

BUDGET & FINANCE ADVISORY COMMITTEE MEETING

06-23-2021 MEETING MINUTES

Attendees: Dick Keiling (Chairman), Tom Piatti, Brian Reynolds, Yvette Tanious, Don Bonafede,(via MS Teams) , George Solyak, Don Nederostek, Doug Parks (Board Liaison, Via Call in), John Viola, Steve Phillips

Public Attendee – Gary Boggs

Meeting called to order 9:02AM

- 1. No Public Comments**
- 2. Minutes from the 4/28/2021 Committee Meeting and Minutes of Committee Work Session meeting of 5/26/2021 submitted and approved.**
- 3. Due to John Viola and Steve Phillips attending an unexpected meeting and not attending until 10am. The agenda was adjusted to accommodate this change. All were in favor of the adjustment.**
- 4. The B& F committee was tasked with the review of the related B&F resolutions. From the review B&F presented to Doug Parks the following proposed changes to the resolutions of the bylaws.**
 - **Resolution F-01 - No Changes**
 - **Resolution F-02 - Section 2. Authority:** This section should be modified as follows essentially indicating GM is responsible to develop budget and B&F's role is to review the budget: Section 5.14 of the By-laws of Ocean Pines Association, Inc. requires the Board to approve a budget prior to the beginning of the fiscal year. Section 9.04 assigns responsibilities to the GM for the development of the budget and the Budget and Finance Advisory Committee for reviewing the budget.
 - **Section 4.f Limits of Authority:** This section should be changed replacing the word "shall" with "should".
 - Section 7.a Monthly: This section should be changed replacing the word "shall" with "should"
 - Section 7.b Quarterly: This section indicates the GM should provide quarterly forecasts. B&F recommends that the practice of quarterly forecasts be requested by the Board
 - **Resolution F-03 - B&F recommends A new reserve category e. should be added as follows:**
 - e. **Drainage.** This reserve is for the maintenance of the Association's drainage.

- **Resolution C-03 - Budget and Finance Advisory Committee ; Section 3. Functions. c. Change as follows: “including meeting with the auditors as necessary”.**

D. Parks asked if the intent of the wording change from Shall to Should would give the GM the discretion to decide on the need to review the variance of a budget item over 5%. B&F responded yes that was the intention of the change. D. Parks responded that the above changes were reasonable.

D. Parks directed B&F to send the above recommendations to the Bylaws Committee for their review and input. D. Keiling to send the information.

5. Policy and Procedures Manual:

B&F presented to D. Parks the recommendation that OPA complete the combined Policy and Procedures manual this fiscal year. This has been recommended by B&F over the last two years. This work should be spearheaded by the OPA staff who perform the work. There was a draft of the Procedures Manual started in 2010, while the Policy Manual dates to 2006. We recommend that a technical writer be contracted to best format and record the input provided by the staff. The Budget and Finance Chair has a lead on a retired OPA resident with 40 years of technical writing experience for consideration. The completed manual should be available on-line to all OPA staff and the community. B&F remains available to review draft outlines and documents. Dick Keiling will arrange for the technical writer to meet with John Viola.

6. B&F Committee member Y. Tanious asked if OPA charges a fee for short term rental properties. There is no such fee. The county does charge a fee to those that are registered with the county. It is noted that the OPA Board is currently addressing and working on a policy for Short Term Rentals. The Short-Term rental issue is not within the B&F Committee’s purview.

7. Review of The Matt Ortt Contract

- **Sec 2.7 Customer Surveys**

Manager shall conduct continuous surveys to determine customer satisfaction and provide the results of said surveys to Owner once per month.

B&F requests to verify that this is happening, and actions are taking place to address issues including food quality. J Viola responded that during the Pandemic this survey process was discontinued. Matt Ortt to restart the program and provide the survey cards and results of said survey.

- **3.3 Nondiscrimination**

Is Matt Ortt doing background checks? While they are responsible for employees including OPA indemnification, OPA is still vulnerable to being pulled into a lawsuit and resulting bad press. J. Viola responded that Ortt Companies are totally responsible for their employees. However, the concern is understood. J. Viola to discuss further with Ortt company.

- **4.7 Inventories of Food and Supplies**
What is being done with respect to inventory management and reporting?
J. Viola responded that any shortages in the inventory ultimately falls on OPA. Matt Ortt is responsible for assuring correct inventory. At year end, OPA observed sample counts of inventory and tied these counts into the inventory. In addition, Inventory is monitored daily with monthly inventory counts reports. The auditors also tested the inventory amounts through their procedures.
- **6.3 Audit – B&F questioned if OPA receives Matt Ortt audited statements.** As Matt Ortt is a private company and all of his business fall together it is not practical to receive the audited reports. After discussion it was decided that there is little benefit to OPA to receive the audited reports and this issue was closed.
- **B&F requests that Matt Ortt have a year-to-year comparison for Clubhouse similar to the Yacht Club and Beach Club.** If this is included this report will become meaningful. In addition to monthly combined club financial performance, we should have a YTD combined report. Matt Ortt to provide these reports.

8. April Financials:

- **Maintenance (\$45K) unfavorable for month on Operating Summary? Timing or unplanned maintenance?** This was the accrual for Terra Firma maintenance/repair work at Racquet Sports (work performed in April). Terra Firma did not correctly mark the lines on the courts after the repair. This was addressed with them and adjustments to the billing will take place. A second company was found to reline the courts correctly. The adjusted cost from Terra Firma will cover the cost of the new company doing the corrections. It is not certain at this time if the adjusted cost will cover the cost from the new vendor.
- **Accounts Receivable is \$2.2 million less than the previous year.** S. Phillips responded; Steve corrected this in the meeting he was thinking payables not AR in his written response. We have adopted a very conservative approach to accruing in the Allowance reserve. Auditors recommend a conservative approach. Now that we have navigated through COVID we will relook at this area. J. Viola said the final reserve balance is being reviewed with the auditors and it has not been finalized. B&F supports some conservatism here but also recommends that the reserve balance should be business sensible given our history of write-offs. An example was given that if we find a short fall in the General Reserves for replacement of assets some sensible balancing could be done with the excess in the Allowance for Bad Debts.
- **B&F previously asked about getting monthly financial detail pages added for missing depts, e.g., GA, Finance, PW, etc. to aid in reconciliation.**
J. Viola and S Phillips explained that the current system is unable to generate these reports. It would require a custom report set up. This will be investigated further as to how to get these reports. We all agree it would be

good to have these. S. Phillips will need to develop reports to properly summarize this information. As time permits down the road this is something he will do. For now, information will be provided as it is needed.

- As part of the year-end assessment, B&F reviewed the need for the updating and combining of the Policy and Procedure Manual as B&F presented to D. Parks earlier. J. Viola explained the history of this project in that years ago it was started and work has been done but never completed. It is a worthwhile project, but one that requires time and money. Currently no money in the budget for this. S. Phillips explained that OPA has the policies and procedures in place and update as needed, just not in one combined manual. D. Keiling advised that it is B&F's recommendation to the Board that OPA reviews and updates all policy and procedures this fiscal year and a technical writer be contracted to finalize documents. There is a retired technical writer that Dick knows that may be a less expensive option rather than a full-time consultant.

9. May Financials:

- J. Viola – Positive operating variance of \$532,746. Revenues over budget by \$380,136. Expenses under budget by \$152,610. New memberships are up and new revenue accounts for about \$250K. This performance is due to timing and organic growth. Aquatics has a plan in place to address the negative budget.
- S. Phillips reviewed the department detail. Public Works and General Maintenance expenses are under budget by \$49K. Mostly a timing issue. Police under budget primarily due to payroll cost. Racquet Sports revenue up due to increase in memberships. Aquatics is up in membership. Beach Parking is strong as membership has increased dramatically over last year. Tennis has a positive to budget expense for service and supplies of \$14K. This is primarily the cost of the resurfacing of the courts. This will catch up upon the payment for this project.
Positive variances for amenities memberships include: Tennis – \$14K, Platform Tennis \$3K; Pickleball \$21K; Aquatics \$39K; Golf \$2K; Beach Parking \$117K
Other positives for the month are Club House Grill net operating \$18K; Yacht Club \$35K; Marina \$205K. it is noted that Aquatics is short on staffing, life guards and swim instructors. With college out now it is expected to remedy that situation. Yacht Club labor is over budget; however, it is noted that revenues are up and this is off setting the labor cost increase. The Yacht club is busy.

- B&F asked if the labor in the racquet sports had been balanced out to assure allocations to each of the sports is accurate. S. Phillips advised this has been done.

10. It is noted that the PPP money is forgiven and OPA will not have to pay that back. The PPP money was 100% used for payroll costs.

11. Retained Earnings: J Viola reviewed his plans for the \$1.245 million in positive operating variance for 2020-2021 year that ended April 30.

- \$162K still remains from the carryforward operating deficit. \$162K will be used to cover this remaining deficit completing the repayment plan. B&F is in agreement.
- Part will be allocated to drainage.
- Part to be allocated to road reserve
- Part to Pickleball courts
- Possibly some to the "T" docks.

12. Mailbox Clusters:

- There was a repair on the cluster at High Sheriff Trail.
- Improvement of mailbox clusters has the cost of \$3500 for the concrete pads. \$1700 per cluster.
- Question still remains as to who owns the mailbox clusters. It is thought by some that the clusters were turned over to OPA in 2014. D. Parks is looking into this. J. Viola was told there is a letter to confirm this. Letter has yet to be provided. Mailbox clusters are not on our asset list. Letter will be located.
- B&F continues to recommend a cleaning and possibly painting of the mailbox clusters to improve appearance. B&F was not in favor of the pavilions over the mailbox clusters presented previously.

13. J. Malinowski & Justin Hartshorne presentation on New Turf Mower:

- The purchase of the new turf mower was in the 21-22 budget at a cost of \$35K
- Since that time the cost has escalated and now cost is \$49K which includes the necessary attachments.
- Justin stated the old mower can be sold for \$8K-\$9K which would offset the new cost. New expense would be about \$40K-\$41K.
- Delivery time is approximately 3-4 months
- B&F in agreement to proceed with the purchase. OPA Board must approve the purchase at the new cost.

14. Other comments/questions

- A discussion occurred on OPA's policy for the use of racquet sports facilities for tournaments sponsored by clubs. There was \$10K built into the budget this year for tournament proceeds. Following a recent pickleball tournament OPA received a \$500 donation from the Pickleball Club. Since this will not satisfy the additional revenue built into the budget OPA will sponsor a tournament to address the short fall. Fixing the budget with an added tournament is a good thing, but more importantly OPA needs to address obtaining future facility fees if tournaments will utilize our facilities. J. Viola agreed and will be addressing this for the future.

15. Follow up items from meeting:

- D. Parks/J. Viola – investigate ownership of Mailbox Clusters. Report next meeting.
- Resolution changes in item 4 above. D. Parks to present to OPA Board. Result to be reported back to B&F. D. Keiling to send proposed changes to the Bylaws Committee.
- Report on final use of retained earnings once determined.
- Staffing for Aquatics, are positions filled? Report next meeting.
- Mailbox cleaning. Will it take place? J. Viola to report next meeting.
- DMA Study, where does that stand? J Viola to report. Note this was not a question at this meeting, but is an open item.
- Policy revision for the use of racquet facilities in sponsored tournaments
- Verify Ortt restart of F&B Survey cards
- Verify J. Viola further discussion with Ortt Company employee background checks.
- Verify Ortt is providing the requested new reports, Y-T-Y Clubhouse Grill comparison, monthly and yearly combined all clubs.
- OPA Finance to investigate effort required to get other dept detail pages added to the monthly financials report.

16. Motion to adjourn meeting. Motion passed; Meeting adjourned 11:54am