

Ocean Pines Association

Budget and Finance Committee

2020/2021 Budget Review Meeting Notes, January 6, 2020

Chairman Keiling called the meeting to order at 9 a.m., all B&F committee members were present. Non-Committee attendees: OPA: President Doug Parks, Secretary Colette Horn, Director Steve Tuttle, General Manager John Viola, Director of Finance Steve Phillips, Marketing and Public Relations Director Josh Davis, Marketing Assistant Julie Malinowski, Fire Department President Dave VanGasbeck, Fire Department Chief Steve Grunewald, General Manager of Golf John Malinowski, Course Superintendent Andre Jordon. Media: Bayside Gazette Staff Writer Greg Ellison. One resident was in attendance. The GM's team participated in their individual sections.

1. There were no changes to the published agenda.

2. Chairman's remarks:

- Thanks to John Viola and Team for the excellent preparation and thanks to Michelle Bennett for setting up the refreshments.

- The Business Plan information was a positive addition, particularly the SWOT analysis.

- The Committee will review the submission and make recommendations where necessary. Feel free to ask questions if there is a variance or lack of understanding.

3. GM remarks: This **proposed draft budget** plan was a constructive bottoms-up review, with staff interaction and is a work in progress. (FY 2020-2021 Proposed Budget Overview dated January 4, 2020 was provided)

Recommendations:

- The Fire Dept is short volunteers. Volunteerism is waning and the Department has requested we incentivize participation by waiving the OPA annual HOA fee for those volunteers who meet strict qualifications including holding proper certificates and a minimum of 3 years of service. They would have to be homeowners as well, not just reside in a home. There would be 19 members who qualify immediately at an annual cost of approximately \$18,582(GM will firm up exact amount). After discussion, the consensus of the B&F committee was to support this request and pass a recommendation to the BOD for further consideration.

- Realizing we are currently locked into an annual medical plan, B&F recommends looking at a hybrid medical plan option where you would self-fund a higher deductible with minimal risk. As an example, if employee had a \$500 deductible that would not change, the organization would self-fund a higher deductible, such as \$5,000 to be offset by lower premiums. Our administrator would manage the payments and our broker would use history to estimate the impact of going with a higher deductible. This is something a broker should be able to offer as an option during the next annual insurance review. Curbing the growth of medical costs is the main objective. Certain B&F members would volunteer to offer participation in this review.

- B&F supports GM's payroll changes from the payroll study to be implemented in the upcoming budget as supported by the payroll reconciliation.

Action items:

- Please provide B&F with current FTE data spreadsheet.

Comments:

General Administration comments by natural division of expense classification number:

- 330 Change "Franchise Fee" to "Rights of Way Fee"

- 477 Legal Fees (\$150,000) the projected increase is for contemporary issues, not necessarily Board driven issues.

- 684 Election/Referendum (\$15,000) – History supports this, however there could be higher costs depending on need for a referendum.

- 700 Taxes (\$78,150) please explain. Taxes on our fixed assets payable to the State of MD as a personal property tax.

Finance and Membership Dept comments:

- 435 Overtime – why has this gone to zero? Position reclassified from non-exempt to exempt.

PR and Marketing comments:

- 322 Grants - what is the source of this \$10K in revenue? From Worcester County Tourism funds.

- 561 Printing – we have 6 publications that go to all owners. Via an RFP, printing was consolidated under one provider and costs were reduced.

- 697 Promotion/Marketing – is Yacht Club advertising charged back to the YC? No, but we have reduced our costs.

- Are we doing anything to target banquets and weddings? Yes, \$9,200 is targeted for areas such as Salisbury, Harrisburg and others. We also have a subscription to the publication Wedding Wire. MOC has been involved in the marketing effort.

Golf Operations comments:

- Approximately 1,700 OPA households play the course.

- Do we compare our rates with other local courses? Yes, in many ways to include discussions with golfers.

- What is the cost of the Launch Monitor/Simulator? ~ \$20,000. The only other local one is at Dicks in Salisbury.

- What happened to the \$400-450, golf 10 round play option? It was eliminated, sold only 3 or 4. Even with set membership rates, people are getting older, playing less and like the option of playing as you go. Pre-pay gets a cheaper round, but does not increase membership nor does it increase revenue.

- 550 homes surround the golf course. What do we do about eye sore issues? In some cases OPA cleans up and some are referred to CPI.

- Is the Assistant Pro position salary in the budget? Yes, but we have yet to hire.
- 697 Promotion – why does this line have substantial 2019-2020 funds remaining? Although substantial funds remain, we will be heavily marketing the new Country Club and course in the spring.
- What are “Other Operating Costs”? Construction related - porta pots, temp buildings, etc.

Golf Maintenance comments:

- 528 Chemicals/Fertilizer – funds were increased to ensure the course is properly maintained.
- 537/540 Sand/soil/seed/sod – you have discussed plans to improve several areas. Do we have funds for larger projects, particularly drainage that effects Windjammer? Improvements are proportional at this time, but we will review for the future.

Food and Beverage, Yacht Club and Terns Grill comments:

YC, 384 Food Banquet – what is the reason for the forecast reduction from \$401K (2020) to \$280K (2021)? MOC provided this estimate. Combined revenues at Yacht Club are increasing 6.8% over current year forecast.

BC, 698 Management Fees – what are these fees? Accounting fees and some commissions. Costs will decrease once we have our new system in place.

Terns Grill, MOC will manage – the 2021 budget projection is the same as 2018 actuals.

Fire/EMS Comments:

Overall, Fire/EMS has reduced its OPA budget and current year forecast from \$693K to \$678K for 2021, before consideration for any assessment adjustment for volunteers.

Ocean Pines Association

Budget and Finance Committee

2020/2021 Budget Review Meeting Notes, January 7, 2020

Chairman Keiling called the meeting to order at 9 a.m., all B&F committee members were present. Non-Committee attendees: OPA: President Doug Parks, Secretary Colette Horn, Director Steve Tuttle, Treasurer Larry Perrone, General Manager John Viola, Director of Finance Steve Phillips and Marketing and Public Relations Director Josh Davis, Director of Public Works Eddie Wells, Recreation and Parks Manager Debbie Donahue, Marina Manager Ron Fisher, Police Chief David Massey, Director of Aquatics and Operational Logistics Colby Philips, and Aquatics Manager Kathleen Cook. There were no media representatives or residents in attendance. The GM's team participated in their individual sections.

Recommendations:

- Police requested a different 401(k) program unique to them. There is a history of trained police officers leaving for other Police Departments in the area including Worcester County, Pocomoke, Berlin, Ocean City and Snow Hill. Most of competitive area departments have a Defined Retirement Plan. OPA has an "Undefined" 401K plan for our officers. This is a competitive disadvantage to OPA and we are losing officers at great cost considering training, recruitment and overtime. B&F supports the establishment of a dedicated OPFD 401(k) program contributing 5% of salary (estimated at \$25K) to an Officer's 401(k) account. Recommendation is for the GM to adjust the budget to account for this change.

The 401K program for our police officers would be a different plan as follows:

1. The employee would be automatically enrolled in the program. With this automatic enrollment a percentage of the employee salary will be put into the plan. The employee will be entitled to opt out of this part of the plan. Having a similar auto enrollment for OPA new hires in our existing 401(k) is also a good thing.
2. OPA will make a contribution of 5% of the employee's salary into the plan for each employee.
3. The employee will have the option to voluntarily contribute from his/her salary an additional amount into the program. The amount may be up to the Federal allowable limit
4. Vesting in the OPA contribution will be 100% immediately.

- Some discussion occurred on what impact a new OPFD 401(k) program would have on the overall OPA employee population. Action required by GM to carefully communicate to all as it is rolled out. Some discussion occurred on 401(k) education.

- While we did not spend much time discussing what is happening in OPA, B&F recommends at least one annual meeting with the staff at large to educate people on 401(k). This could include our outside 401(k) Administrator speaking on how sponsored investments are performing and generally promoting maximum participation in our 401(k) program. If you only do it once per year a good time to do this is before salary increase time.
- Split out Roads/Bridges and Drainage into two separate replacement reserves going forward.
- Marina - Recommending a 4% increase in slip fees in line with our local market.

Action Items:

Aquatics:

- Off-line discussion between Larry P., John V. and Colby P. will take place to discuss hot food services for Aquatics.
- Kathleen will generate a report showing pool usage by pool for last year and possibly longer.
- Colby will review and finalize a business plan relating to Sports Core growth. Nothing is currently in the preliminary budget draft. If it makes sense to propose anything in this year's budget, she will make a recommendation.
- Colby will review and recommend the addition of a few Hydro Bikes. History shows a demand and less than one-year pay back for high demand class.
- Tom Piatti will assist Colby in reviewing Natural Gas for conversion back to Propane within OPA. Sports Core pool is the primary candidate but there could be others. The expectation here is that there is a **significant savings** to be achieved.

Tennis – Currently showing a \$28K operating loss. We have hired a part-time tennis pro and the expectation is to see increased revenue through added classes and clinics. We should see upside revenue to offset added tennis pro labor. Action item is to monitor results and evaluate over the year. Goal is to improve on this operating loss.

Comments:

Public Works, General Maintenance comments:

- 468 Billed Labor – work performed by DPW is billed to other Departments, such as golf course labor.
- 420 Payroll – salaries for the 4 vacant laborer positions are included in the budget.
- 582 Buildings - we have a \$220K building preventive maintenance plan. This is a decrease from past years due to less maintenance on our new buildings. Eddie feels he has enough money to do required maintenance.

Public Works comments:

- Next year planning on 3.5 miles of road paving at a cost of approximately \$100K per mile. We will continue to use Casino Funds to pay for this.
- Dredging for next year is planned at up to 20 individual boat docks. This is expected to continue a similar rate going forward now that we have a revigorated process.
- 398 Misc. - this is a forecast which includes auction sales.

- 591 Drainage - \$175K is a separate cost for drainage projects that are not paid by the Roads Reserve.
- 594 Equipment - we are replacing a tractor. We replace two mowers every 5 years.
- We have 300 acres to mow and 80 miles of roads with left and right banks. Labor is performed by seasonal employees. There is no problem hiring seasonal employees.

CPI comments:

- 325 Filing Fees – filing of permits, plans, approvals, etc. We maintain a folder on every OPA property.
- 420 Payroll – increase is due to reallocation of labor and training costs.

Bulkhead comments:

- A five-year plan is in place. We have three contractors willing to work.
- 399 Revenue - \$1.4M is transferred from the Bulkhead Reserve Account.
- 420 Payroll - DPW performs grade work, fills sink holes and performs repairs.

Marina comments:

- No capital requests.
- Per gallon fuel price is determined by benchmarking other market prices. We are 90 cents above cost, but still lower than our competitors.
- A 6 slip increase would cost approximately \$38K. This would be for Yacht Club patrons but comes with no additional slip revenues other than increased Yacht Club food and beverage sales. This is not in our budget.
- 420 Payroll – slight increase effected by State minimum wage increase.
- 390 Yearly Slip Rental - Recommending a 4% increase in slip fees, in line with our local market.
- 504 Contract Services – this line item is for dock security services on weekends. This is a must need.

Recreation and Parks Comments:

- The Bainbridge and Robin Hood playgrounds are being replaced at a projected cost of \$98K. They are all fully depreciated and in poor shape.
- 420 Payroll – small increase due to minimum wage increase. We hire approximately 20 seasonal employees for camps.
- 504 Contract Services – we contracted out janitorial services and saved +/- \$5K in internal employee costs.
- 665 Special Events – costs are increasing for events such as the 4th of July celebration and the addition of Bingo. Some events do bring in revenue.
- The gym and Assateague Room are in high demand. We will leverage the new Country Club to alleviate space issues for meetings and non-gym activities. There will be a 40 by 40 room for community use in the club house.

Police Department comments:

- Sibson recommendation is included in payroll projection.
- Police vehicles, 150K mileage limit, is a major replacement cost. One new vehicle is proposed for 20/21 replacement reserve.
- New Police officer training is 26 weeks and we spent \$90K training officers last year.
- Have an officer retention issue, we are 4 officers short. Pension is the primary reason for loss to other local Departments. See above recommendation.

Aquatics comments:

- 350 Member Dues – reduction is due to change in parking rates.
- 373 Coupons – people are purchasing more conservatively now and not buying as much in advance in advance.
- 385 Food Sales – projected reduction is due to elimination of food sales at S&R Club. Vending machines will remain.
- 594 Equipment Repairs and Maintenance – increase is due to change in policy that costs under \$1K come out of this budget line item and not from Reserve Replacement Funds.
- Aquatics needs a facility expansion – additional space for training and events. This is an action item.

Racquet Sport comments:

Pickleball:

- Pickleball has become a popular sport and revenue is increasing. We expect an additional Camp this summer (\$500.00).

Tennis:

- Tennis membership is waning. There may be an uptick in membership due to our newly hired, motivated tennis pro, who additionally, wants to add a kid's program.
- 504 Contract Services – projection remains the same. \$14K cost is to maintain the Clay Courts, which allow for more play time per season.

Beach Club Parking comments:

- 420 Payroll – increase is due to the addition of a bathroom attendant.
- 504 Contracted Services – this item is for a janitorial cleaning service which is performed in the evening.
- 688 Insurance – has increased from \$446 to \$2,100. We believe the previous insurance provider had outdated information. The new insurance provider assessed the property and determined the new rate.

Ocean Pines Association

Budget and Finance Committee

2020/2021 Budget Review Meeting Notes, January 8, 2020

Chairman Keiling called the meeting to order at 9 a.m., all B&F committee members were present. Non-Committee attendees: OPA: President Doug Parks, Director Steve Tuttle, Treasurer Larry Perrone, General Manager John Viola, Director of Finance Steve Phillips and Marketing and Public Relations Director Josh Davis, Director of Public Works Eddie Wells, Director of Aquatics and Operational Logistics Colby Philips, and Public Works Operations Manager Nobie Violante. There were no media representatives or residents in attendance. The GM's team participated in their individual sections.

Recommendations:

When building future annual budgets B&F recommends the full BOD take part in review meetings as active participants. This year, informed decisions were made due to the direct participation of Directors and Staff. We believe such a meeting can minimize the demand for OPA staff during any BOD follow-on work sessions. Likewise, it should also streamline the BOD's work session. The assumption is that this will not cause a disconnect with our by-laws and resolutions.

Capital Summary – B&F recommends the BOD approve all line items submitted with the following remarks:

- Sound system and side chairs/tables for Country Club will be moved into current year.
- Administration Parking lot – recommend the 28-parking space design.
- In addition to Greens Rebuild emphasis should be placed on the non-capital repair of hole number 8 with sod in rocky area at turn.
- Country Club Awning – funds should come from the \$1.6M BOD approved construction project. This is a core component of the new building and should be treated as such.
- Includes Photo Booth, which will be revenue producing. One of the top 3 requests from Matt Ortt.

- Bulkhead Reserve Increase – B&F recommends a \$50 increase in 2020-2021 assessment. Now that we are performing bulkhead work, we are approaching a pay as you go scenario for approximately 1200 linear feet per year. This will need to increase in future years as well.
- Sports Core Pool room addition recommendation for a partial contribution to new capital fund (+/- \$100K) for training and events space. This New Capital project requires more study, detail on costs/potential revenue, besides being socialized within the Community.
- Golf simulator at \$20K will be added to new capital for budget. This is a revenue producing item for play and club fitting.
- It is recommended GM prepare a list of the top 10 capital items not in the plan ideally in priority order.

Action items:

- GM will recreate capital page and summary pages reflecting changes to be distributed to B&F and the Board.
- Beach Club Exhaust Fan Replacement – due to the hostile saltwater environment which limits economic life of aluminum, consider sourcing a stainless-steel unit.
- Sport Core Pool will investigate adding fitness equipment
- Asphalt Paving Around the South Pond – This New Capital project requires additional study which must include storm water management plans to divert water that presently causes erosion of the existing gravel pathway.
- Upon the completion of projects and purchases, line items in the DMA report must be updated to adjust costs and economic life (in particular, the substantial cost increase in bulkhead linear foot replacement).

General comments:

- Country Club – awning and new sound system should be in place by the opening date. The motorized awning is comprised of four (4) 21-foot sections that will cover the 14' by 100' deck on the back of the building that faces the pond. The sound system will have outside speakers and is zoned for all rooms. Public announcements can be tailored to inside and outside events.
- Admin Building – replace siding, roof, and windows to match the new Police Department as the new building is directly connected to the existing Admin. Building. This will also reduce maintenance costs.
- Road Repaving – 3 to 3 ½ miles of roads will be repaved at the approximate cost of \$100K per mile. This cost includes milling.
- Beach Club/Tern Grill Tablets – needed for concurrent implementation with NORTHSTAR and are a replacement for the old MICROS system.
- Yacht Club Convection Oven – will provide additional capacity to get product out faster. Old unit will be auctioned.
- Bainbridge and Robin Hood Playground Replacement – replaces worn out and rusty equipment with safer, modern equipment.

- Bulkhead Replacement - Over the past five years, replacement cost per linear foot has increased from \$225.00 to \$355.00 or \$130.00 p.l.f. Loss of the S&R staging area and cost of materials has increased. The use of vinyl will extend replacement by 10 years.

Colby supplied spreadsheet as requested on the previous day detailing pool usage statistics.