

## **Budget And Finance Advisory Committee Meeting 8/24/2022 Meeting Minutes**

**Attendees:** Don Nederostek, Brian Reynolds, George Solyak, Tom Piatti, (in person), Dick Keiling, Don Bonafede, GM John Viola, CFO Steve Phillips, Acct Mgr Mark Swift, Director Doug Parks, Director Stuart Lakernick (Via MS Teams).

**Meeting called to order:** 9:00A

**Public Comments:** None

**Approval of Meeting Minutes from 7/25/22:** Approved

**Discuss Reserve Review Steps and Updated Forecast if Available:**

GM and CFO briefed the committee on the new Maryland HOA Reserves law and how it may impact OPA finances. A key provision in the legislation mandates that HOA's must have a qualified, outside firm complete and/or review a capital replacement reserve study within 5 years. OPA already has a qualifying reserve study completed in 2018 by the firm, DMA. A thorough update to the study was performed by DMA in 2021. OPA Finance Dept actively monitors needed changes to the study and plans on making annual updates to the study going forward. While the legislation does not mandate maintaining a specific percentage of reserve funds, OPA policy targets a 22-28% range for our general replacement reserve account.

The reserve study includes an 'inflation factor' which adjusts targeted funding from year-to-year, currently set at 3.08% per year for the next five years. Given the current state of monetary inflation this year, the discussion included how best to adjust this percentage going forward, using either a static percentage or switching to a variable factor. DMA has recommended maintaining a static percentage, adjusted up slightly to accommodate current inflationary conditions. GM informed that DMA will be providing a report to help guide any decision regarding adjustment of the study's inflation factor.

OPA management has recently received various member and media requests for more information regarding OPA's reserve study. The reserve study reports are freely and readily available via OPA's main web site or a hard copy will be made available at the admin office for someone to view.

Regarding the Bulkhead Reserve fund, it was noted that OPA currently uses a 'pay as you go' funding method based on the number of linear feet of bulkhead that is replaced each year. GM solicited an opinion from the B&F on 'pay as you go' and B&F agreed that this seems to be working well and recommended maintaining this funding method. It was also noted that the bulkhead reserves are for OPA common area bulkheads only, there is no reserve fund or Balance Sheet value carried for member-owned bulkheads. GM advised that we are at the end of our current 4-year bulkhead replacement plan and a new 4-year plan will be forthcoming.

Regarding the Road Reserve fund, GM acknowledged B&F's past recommendation that the funding levels in this reserve must be increased based on the replacement schedule dictated in the DMA reserve study. GM supports any increase and is considering how best to achieve this goal. GM reminded attendees that road conditions are actively checked, rated, and tracked by Public Works and that OPA will continue to target 3 miles of road replacement per year. GM said he would share the PW roads detailed schedule with the committee after this year's updates. GM noted that the Road Replacement estimates likely carry costs associated with replacing the road base. The GM believes experience with the past 9 miles of roads done and an engineering report when the Clubhouse was built that our road base is in excellent condition. He is open to consider a further engineering study if requested. Assuming future work on roads will not involve the road base, the \$100K along with this year's contract creates a reasonable estimate per mile. This will certainly impact the revised road forecast for reserves going forward.

### **Review July Financials:**

- We had a POSITIVE operating fund variance for JULY of \$118,439. Revenues were OVER budget by \$97,819 and total expenses were UNDER budget by 20,620.
- We have a POSITIVE YEAR-TO-DATE operating fund variance of \$532,809. Revenues are OVER budget by \$497,695 and total expenses are UNDER budget by \$35,114.

Details noted by B&F included:

- Overall budget favorability driven by Food & Bev, Golf, and Aquatics
- Amenities (Net) favorable to budget YTD by ~\$503K
- PW/Genl. Maint. favorable to budget YTD by ~\$100K attributable to unfilled staff positions
- Tennis off slightly from budget ~(\$2K) while Platform Tennis and Pickleball are favorable ~\$7.5K and ~\$17.8K respectively
- Significant YTD Utilities savings among several depts including Aquatics, Golf, and Yacht Club
- Beach Parking Wages/Benefits YTD favorable to budget by ~\$8.8K attributable to staffing issues
- Yacht Club Facility Rental YTD significantly down from last year, CFO will query Ortt for explanation
- Yacht Club Other Costs YTD up significantly over budget and prior year, Ortt Contract bonus/profit sharing estimates are now being accrued monthly to Other Costs and will level as fiscal year progresses. Cost of Goods for liquor and food as a percentage of revenue is significantly larger at the Clubhouse Grill compared to Yacht Club and Beach Club. Steve P. is going to ask this question of Matt Ortt.
- Marina Fuel Sales up significantly due to market price/gal increase, however Net Revenues are flat due to increased Fuel Cost expense
- New Capital Reserve fund is negative balance ~(\$49K) through EOM. Once transfers are made from our prior year surplus to be approved by the Board this will result in a positive balance going forward. Mailbox cluster replacement is being funded via New Capital. Once the new clusters are in place, they will be added to the Reserve Study for future depreciation/replacement.

- Balance Sheet A/P up ~\$270K over last year, some bigger ticket invoices are pending payment, e.g., pickleball courts, culvert upgrades, etc.

#### **Review Excel Action List:**

- Additional Cost Center reports have been developed and will be included in the Controller's monthly reports going forward. Accounting Manager took lead and was credited for developing these new report pages. It is nice to have this skill set as part of our new staff.
- Updates to the Policy and Procedure Manuals are moving closer, GM wishes to move forward, will need to seek direction from Board to move forward.. Director Parks noted that he has worked on the Policy manual, which is under the purview of the BoD, and he will bring that draft document before the full BoD at a future meeting. GM will guide updates to the Procedures manual with OPA staff and possibly a workgroup. B&F will re-engage with local technical writer to determine interest/needs.
- George and Don N will continue to aid GM regarding hiring issues and will review with GM for closure. Various job descriptions are being worked.
- GM reported on progress with OPVFD MOU and new fire station activities. Workgroup consisting of GM, PW Director, OPVFD President and Chief, and past BoD member Ted Maroney are working on an RFP for the firehouse. B&F provided report that firmly establishes that the OPVFD owns the southside fire station and the land it sits on. It was agreed that much work needs to be completed prior to the drafting of a new MOU or even a property lease. B&F continues to raise concerns regarding Capital Fund raising efforts and status of the Northside fire station. The Ted Moroney led project team will be looking at contracting with a professional fund raiser for a capital campaign, which was one of B&F's recommendations. Director Parks was ok with B&F giving a copy of our MOU report to Ted Moroney. B&F reiterated its position questioning the need for the North Station given all EMS activity will be consolidated at the renovated or new South Station. This needs to be resolved before we can fully address a South Station project. If the North Station is to be used as a satellite fire station it needs a thorough transparent justification including any impact on homeowner's fire insurance premiums. If the justification yields a need for a satellite fire station is a smaller building in order? It was noted again that there is no capital reserve fund for the Northside fire station.

The GM suggested B&F prepare a letter to our Board Liaison with our team's concerns about the North Station.

#### **Planning dates for future meetings:**

B&F Chair indicated that we would wait for the BoD to schedule their monthly meetings before planning the committee's next meeting dates.

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

Progress on the North gate bridge re-hab was discussed. Four corner overhead lights are installed and operational, the smaller bridge lights have been delivered and scheduled for installation in the next few weeks. Metal guard rails dictated by the county are still in progress.

B&F asked about what can be done to improve the aesthetics of area vacated by the old guard shack. Landscaping and/or seasonal decorations will be considered.

Maryland State-mandated police body cameras and support equipment are being provided via a lease with AXON Corp and will be a recurring operational police expense.

**Adjourn:** Meeting adjourned at 11:17A