

## Finance Committee Minutes

**August 29, 2023**

Chair Wayne Kelley called the meeting to order at 3:00 p.m. in the Pointe Conference Room. Thirty-one residents were present, plus CFO Xan Smith and COO Chandra Kumar. Kelley welcomed Smith and Kumar, thanking Smith for the fiscal year 2024 budget briefing.

Smith explained that the proposed FY '24 budget he is presenting to the Finance Committee today and to all GHBC residents on Friday, September 1, will be submitted for approval to the GHI Finance Committee this week and to the GHI Board of Trustees for approval on September 14. He emphasized that the budget covers the Obligated Group only--GHBC, GHA, Goodwin Living at Home and Specialized Care (Hospice and Home Care). It does not include the GL Foundation, the Development Corp., The View Alexandria, nor any other entities. Smith distributed to Committee members copies of his presentation, including detailed budget projections.

The current fiscal year, he said, leaves the OG well positioned: Fitch reaffirmed GL's BBB+ rating, the Foundation is strong and supportive, and GL enjoys high staff retention. GL's annual staff turnover is now 25 percent, less than half of the industry average. Of particular importance, said Smith, the OG has \$30 million more cash and investments than long-term debt, and he expects long-term debt to continue going down.

The OG continues to be on a "living wage journey," said Smith. The living wage for the OG's marketplace is over \$22 per hour; GL's minimum staff wage in FY '24 will be \$18.75 per hour, with CNAs' minimum at \$21 per hour. Those minimums are projected to increase to \$20.25 and \$23 per hour respectively in fiscal 2026. Benefits add another 21 percent on average to compensation expenses. Fully two-thirds of the FY '24 operating budget expenses are personnel-based, and GL anticipates a 3.5 percent increase in staff compensation, with the understanding that some positions may increase more to remain competitive.

To meet those needs, the FY '24 budget proposes a monthly service fee increase of 3.95 percent. Entrance fees will increase an average of 7.24 percent at GHA and 8.13 percent at GHBC. The OG has budgeted for an operating ratio of 95.4 percent, a net operating margin-adjusted of 21.2 percent, and a net operating margin of -2 percent. Finally, said Smith, the budget proposal recommends to the Board of Trustees that \$2 million be transferred from the OG to the Development Corp. The biggest factors in developing the budget, he said, are wages, inflation projected at 3.5 percent, and occupancy, which is very strong.

The meeting then turned to questions and answers, and lengthy discussions of resident perceptions and concerns.

Smith said the advertised position of Director of Real Estate will be a new post reporting to the CEO and responsible for development of GL's Chantilly property primarily, but also for

redevelopment of The View Alexandria's property. Smith informed the group that GL's purchase of Loudoun County land closed last week. Residents expressed concerns about GL's perceived focus on growth at the expense of quality of life in the flagship properties; about GL at Home's continuing failure to meet membership and financial expectations; and about mushrooming corporate overhead and marketing expenses. A number of residents advised Smith to be sensitive to resident anxieties in his presentation to all residents on Friday, urging him to focus adequately on the organization's financial strength and actuarial reassurances.

In the discussion, COO Kumar emphasized her focus on effectiveness and efficiencies. Smith reiterated that OG assets are the organization's, not residents', and he expressed concern that residents are blaming the Development Corp. for perceived operational problems such as the loss of valued employees.

Following extended discussion, the Committee thanked Smith and Kumar, and Kelley adjourned the meeting at 4:40 p.m.

Submitted by Nancy DeMarco