

BUDGET AND FINANCE ADVISORY COMMITTEE MEETING Minutes

April 25, 2023

Attendees: Dick Keiling (Chairman), Don Nederostek, Brian Reynolds, John Wherrity, Don Bonafede George Solyak, Monica Rakowski (Board liaison), Steve Phillips.

Absent: Yvette Tanious

Meeting called to order at 9:11 AM

1. **Public Comments:** None
2. **Approval of meeting minutes 3/28/2023:** Approved
3. **DK Set forth a motion to modify the agenda to add an item:**

Motion: B&F requests that Finance provide the draft of the 2022-23 audit report to include the analysis of doubtful accounts prior to submitting it to the auditors. Thus, giving B&F the opportunity to review the report and clarify questions.

Motion seconded by GS. Approved

4. **Summary of Investment Sub-Group Review:**

- B&F met with the Director of Finance and the Accounting Manager to review investments and investment procedures.
OPA uses two banks including the primary, or Bank of Ocean City (BOC) and Taylor Bank as a secondary institution replacing Pacific Western. Thanks to Don Bonafede's leadership, B&F previously reviewed and reported to the Board and the GM on both banks as being in a good financial position. Our Taylor Bank goal is to maintain 1-2 months of payroll and average operating/capital spend. The checking account will not exceed \$250K. When funds exceed \$250K they are automatically transferred to an Insured Cash Sweeps (ICS) account within the IntraFi network. IntraFi ensures funds are spread to multiple banks so no one bank has more than \$250K, all being FDIC insured.
The multiple operating accounts at BOC include a Main, Matt Ortt, Payroll, HRA/FSA and a Money Market. OPA moves money around these accounts on a regular basis throughout the month to meet its cash needs.
The BOC accounts will exceed \$250K as a practice of doing business. The amount more than the \$250K FDIC limit is insured through a pledged collateral agreement with FHL Bank Atlanta for ~ \$4M with Federal National Mortgage Notes. OPA is the pledgee or the institution who a pledge is given. In addition, money at BOC is placed into an ICS account, which gets spread,

like Taylor Bank, so no one bank has funds more than \$250K. With the pledged collateral and ICS, OPA is fully protected.

The OPA finance team is reviewing cash balances on a constant basis.

Per Resolution F-01 OPA is required to “Promote and assure the preservation of principle of all liquid assets” as our mandate.

Excess funds above immediate cash needs are moved to ICS or CDARS.

ICS will have a lower rate than CDARS.

Money is invested in CDARS based on projected uses of cash. As an example, we have a 1-year CDARS coming to an end just under 1% and a more current 6-month CDARS over 4%. We are working with shorter duration intervals in this current volatile rate period we are in. This could change as volatility tapers off. CDARS are also controlled for us using the IntraFi network, which BOC and Taylor Bank participate in. The network assures no one bank has more than \$250K and BOC and Taylor Bank will not use the same target bank.

T-Bill’s are an acceptable choice which is being reviewed as an investment option.

In summary OPA is operating within the guideline requirements of F-01.

5. Review Excel Action List:

- B&F request for additional detail on departments. Finance provided the March 2023 detail report for Parks and Rec. The report needs some minor modifications to match the same format as other reports in the financial package. We may have to ask again to have the report included as part of the regular monthly controller’s package? In other words, is it understood that B&F requested that this report be routinely included in the package?
- Policy and Procedure Manual: First draft of Policy Manual provided to B&F. Suggestions from B&F given to the Board. B&F will provide review of Procedures if deemed necessary. No other action at this time. Revisit in 3 months’ time
- OPVFD MOU: B&F has provided recommendation for a new MOU with OPVFD. Waiting on update of a Capital Campaign and Fundraising for new Fire House. No action at this time.
- JW questioned that there appeared to be a \$483K variance in the Equity reporting. After discussion and explanation from SP it was decided to have JW review the issue with SP to clarify the question and report next month.
- New Golf Carts: SP responded that the carts to his knowledge are on schedule.
- North Gate Bridge modifications: no update. As per last meeting, materials are on order.

6. B&F request for Draft Audit report:

- SP advised that the draft audit report should be ready to provide to B&F mid

to late June. This to include a review of doubtful accounts. B&F will review at that time.

7. Review March Financials/Matt Ortt Reports:

- There was a positive operating fund variance for March of \$1,939. Revenues were over budget by \$70,173; total expenses were over budget by (\$68,234). This results in a positive YTD operating fund variance of \$1,114,684. Revenues are over budget by \$1,015,479 and total expenses are under budget by \$99,205.
- Overall Racquet Sports are doing well against Budget
- Aquatics doing well against Budget. There was a question on the Utilities expense. Breakdown of the Utilities expense was 70K for natural gas, 40k for water and sewer and 27K for insurance. Utilities were still under budget YTD.
- Yacht Club and Club House Grill showed facility rental revenue. This, in fact, is not rental revenue but rebates from vendors to MOC for certain purchases above the MOC contract with their vendor. There was discussion on better reflecting this in the report. Possible put a “rebate credit category” in the cost of good section. SP to review with MOC.
- It was noted by B&F that there were significant amounts of dollars in the “other” category in expenses. SP explained the following that were questioned.
 - a. Yacht Club Other Expenses of \$546K: \$482K is MOC management expense and bonus accrual. Remainder is insurance.
 - b. Parks and Rec Other Expense of \$208K: Approximately 50% of this cost is for Special Events and most of the remainder is for Camp OP.
- Parks and Rec showed a negative variance in Special Events of \$41K. SP will review. It is noted that **overall P&R is performing well against budget**
- Overall, all departments are performing well against budget. There were no other items that stood out for discussion.
- Investments as of 3/31 do not show the investments moved to Taylor Bank as it was not yet completed. The April report will show the Taylor Bank investment. This was done to assure OP is well protected with the current banking atmosphere. It is noted that both Bank of OC and Taylor Bank are in good financial position.

8. Comments/Other Business/items: No other comments/business/items

9. Meeting Adjourned: 10:22am

