

## **BUDGET & FINANCE MEETING MINUTES**

### **MS Teams Meeting**

**12/21/2020**

Attendees: Dick Keiling (Chairman), Brian Reynolds, George Solyak, Tom Piatti, John O'Connor and Don Nederostek; Non-Committee: Doug Parks (Liaison), John Viola, Steve Phillips, Julia Johnson, Debbie Donahue, Eddie Wells, Nobie Violante, Lisa Jarmon and Linda Martin; Public: Tom Stauss

Meeting called to order at 9:00 AM

No Public Comments

Minutes from 11/25/20 were approved

John V/Eddie W, discussed the Admin Bldg. interior upgrade and environmental improvement initiative ( $\pm$ \$100K). Due to many modifications over the years to the original building design, there are temperature fluctuations in work areas and the indoor air quality is poor. Plan: Upgrade the existing main HVAC system which supports the center of the building and install independent "split HVAC systems" to support outer perimeter offices. Projected HVAC upgrade cost: \$50K. Replace old, worn carpet with laminate and replace all ceiling tiles ( $\pm$ \$30K); upgrade light fixtures to LED ( $\pm$ \$15K); painting estimate is ( $\pm$ \$5K). Design will include potential interior wall changes and workstation modifications. B&F supports this initiative, funded primarily by Repl Reserve, and suggests installation of a building-wide "white noise generator" system and installation of Ionization Generators or UV lighting in HVAC ductwork to reduce airborne bacteria.

Debbie D, discussed Kayak storage project at the S/R Club, one to three levels for 10 kayaks. Activity has increased and there is demand for kayak or stand-up paddle board storage. Seasonal/year-round fees (\$100/\$175) would be developed. Location would be to the left of the beach area. Owners would be responsible for security (locks/cables). OPA would install motion sensor lighting. Capital Reserve Improvement cost estimate is \$3K-\$5K, and if fully rented, ROI in two seasons along with a future revenue stream. B&F supports this initiative but suggested cost analysis on the purchase of a prefabricated storage unit rather than DPW site built.

Debbie D, discussed spending plans for the Robin Hood and Bainbridge Playground upgrade projects which have been on hold for the 2020/2021 budget year. Requested we go forward with Robin Hood (built in 1987) project, but not the Bainbridge project because of pending drainage work in that area. Cost would be \$49,375.00, which is a \$1,750.00 increase over the previous estimate. Work to be done by a trusted contractor who upgraded the Manklin Creek and White Horse Park playgrounds. B&F supports this initiative which is funded via Replacement Reserve.

Eddie W/Nobie V, conducted a study to replace or reduce the vehicle fleet. Based on operational changes, the utilization of 13 vehicles was reviewed, 8 vehicles will be eliminated, resulting in an annual savings of approximately \$40K in maintenance, insurance, fuel and registration fees. The projected auction value is approximately \$130K. Five vehicles will be replaced at a cost of \$257K, minus \$130K auction proceeds, requires \$127K from Repl Reserve. Other vehicles may be reallocated between departments. B&F supports this upgrade and cost savings initiative.

## **2021/2022 Budget**

John V, the budget review will be held for three days starting on Wednesday, January 6. Michelle Bennett will be forwarding a calendar to the group later this week.

Preparing our budget working documents started with BOD budget guidance and a bottom-up approach with Dept Head input. There are many assumptions and many known variables, such as increases in payroll 3%, medical benefits 30% and liability insurance premiums 10%. These three variables alone equate to a \$50 increase to the current \$986 assessment. Three OPA maintenance positions, one police officer and a temp police position will not be filled. Although there are challenges and options we have not faced before, hopefully, over the next 7 weeks, health related optics will become positive.

Information in these working documents should not be construed as final, we must still go through the process and consider input from owners. These documents also do not include a COVID adjustment (\$77) nor do they include the possible uptick in golf and racket amenity revenue if COVID subsides. Although reallocation of Road Funds is a possibility, the Bainbridge project remains a top priority.

Today, we show a favorability of \$1.25M to budget, but reallocation of funds to the Bainbridge project (\$400K) and the need to complete two years of deferred maintenance projects (\$200K). portend end of year favorability of \$650K. Additionally, \$200K of this favorability could be used to reduce the operating deficit if supported by B&F and if approved by the BOD. Finally, if you subtract \$650K from the \$1.43M PPP loan, along with \$271K loan for F&B and \$125K reimbursement from the Affordable Cares Act, OPA would be \$900K unfavorable to budget.

Doug P, the prudent approach in progress now is a COVID influenced and non-COVID influenced budget. We must achieve a balance. There is a happy medium somewhere that does not pass all the entire cost and recovery methodology on to the homeowners and there isn't one that says let's keep the assessments the same and cut back where we need to. There is a prudent number out there and we will find it. Note: Section 1, page 15 of the budget book contains a summary of the estimated potential COVID effects on each department.

Steve P, working with our Broker on the selection of carriers that will give us quote on our medical premiums. This will happen later in our budget year. Costs depend on several variables to include marketplace and other factors. There are different plans that give options, and we will try to minimize costs. To save costs, Dick K encouraged Steve to explore self-funding a higher deductible for OPA. This would not change the deductibles in place for the employees, they could

remain as is. The combined impact of raising the deductible with a lower premium can potentially save OPA money.

Dick K, polled the committee - for the 6-8 January budget meetings, should we meet in person or go fully virtual? The consensus was for B&F to meet in person in the Assateague Room, with B&F members who are risk adverse having the option of virtual attendance. Since there is a 10-person limit, George S suggested we live stream others and project on a large screen in the room. John V will have his tech group explore a hybrid situation.

### **November Financials**

Steve P, high level review - For the month ending, OPA is \$1.355M favorable, drivers being Public Works and in Admin (Care Act Funding). Some expenses are timing issues or a catch-up adjustment. Golf is favorable and racket sports are net/net. Trends are like the preceding months.

George S, confirmed with John V, Republic Services Trash collection will increase \$3.00 per month under the new contract. John replied that this increase is mainly due to a dip in the commodity market and lack of demand for recycled materials.

Meeting adjourned at 11:02 a.m.