

MINUTES OF AUGUST 3, 2018 BUDGET AND FINANCE ADVISORY COMMITTEE

RESERVE STUDY REVIEW

Attendees:

From Committee: John Viola (OPA Treasurer and chair of the committee), Frank Brown, and Dick Keiling. Mr. Viola was given prior permission by John O'Connor and Larry Perrone (two absent committee members) to serve as a proxy for them on matters requiring committee votes at this meeting.

From OPA Staff: John Bailey (General Manager of OPA), Steve Phillips (OPA Director of Finance) and Pat Cashman (IT Manager)

From DMA via conference call: Doug Greene (Principal of DMA)

Others Invited by B&F to Attend: Marty Clarke (Association Member) and Gene Ringsdorf (OPA Assistant Treasurer)

Guests: Ted Moroney (Director), Pete Gomsak (former Director, former Treasurer and former Assistant Treasurer) and members from the local press.

Major/Decisions Discussion Points:

- The nomenclature "General Reserve" will be changed to **General Replacement Reserve** to more precisely identify the purpose of the reserve funds
- ATG will demo their software within the next six weeks per John Bailey
 - After the demo OPA should have a clearer of which software package should be chosen
 - Time is of the essence for this decision if a successful transition to the new software prior to the 2019 summer season is to be accomplished.
- John Bailey said the \$496,138 in the reserve study for FY 2018-2019 is adequate to obtain all software needed.
- Per John Bailey, the latest total estimated costs to complete the second floor renovation of the Country Club building is \$1,219,803.
 - This estimate may change as bids are received from contractors and final choices are made from the Add/Alternate list.
 - The Reserve Study dollars for 2018 contains a slightly larger amount and is sufficient for the second floor renovation work (\$1,386,585)
 - The second floor renovations now envisioned will result multi-purpose rooms and facilities that benefit the entire association with benefits to golf operations being far surpassed by non-golf functions
- To address the needs for additional space for the Police Department within the Administration Building, Mr. Bailey will propose that the current building be expanded by approximately 1,800 square feet.
 - It was mentioned that the costs associated with adding the 1,800 square feet should be classified as New Capital and the needed funds should not come from the General Replacement Reserve
 - The estimated cost for the Administration Building renovation work under the expansion concept is \$600,000
 - Construction would take place in FY 2019-2020

- The amount above includes \$50,000 for A&E work to be done in FY2018-2019 and is in the approved budget
 - The Reserve Study identifies only \$462,944 for renovation of the Administration Building
- Future bulkhead work estimates may be impacted by where materials would be stored/staged for bulkhead work.
 - The use of the Swim and Racquet area for storage/staging material is under discussion as property owners near the area are requesting that the practice of storing/staging material there be discontinued
- Roads and Bridges Reserves garnered much discussion
 - All agreed that this reserve is severely underfunded versus the road improvement work needed to be done throughout the community
 - The reserve is currently funded by
 - Casino Funds (\$325,000 per year)
 - State/County funds (\$56,880 most recent)
 - All agreed membership will need to start contributing to this fund annually.
 - Funds in the reserve study identified as North Gate Expenditures were thoroughly discussed
 - Even though the State of Maryland says the bridge is structurally sound, OPA staff feels the traffic flow to and from the bridge needs to be studied
 - It could be that the bridge is functionally obsolete as current levels of traffic flow to and from the bridge were not anticipated when it was built.
 - If these studies, etc. are pushed out to future years, other needed road work will take its place.
- RESERVE STUDY DECISIONS:
 - General Replacement Reserve:
 - After much discussion the Minimum Threshold level was set at \$1,000,000.
 - This represents an amount at which the ending balance of the General Replacement Fund should never fall below.
 - This represents a “contingency” for unforeseen events or cost over-runs.
 - 3% was established as the Anticipated Construction Inflation Factor
 - 4% was established as the Annual Contribution Escalation Rate
 - 2% was established as the Income From Invested Reserve Funds Rate
 - Bulkhead Reserve
 - The Minimum Threshold level was set at \$250,000.
 - 3% was established as the Anticipated Construction Inflation Factor
 - 4.2% was established as the Annual Contribution Escalation Rate
 - 2% was established as the Income From Invested Reserve Funds Rate
 - Roads and Bridges Reserve
 - The Minimum Threshold level was set at \$500,000
 - 3% was established as the Anticipated Construction Inflation Factor
 - 3.7% was established as the Annual Contribution Escalation Rate
 - 2% was established as the Income From Invested Reserve Funds Rate
 - \$450,000 was determined to be the contribution amount for FY2019-2020 which, along with the other existing funding, will fund the needs for that year