look at the budget.

Green fee and cart fees are reported separately not together

Will restructure all-inclusive over time

The budget workshop adjourned at 6:25 p.m.