

## **BUDGET & FINANCE MEETING MINUTES**

### **MS Teams Meeting**

**1/27/2021**

Attendees: Dick Keiling (Chairman), Brian Reynolds, George Solyak, Tom Piatti; Non-Committee: Doug Parks (Liaison), John Viola, Steve Phillips

Meeting called to order at 10:02 AM

No Public Comments

Minutes from 12/21/20, Jan. budget meeting, and Jan. budget meeting Executive Summary were approved.

#### **Summary by John Viola of 21/22 budget following Board review:**

John reported there was a thorough review by the Board and he appreciated their flexibility to address all key items, considering the bottoms-up department driven preliminary budget would have resulted in a significant increase to the assessment. John feels all was analyzed and rightsized to arrive at the \$35 proposed increase in assessment.

A significant item introduced following the B&F budget review was to use next year's \$350K of casino funding for much needed drainage work, in lieu of putting that money into the roads reserve. John expects we will also see savings in pipe repairs next year by utilizing a less expensive new approach to repair pipes with an injection process.

The racquet sports new capital projects were approved by the Board and will be funded in the current year. The contract for the new courts calls for 5 inches of gravel. The GM will investigate if some additional gravel depth is needed. If so, it may be accomplished with internal resources. T-docks is on hold to be evaluated in the coming months. The GM will advance this or not depending on the end-of-year forecast and cash availability. Further advancement of T-docks would first come through B&F and would require Board approval. The construction of T-docks is complex and would likely come from a vendor in Florida.

A question was raised concerning the parking capacity at the Racquet Sports complex. The GM agreed that this is something we will look at. The idea of paving the existing gravel lot presented environmental and cost/benefit concerns. It was suggested to the GM to have onsite staff periodically document parking to collect usage data. We realize certain special events may draw extra cars, which may not make sense to add additional parking for the occasional need.

Steve Phillips is in contact with our bank and prepared to move forward with our PPP post filing. Given we fall under the category of smaller PPP projects Steve can use the short form for filing. While the filing is not due until August he expects to file before the end of our fiscal year.

All members of B&F present agreed that any new capital expenditures have no relationship with PPP funding for payroll and related expenditures.

The Board did take the position in support of the full transfer from replacement reserves to the new capital reserve, up to the 10% cap set in the policy. This would put the new capital reserve balance at approximately \$250K, including the carry forward amount of \$87K (previously allocated for the Sports Core room). The money would be available to spend on projects in 21/22 or later, providing projects were earmarked within the budget cycle and get approved by the Board.

### **Planning Discussion for DMA Lite Review:**

Dick Keiling introduced his thoughts on preparing for a review and potential scope. This was broken down in two parts including DMA's role OPA's role. John Viola affirmed much of this and indicated they have already met to start the process. Linda Martin, our new Office Manager will assume the responsibility of managing Replacement Reserves for OPA. She will coordinate and set up initial meetings starting in February leading to a final report within this fiscal year. B&F is pleased that this previously postponed review is finally getting under way. This will involve working with department heads to update our asset and related information needed to complete the replacement reserve update. Doug Greene from DMA will be contracted to handle the proprietary DMA updates as well as providing necessary counsel.

Tom Piatti and George Solyak from B&F will work with Linda Martin and her team as we develop plans and work through the process. Tom will distribute the full DMA Reserve Study report to all B&F members to equate themselves with past work done. On 1-28-21 Dick Keiling requested Tom to take the lead as primary contact point for B&F on this work and for Tom and George to report back to B&F on progress. When a draft update is available it should be presented to the full B&F team by Linda Martin and/or John Viola for review. This may include Doug Greene in a review presentation.

### **December Financials**

We had a negative operating fund variance of (\$209K) for the month. Revenues were under budget by (\$39K) and expenses were over budget by (\$170K).

The big driver contributing to the above was a (\$248K) expense transfer to Drainage Reserve. Our maintenance work and projected surplus for the year allows us to do this.

Steve Phillips backed off our Bad Debt Expense accrual by \$50K consistent with our aging AR balances. Our Bad Debt balance remains a justifiable yet conservative position.

We booked a \$45K increase in General Administration revenue for our CARES Act Grant from the county. The grant has been extended to the end of the year and OPA can potentially utilize more of this grant.

Beach Club, Beach Parking and Marina's are all idle as of this time.

Aquatics finished positive for the month at \$5K. Good to see some pick-up in swim class revenue as well as continued prudent cost controls.

Yacht Club had a negative operating variance of (\$78K) for the month. Of the (\$51K) in revenue reductions (\$35K) was from banquets. Steve pointed out a misallocation in budgeted cost of sales, which creates an unfavorable variance in the food line. While these costs are in the YTD budget it does contribute to a significant negative monthly variance against plan. While we recognize December is a five-week month for payroll, a more in-depth review of salary and wages should take place with analysis against budget. PPP credits complicate this. The (\$10K) unfavorable variance in Other Costs is a result of a higher new contract with Matt Ortt for the payment of management fees. All management fees to Matt Ortt are fully booked as of December for the full year liability.

Clubhouse Grille also has missing budget dollars for salary/benefits costs. Steve will investigate this in conjunction with above.

The team reviewed Cash & Investments and Reserve activity.

Steve highlighted the \$162K prior-year loss on the balance sheet. It was reiterated that this would be cleared using the current year surplus forecast.

For next month B&F will receive additional detail on Matt Ortt's components in order to evaluate its helpfulness in our review.

#### **Other Comments/Questions**

Version 2 of the budget book updates previously provided via email should be filed in each of our budget books. If there are any additional changes, updated sheets will be forwarded to all by Steve.

Meeting adjourned at 12:00 PM