



# Heritage Highlands HOA Annual Meeting

February 20, 2012





# Agenda

- Vice President's Report
- Treasurer's Report
- General Manager's Report



# Vice President's Report

# Noteworthy Items from 2011

- Dues for 2012 increased to \$166/month after remaining at \$160/month 2008-2011
- January-pool renovation began
- February-Saguaro Environmental began service
- February- Parking resolution approved
- March 1st-Pool work completed on schedule
- March-Committee Chairs Attended Board Education Briefings

# Noteworthy Items from 2011

- April –Skye Security took over Front gate management
- April 18th-Parking regulations take effect
- April-HOA auditors raise concerns on tax depreciation method used in previous years
- May-Software replacement selection process begun
- June-Received the Golf Long Range Planning Ad-Hoc Committee recommendations
- August-2012 budget process begins

# Noteworthy Items from 2011

- July- Golfnow.com markets unused tee times
- August-Residents donate \$3500 for design of Short Range practice area
- October-IBS integrated software suite selected
- October-3 additional golf memberships approved

# Noteworthy Items from 2011

- November-Audit completed-Tax issues are resolved
- November-Software purchase contract authorized
- November-Streetscape plan for corners authorized
  
- December-Capital Fund limit set for 2012
- December-Board meets with Committee Chairs to review 2011 achievements and 2012 plans
- December-Year ends with budget favorable to plan budget approved incorporating GLRPG

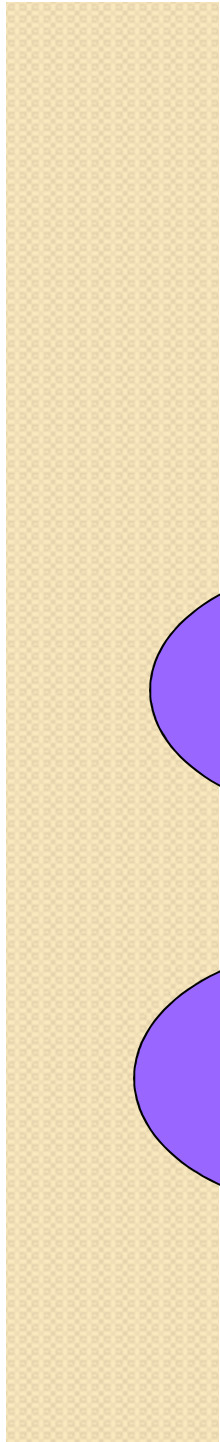
# Noteworthy Items from 2012

- And so we begin the list for 2012
- January –Golf Master Plan recommendations delivered to residents
- February-GMP & FAC make recommendations to the Board



## Did You Know ????

- More than 90% of the Actions Taken by the Board Come from Committees.
- On Average more than 30 People Have Been Involved in the Formal Review Process that Precedes Board Actions



BPA

ALC

# Committee Structure

IFC

Elections

AUDIT

FAC

CAM



# BPA Roster

Tom Hestwood, Chair

Ray Bagley

Joe Calabro

Linda Hutchens

Joan Rietz

# Board Policy and Administration (BPA)

- Completed Policies:
  - Human Resources
  - Website Operations
  - Gifts and Donations
- Other Issues Addressed:
  - Parking Regulations
  - By-law change
  - Non-resident membership
- Current issue:
  - Non-compliance Policy



# ALC Roster

Mike Cromer, Chair

Tom Dameron

Anne Hann

JoAnn Kemper

Leona Kolbet

Peter Ornelas

Ken Rislov

Sandi Tiffany

Dee Webb



# Architectural and Landscape (ALC)

- Processed 338 Resident Applications
- Completed 4 Guideline Revisions
- Only committee that meets twice a month



# CAM Roster

Marti White, Chair

Joe Camara

Jim Hefele

David Kueffer

Carlton Norton



# Common Area Maintenance (CAM)

- Developed a 5 year plan for streetscape improvement
- Developed a streetscape plan for 11 intersections
- Completed 2 revisions to CAM Guidelines



# Election Roster

John Daniels, Chair

Pam Lochrie

Joe Hentges

Odie Crane

Martha Swink

Sharon Haug

Katie Dameron

Adrian Van Hofwegen

Judy Lucas

Therese Jezioro



# Elections

- Operates independent of Board
- Organizes volunteer recruitment
- Develops slate of candidates for Director
- Promotes voter turnout



# IFC Roster

Bud Carter, Chair

Frank Ballestrino

Bill Harris

Jerry Ward

Bob Moen

Dave Hanson

Jim Moore

Dick Heinrich

Richard Loos



# Infrastructure and Facilities (IFC)

- Analysis/Recommendations on Pool Renovation
- Pipe fence replacement along perimeter
- RV hook-ups in the parking lot
- Maintenance shop shade structure
- W. Canal vegetation intrusion
- Tennis ramada
- Pool chlorinator & electrical issues



# Financial Affairs

Dave Patenaude, Chair

Tom Bart

Bill Burns

Earl Jacobson

Fran Crisman

Bruce Stone

Mary Beth Ursem

Jim Liegl

Steve Wacker



# Financial Affairs

- Golf Benchmarking group for GLRPG
- Tennis ramada
- Golf Master Plan
- Budget Team for 2012
- Streetscape projects
- IBS software purchase
- Monitor impact of golf membership changes



# Audit Roster

Elry Schulte, Chair

Marlin Miles

John Daniels

Rick Devereaux

Victor Hess



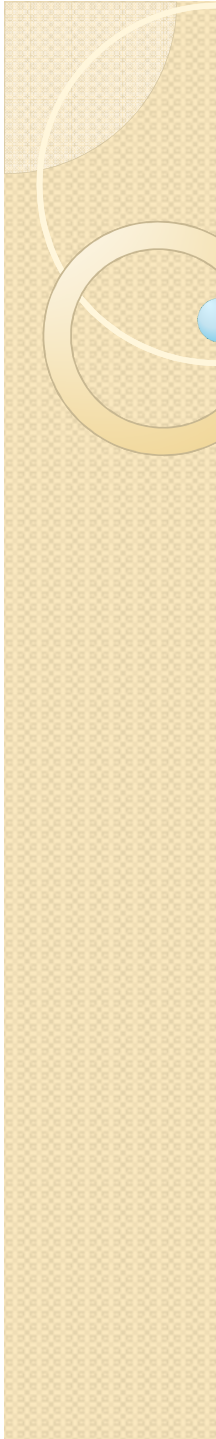
# Audit

- February-Audit begins
- Audit continues due to tax depreciation concerns retroactively
- August-Recommend hiring tax attorney
- November-Audit completed-Tax issues resolved



# The Biggest Challenges for 2012

- Implementation of a Golf Operations Plan Which Maximizes Water Savings and Which Is Fiscally Responsible.
- Recruiting volunteers to serve in the many capacities that are essential to the lifestyle we enjoy at Heritage Highlands



# 2011 Treasurer's Report

# 2011 Treasurer Report Topics

- Areas of Financial Focus
- General Financial Information
- Operating Income Statement
- Reserve Fund Activities
- Consolidated Balance Sheet
- Delinquency Update
- Financial Information on the HH Website
- Committees

# Areas of Focus

- Providing easy access to financial information with a full range of financial reports available on website.
  - Monthly Income Statements (Current and YTD)
  - Quarterly Forecast Updates for Operating Income
  - Quarterly Reports and updates for Reserve Fund and Capital Fund.
- Managing Banking Relationship and Reconciliation
- Improving Audit Process and Audit Relationship

# General Financial Information

- HH Financial Accounts
  - AICPA's Accounting and Auditing Guide for Common Interest Realty Associations (***CIRA Guide, 137 pages***).
  - The AICPA CIRA Guide requires using the Fund Accounting Method. This mandates segregating financial activity into separate ***Operating*** and ***Reserve*** Funds.
- HH is a *Non-Profit Arizona Corporation*.
  - Incorporated 4/30/1996 (See <http://www.azcc.gov/>)
- HH is not “*tax exempt*” under IRS rules
  - Because of proportion of fee income (>40%) , HH files a standard ***Form 1120 return***, not ***Form 990*** used by 501 (c) tax exempt organizations, or ***Form 1120-H***.
  - By law, IRS also considers level of ***non-member income***
- HH Audited Statements and Tax Returns use ***GAAP***.

**Heritage Highlands Income Statement**  
**December 2011**  
**(Thousands)**

	<b>Current Month</b>			<b>Year to Date</b>		
	<b><u>Act</u></b>	<b><u>Bud</u></b>	<b><u>Var</u></b>	<b><u>Act</u></b>	<b><u>Bud</u></b>	<b><u>Var</u></b>
<b>Administration</b>						
Revenue	176	169	7	2,044	2,028	16
Operating Exp	205	169	(36)	1,656	1,611	(45)
<b>Net Income</b>	<b>(29)</b>	<b>(0)</b>	<b>(29)</b>	<b>388</b>	<b>417</b>	<b>(29)</b>
<b>Food and Beverage</b>						
Revenue	74	81	(7)	764	769	(5)
Operating Exp	94	93	(1)	847	866	19
<b>Net Income</b>	<b>(20)</b>	<b>(12)</b>	<b>(8)</b>	<b>(83)</b>	<b>(97)</b>	<b>13</b>
<b>Golf Shop</b>						
Revenue	167	163	4	1,991	1,942	49
Golf Shop Exp	77	81	3	698	718	20
Maintenance Exp	101	114	13	1,499	1,532	33
<b>Net Income</b>	<b>(11)</b>	<b>(31)</b>	<b>20</b>	<b>(206)</b>	<b>(308)</b>	<b>102</b>
<b>Net Income B/4 Depr</b>	<b>(60)</b>	<b>(44)</b>	<b>(16)</b>	<b>99</b>	<b>12</b>	<b>86</b>

# HH HOA Reserve Fund Planning

- **HH Reserve Plan** evaluates future major “common area” repair and replacement costs
  - The plan covers 30 years. Two key parts of the HH Reserve Plan/Study are the engineering analysis and financial analysis.
  - Physical Analysis projects repair/replacement cost of major “common area” components, including roads, buildings, equipment etc. There are over 200 items identified.
- **HH Reserve Plan Implementation.**
  - Assessment plan maintains balances of funds that are at least 10% of total estimated replacement cost for all 30 years. Because of expenditures timing, there are plan years when fund balance is >10%

## 2011 Reserve Fund (\$ Thousands)

• <b>Beginning Balance</b>	\$2,230
• <b>Income</b>	
◦ Reserve Contributions (\$37/month)	\$ 576
◦ Interest	<u>\$ 25</u>
◦ Total Income	\$ 601
• <b>Reserve Expenses</b>	\$ 314
• <b>Ending Reserve Fund Balance</b>	\$2,517

## 12/31/2011 Balance Sheet (\$ Thousands)

### **Cash Balances**

- Operating \$ 151
- Capital \$ 41
- Reserves \$ 2,517

Total Cash \$ 2,709

Net Fixed Assets \$13,440

**Total Assets \$16,835**

**Liabilities \$ 834**

**Equity \$16,001**



# 2011 Delinquency Update

- Six Write offs
- \$10,268
- 41 Delinquent Accts as of 12/31/11

# HOA Web Site Financial Information

- HH HOA Financials
  - Have questions? See the ***Financials Folder*** on the website ***Resource Center***. Choose from:
    - 2011 Monthly Treasurer's Report
    - Annual Audits
    - Annual Budgets
    - Financial Policies
    - Reserve Study
- Detailed reports available in the Info Center



## **Reserve Planning and Investing Team**

- Bill Burns
- Kern Lucas
- Dave Patenaude
- Ted Colburn
- Don Gross, BOD Liaison



# 2011 Management Report



# **GOLF DEPARTMENT by the NUMBERS**

- **Golf Rounds**
  - ❖ **53,526 Total Rounds – Down 1% from 2010**
  - ❖ **38,066 (71%) – Annual Pass Rounds – Down 8% from 2010**
  - ❖ **11,238 (21%) – Resident/Guest Rounds – Up 10% from 2010**
  - ❖ **4,222 (8%) – Other – Up 73% from 2010**
- **Revenues**
  - ❖ **Annual Pass 2011 average of 369 versus budgeted 372.**
  - ❖ **393 average in 2010**
  - ❖ **Daily Green Fee \$567K versus \$516K budget**
  - ❖ **Total Golf Fees \$1,721K versus \$1,674K budget**
  - ❖ **Merchandise sales \$220k versus \$218K budget**

# GOLF DEPARTMENT by the NUMBERS

- **Expenses**
  - ❖ **Payroll \$973K versus \$1,035K budget**
  - ❖ **Operating \$1,045K versus \$1,038K budget**
  - ❖ **Water – Irrigation \$455K versus \$460 budget**
  - ❖ **Total Expenses \$2,019K versus \$2,072K budget**
  
- ❖ **Net Income Year End**
  - ❖ **Actual (\$206,000) versus (\$308,000) \$102,000 \*\***

# GOLF ITEMS OF NOTE

- **The biggest development in 2011 was the completion of the Long Range Golf Planning Group.**
- **Highlights of BOD approved items:**
- ❖ **Did not approve a Silver Membership, but did approve Limited Memberships in the way of Birdie, Par, and Par Nine options**
- ❖ **Approved adjustments to the Chelsea pointing system in hopes of making more times available to casual resident golfers.**
- ❖ **Approved development of a program to increase daily fee play.**
- ❖ **Approved development of a plan for hosting outside tournaments in low season.**
- ❖ **Supported the concept of player development.**
- ❖ **Supported further study of a range ball machine, and implementation of a range pass program.**
- ❖ **Approved staff review of current staffing levels and make changes warranted for 2012 Budget.**
- ❖ **Approved additional emphasis on advertising and marketing.**
- ❖ **Approved Golf Organizations be more actively involved in assisting staff.**
- ❖ **Approved resting golf holes as needed.**
- ❖ **Approved “capping” the Golf Operation loss to no more than \$300K for the budget year 2012.**
- ❖ **Approved addressing shotgun starts versus tee times in 2012 Budget Proposal.**



# GOLF ITEMS OF NOTE

- ❖ **Golf staff implemented staffing adjustments in 2011 with reductions in golf shop and the starter/marshal program. Further reductions to begin in 2012.**
- ❖ **Limited Memberships went on sale in November and have been very well received.**
- ❖ **The Chelsea pointing structure was changed in accordance with LRGP recommendations.**
- ❖ **Player Development began in the fall with the following:**
  - ❖ **The AGA come out to rate all tees for men so that seniors and beginners have shorter course options to play.**
  - ❖ **An effort was to continue our beginner golf clinics**
  - ❖ **We have created resident twilight rates that will encourage people to play more often with less time and financial commitment.**
  - ❖ **Play with a Pro program is beginning again in January 2012.**
- ❖ **Lowered our rates beginning summer 2011 for residents and the public. Went live with GolfNow.com resulting in an 86% increase in public play over 2010.**
- ❖ **Golf maintenance staff made a big change to Toro Manufacturing for our lease package. This change will save us more than \$24K annually.**



# GOLF CHALLENGES 2012

## ❖ Global Golf Challenges

- ❖ The economy continues to be very weak
- ❖ Resident population is aging and people are playing less
- ❖ With overall golf rounds down industry wide
- ❖ We have a saturated golf market
- ❖ **With Eagle memberships down to plan entering the year, it will be vital that our daily fee (Limited Memberships, pay as you go resident, and public) rounds carry us through the year.**
- ❖ **With more daily fee play, the requirements for service increases. The golf department has diminished serviceability with our staffing adjustments, so the key will be in prioritizing what services we can continue to offer that will benefit our revenue plan the most.**
- ❖ **The Golf Master Planning Group analysis is complete and will be presented to the community. It will be important that we make adjustments to our facilities in order to keep us on top of the game, both from an expense standpoint as well as ensuring we are attractive to golfers of all types.**

# F & B ITEMS OF NOTE 2011

- ❖ **Budget goals for 2011 were exceeded and significantly showed improvement from 2010.**
  - ❖ Homeowner contribution continues to trend down
  - ❖ 2008(\$281,000); 2009(\$180,000); 2010(\$96,000); 2011( \$86,000)
- ❖ **Successful programs and offerings in The Grille were implemented helping enhance revenue:**
  - ❖ Continue “Grille It!” on Wednesday nights through the summer but in 2011 we expanded it to continue through December to give our winter residents a chance to enjoy It as well.
  - ❖ Grille menu was expanded to attract a wide variety of guest to be able to cater to dietary needs.
  - ❖ Wine tasting and sale using old stocked wines were used to clear out wine closet
  - ❖ Monthly wine dinners in season
  - ❖ Updated existing wine list to improve offerings based on sales and preferences
  - ❖ Buffet style shot-gun menus were implemented to quickly and better serve our golfers after their round of golf.

# F & B ITEMS OF NOTE 2011

- ❖ **Banquet business exceeded expectations:**
  - ❖ More than 60 member/activity group banquets added \$70,000 to revenue
  - ❖ Weddings totaled 20 (from 4 over 2011)
  - ❖ Visibility was increased through ads in wedding magazines and on wedding websites
  - ❖ Staff attended four local bridal fairs marketing HH to the public as a wedding venue
- ❖ **Staffing:**
  - ❖ All staff were cross-trained for banquet service to best utilize existing pool of employees
- ❖ **Miscellaneous:**
  - ❖ New wine glasses were purchased.
  - ❖ Updating our serving platters, utensils and beverage containers for member banquets and outside banquets.



# F & B CHALLENGES 2012

- ❖ **Developing and implementing ways to enhance revenue:**
  - ❖ **Marketing to and attracting public to The Grille**
  - ❖ **Re-inviting residents back to The Grille**
  - ❖ **Keeping menu and beverage offerings fresh to create more member visits**
  - ❖ **Ensuring appropriate pricing of food and beverages for profitability margin**
- ❖ **Staffing:**
  - ❖ **Building a strong F and B staff with less turnover**
  - ❖ **Preparing to bring up all service staff to consistently exceed guest expectations**
  - ❖ **Training staff for new IBS point of sale software**



# ADMINISTRATION 2011



# ADMIN ITEMS OF NOTE 2011

- ❖ Resolved complex tax issue
- ❖ Selected new club software solution – Install Summer 2012
- ❖ Supported a successful 2010 Audit
- ❖ Reserve Team surveyed Clubhouse, Fitness Center, Pool
- ❖ Timely completion of pool renovation totalling \$131,159
- ❖ Supported ALC with 25-30/mo. homeowner modification requests
- ❖ Improved 2<sup>nd</sup> edition of printed community directory export
- ❖ Implemented smooth Saguaro Environmental transition
- ❖ Upgraded gate services with SKY Security in April
- ❖ Concluded and implemented Community Parking Rules - NWF



# ADMIN ITEMS OF NOTE 2011

- ❖ **Remodeled Golf Maintenance Office Space**
- ❖ **Retained Eldridge Creative to print media exposure**
- ❖ **Supported the Golf Master Plan Committee for 18 mo.**
- ❖ **Implemented repairs to pipe fence along Hole 11 & 12**
- ❖ **Slowly growing social media presence thru Facebook & Twitter**



# ADMIN CHALLENGES for 2012

- ❖ **Implementation & Training for new IBS Software**
- ❖ **Merge existing 2 websites into 1 new robust site thru IBS**
- ❖ **Renovate 4 existing tennis courts with new synthetic grass**
- ❖ **Replace pool electrical transformer and saline generating system**
- ❖ **Modify FCC license for hand radios to narrow band frequency**
- ❖ **Implement staffing transition in Accounting Department**
- ❖ **Funding improvements to golf course irrigation system**
- ❖ **Complete video surveillance in clubhouse**
- ❖ **Install live video feed to North & South Gates**



**Thank You**