

BUDGET AND FINANCE ADVISORY COMMITTEE MEETING Minutes

August 22, 2023, Admin. Bldg. 9:00 – 11:00 AM

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

Public: John Latham, Jeff Heavner, Amy Peck, Sherrie Clifford, Stuart Lakernick (Board Member)

- 1. Open Meeting:** D. Keiling, called to order 9:08 AM
- 2. Public Comments:** None
- 3. Approval of Minutes 7/25/23:** Approved
- 4. Golf Irrigation Project Update**

GM provided an update. The Board approved a \$20K study, which is in progress. It is anticipated that a presentation will be made in October or November with more details. The pipes are approximately 50 years old. We are looking at a 4-year project of approximately \$800K per year (~ \$3.2M to \$3.5M in total). This funding is included in the DMA study. Contracting will be done one year at a time and the company doing the study will be one of the anticipated bidders. It is expected we will have more than one bidder for this referendum-based project. Work will likely be done one hole at a time in the November to March timeframe with no anticipated loss of revenue.

5. OPVFD Work Group Update from the GM

The work group consists of the Team Leader Ted Moroney, Josh Davis, Frank Brown, Eddie Wells, Dave VanGasbek (OPVFD President), and Steve Grunwald (Fire Chief). Frank Brown has provided designs allowing OPA to meet with contactors for discussions. The OPVFD has \$1,675M in grants and ~ \$1M in savings to apply to the project. The total cost of this referendum-based project is expected to be under \$8.5M. It is anticipated that final design, engineering, and lining up contractors will take 9 to 12 months following an expected Board presentation in October. Following that it will take approximately 12 months to construct, and the project will span two budget cycles. The GM will review and present different finance options including a possible mortgage.

B&F asked about a capital campaign as originally recommended by B&F. The GM advised B&F that the original fundraising contractor we were using withdrew from the assignment and there is no replacement or current work being done with respect to a capital campaign other than the existing work OPVFD has been doing for years. The GM advised any additional capital fundraising will have to be taken up with the OPVFD.

6. Follow on Questions From B&F After Our Review of Draft Year-End Financials

On 7/26 B&F submitted several questions to the GM and Director of Finance following our review. Most of the questions dealt with OPA's reserve for doubtful AR accounts. The GM along with the Director of Finance verbally responded to the questions.

It was confirmed that Assessment AR includes all original assessment billings, past due accumulating interest charges, and all legal fees. This year we wrote off \$108K against the Allowance for Doubtful Accounts Reserve. This was composed of \$87K in aged golf packages under Other AR and approximately \$31K of assessment receivables. The assessment receivable write-off is composed of negotiated OPA settlements or court settlements relating to outstanding liens. Last year's footnote reference to recoveries was explained and omitted this year. There were no recoveries in the past two years.

The GM's position on the reserve for Bad Debts is ultra conservative. All aging AR greater than 120 days old as of the Balance Sheet date is accrued for even though an undetermined amount eventually gets collected over time, usually following the execution of a lien or a negotiated OPA settlement. In addition, a formula approach is taken for AR less than 120 days old to establish an accrual for this portion of the AR. For our year-end financials the accrual for Bad Debts is \$781K with \$692K for all assessment related AR over 120 days and \$89K for the formula driven portion.

B&F was hopeful that data over the last 5 years where our attorney played the key role in pursuing AR collections and filing liens could be used to provide an analytical estimate as a different approach for establishing a Bad Debt Reserve.

The GM stated that unless directed otherwise by the Board the current approach described above is OPA's policy and will continue.

7. Review July Financials

OPA had a POSITIVE operating fund variance for JULY of \$140K. Revenues were OVER budget by \$221K and total expenses were OVER budget by (\$81K). We have a **POSITIVE YEAR-TO-DATE** operating fund variance of \$302K. Revenues are **OVER budget** by \$367K and total expenses are **OVER budget** by (\$65K). This overage for expenses is amenity driven, which is (\$141K) over budget in total.

As we have been doing the team reviewed each page of the published financial report.

A question was asked why Police was positive \$366K for the month. This was due to the \$475K of grant money hitting in July.

General Admin had positive Wages and Benefits of \$5K and positive Services and Supplies of \$14K for the month.

Parks and Recreation had a (\$22K) unfavorable Special Events revenue variance for the month. (\$5K) of this was for the 5K Race that did not take place. The remaining variance is mostly timing related.

For Tennis Steve P. did a true up adjustment resulting in a (\$9K) credit for Tennis revenue for the month. This resulted in revenue being allocated to Platform and Pickleball.

For Racquet Sports in total, it was noted that we are \$13K over budget in Salaries and Wages for the quarter. We were advised this would trend slightly higher going forward but should flatten out over time when compared to the budget. In looking at membership increases Tennis is up 3 members over last year at this time, Platform is up 15% or 9 members and Pickleball is up 17% or 39 members. This is all good growth. Likewise, Tennis revenue is up \$2K, Platform is up \$3K, and Pickleball is up \$24K over prior YTD revenue for the same time period.

YTD Aquatics revenue is \$53K over budget and \$40K over last year for the same time period. Swim memberships are up 9% or 78 members over last year. YTD Wages and Benefits are (\$25K) over budget. This is in large part due to the increase in wages for our lifeguards.

Golf continued to show positive results for the month at \$63K over budget for revenue and YTD \$141K over budget. Compared to last year, Golf revenue is up \$115K YTD. Golf Services and Supplies are over budget by \$10K for chemicals tied to the hot weather. In the future Golf Ops and Golf Maintenance will be split out for our review.

YTD Clubhouse Grill has \$37K of net revenue favorability with YTD margin improvements for each of food, liquor, beer, and wine over last year for the same period.

The Beach Club recovered from June's unfavorable weather with positive net revenue of \$48K for the month and \$32K YTD over budget. Wages are on budget for the month and YTD. In addition, wages are flat with last year.

Beach Parking has a YTD positive Net Operating Balance of \$37K vs budget and \$8K ahead of last year.

The Yacht Club's Net Revenue was a positive \$85K for the month and on budget YTD. July made up for June's bad weather month. YTD Wages have a favorable balance of \$14K vs budget and \$55K below last year. YTD we are fully accrued for the Matt Ortt bonus in Other Costs. We are seeing YTD improvement in margins compared to last year for food, liquor, and beer/wine. A question was raised on credit card fees, which for the Yacht Club are \$34K YTD. A question was asked if we should pass these on to the customer as more businesses seem to be doing. It was decided we would invite Matt Ortt to our next meeting for an overall review and will seek his advice on this issue.

For the Marina, Net Operating results are (\$7K) below budget for the month and (\$31K) below budget YTD. This year we have had a high number of small craft advisory days. In addition, some additional competitive capacity has been added on the Ocean City side with an increase in fuel pumps. We are also seeing an increase in Wages vs budget and will continue to monitor.

Cash investments have a series of upcoming Maturity Dates for CDARS and Treasury Bills. The Treasury Bills are giving us good leverage on CDARS. We have \$6.1M in a 12-month CDAR coming due in August, which will allow us to capture a higher interest rate in the current market.

8. Meeting adjourned 10:52A